

KEMI-TORNIO UNIVERSITY OF APPLIED SCIENCES

Scenario Planning For Small Construction Company's Growth

Case: Jhapali International Engineering and Builders

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ABSTRACT

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The objective of this Bachelor's Thesis is to analyze the business nature of the case company: Jhapali International Engineering and Builders (JIEB). Moreover, the second objective of this thesis is to provide clear picture regarding the concept of scenario planning for the case company, and to develop strategy in the form of scenarios in order to guide the case company to achieve its mission and vision. JIEB is small construction based company located in Jhapa district of Nepal. It is specialized in taking project to complete public construction work that is financed by the government of Nepal. Major works of JIEB includes construction of roads, bridges, dams, canals etc.

For carrying out this research, various topics were studied. Literature reviews were made into the topics of small businesses and their operating environment. The mission and vision of the case company were studied. Furthermore, the concept of scenario planning, and scenario planning practice in small companies were studied through literature reviews.

The main method used in this research was single-case holistic study. The research approach used was qualitative. Numbers of semi-structured interviews with the owner of the case company were conducted in 2011 and 2012. Moreover, documents analysis, literature analysis, and observation techniques were used for data collection. The case company has not adopted the approach of SP in its corporate strategy. Therefore, throughout the research work I focused on presenting a clear explanation of effectiveness of SP in formulating long-term corporate strategy.

The results of this Thesis reflect the following findings: analysis of current situation of the case company, development of a strategic alternative, and recommendations concerning the use of SP in the company's strategy.

Key words: Jhapali International Engineering and Builders, scenario planning, small company, construction company, strategy

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LIST OF CONCEPTS

Stakeholder: A person who has particular interest in a company. For example, banks in providing loans, suppliers in providing materials.

Blue-collar: Physical labor mainly paid on hourly or daily basis.

Mason: A person skilled in cutting, dressing, and laying stone in buildings

Carpenter: A person specialized in making and repairing wooden objects and structures.

Overseer: A person who supervises workers and others, head of supervisor.

Asphalt: Mixture of dark bituminous pitch with sand or gravel, used for surfacing roads, flooring, roofing, etc. (Oxford Dictionaries, 2012; Thapa 2012.)

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1 INTRODUCTION

Modern companies operate in a time of increasing uncertainty, from the introduction of new markets, technologies and business models to the challenges of climate change and instability (Turner 2008, 1). Therefore, in order to remain competitive in dynamic environment companies today need to anticipate changes in formulation of strategic plan and should be willing to accept business activities accordingly (Johnston & Gilmore & Carson 2008, 1170). Realizing the future uncertainty and market situation, firms compete in the market with their competitors by developing strategies with a focus on organizational change (Mazzucato 2002, 1). Mazzucato (2002, 1) furthermore argues, an action of a company is considered strategic when the strategy allows the company to become superior to its competitors and, when company sustain this competitive advantage over its competitors. As from above I can confirm that it is very important for companies to make strategic decision for the survival of their business. Moreover, I can conclude that companies make such decision by considering uncertainties. This underlines the link between the thinking of the future and strategic action, thus this link is defined precisely with the concept of scenario planning (henceforth SP) (Lindgren & Bandhold, 2003).

According to Ringland (1998), “Scenario planning is that part of strategic planning which relates to the tools and technologies for managing the uncertainties of the future” (cited in Lindgren & Bandold 2003, 21). van der Heijden (2002, 2) describes SP as the capability of organizations to find out what is happening in their business environments, to find out what it means, and then to response it with the level of knowledge. Phelps & Chan and Kapsalis (2001, 223) suggest that SP answer on the matters associated with formal planning methods by providing an approach to flexible planning, taking into account various possible alternative views of future.

The study of this thesis is based on analyzing the business nature of the case company, i.e. Jhapali International Engineering and Builders (henceforth JIEB) and developing future based strategy in the form of scenarios in order to guide them towards achieving their mission and vision. Shortly, JIEB is a construction company located in Jhapa district of Nepal (Dhital 2006). It was established in 2009 by Mr. Mausam Thapa who is

also managing director (henceforth MD) of the company. After running the company for more than two years, Mr. Thapa expects to increase the company's turnover during the next three years of time and to prepare for the next level of challenges in its nature of business. Simply, it indicates that the case company is seeking for growth in terms of revenue and the market leader in the type of business it operates. As was previously discussed, development of strategic decision or strategic planning is very important in a company's survival and becoming market leader. Hence, SP can be the best solution tool for matching JIEB expectations.

1.1 Background and motivation

My motivation to do research in this topic was generated when I visited my home town Jhapa district of Nepal in March 2011. My first impression while visiting my home town after spending about four years in Finland was that Jhapa had become more urbanized than it was in 2007. Numbers of projects were running for constructing big and small roads, bridges, and buildings therefore, I could clearly see the scope of the local construction companies. During my stay from March-May 2011, I had an opportunity to observe and participate frequently in JIEB activities because of the fact that I have a close tie with Mr. Thapa who is the MD of the case company.

I conducted the first informal interview with him in March 2011 and it was very helpful for me. It was helpful in the sense that it provided me with details about how small firms are operating in the local market and what kind of business environment they are operating in. Besides this, I am also well known with the business environment of case company located area since Jhapa district is also my hometown. As was previously discussed, JIEB is aiming to increase its turnover and to be prepared for increasingly challenging works in future. I quickly realized that JIEB to reach this milestone must come up with an effective strategy. Moreover, the strategy should also ensure them to be better than their competitors and to sustain their competitive advantage (Mazzucato 2002, 1). Therefore, I decided to develop strategies for JIEB in the form of scenarios. It is an opportunity for me to apply my knowledge in practical life since I am a degree student in the field of business. Furthermore, succession of this research can motivate me in further research of similar kinds.

Similarly, another motivation factor is the scope of the construction company to make sound profit in the Nepalese market context. There is scope in Nepalese construction market because of number of projects running in the country to construct big and small roads, bridges, dams, and buildings etc. I am grown up seeing my father's involvement in such construction business for more than 18 years and still he is actively involved in the business. Planning these resources such as staffs, finance, materials, and quality was part of his work. Planning these resources also relates to building sound relationship with its provider such as labor providers, materials supplier, and financing companies. Moreover, the business is also about relationship with customer who examines the quality of work. Participating in his activities, and observing it since my childhood was always interesting for me. Furthermore, I can also analyze my observation and experience of those days for planning of deploying resources in JIEB in order to achieve their goal.

Additionally, another motivating factor for this research was dissatisfaction that arise by the use of traditional planning and working method in JIEB. The company is taking on small projects that can be well managed by under educated but professionally experienced members. From the interviews I carried out with Mr. Thapa, I came to know that the company is newly established and there is a certain limitation on work that it can do. Currently, it is only able to do a number of small projects where the worth of a single project should not exceed 6 million Nepalese Rupees (henceforth NRP). According to Nepal Rastra Bank (henceforth NRB) the foreign exchange rate as of 14th May 2012 is that 1 Euro is equivalent to 110.44 NRP. Mr. Thapa informed in the interview that he is willing to anticipate change in the company's strategy to compete in future challenges which the company will face. Mr. Thapa mentioned that he is willing to make agreements on as many projects as he manages to get in upcoming days. It will increase turnover of the company and help its personnel to gain more experience in the field of work which will ensure the company to take bigger challenges in future.

The traditional method is working out well in completion of the projects because of the long term working experience of the people involved in the business. However, its weak point is lack of an organizational management system and future thinking or unpreparedness for uncertainties. The main focus is only on the completion of the assigned work but not on other several factors inside and outside of the company that

have a significant effect on its growth. It allows the case company to change steadily in dynamic market and growth rate is very low. Hence, it might lead to significant failure. Therefore, my involvement in the company as an external consultant can help Mr. Thapa save his time in research. Besides that developing solid research and furthermore, its analysis can help make all the members aware of the need of strategic planning of the company.

My initial interest as a researcher was to study creative climate in the work place of JIEB. Creative climate focuses on employee's motivational factors, employee management, and creation of innovative environment in work place. However, after frequent discussion with my supervisor I realized that I need to widen my research focus in order to guide the case company to growth, success, and preparedness for future challenges by developing an effective strategy. This is why concept of SP is taken in this research, as SP is a link between strategy and future thinking (Lindgren & Bandhold, 2003).

The MD Mr. Thapa and the head supervisor (henceforth HS) Mr. Sher Bahadur Thapa of JIEB were very interested in this study and they were very positive regarding the provision of all the necessary information that is needed to get the most out of this research work. They trust that this thesis has a significant link with their business and expect that its outcome can help them to prepare for the next level of challenge in work which they might face in future.

1.2 Research topic and question

The main topic of my research is SP and its importance in small company growth. The first objective of my thesis work is to analyze the business nature of JIEB. Similarly, my second objective is to identify the case company's future prospect and develop strategic plan in the form of scenarios. As was mentioned earlier, JIEB is using a traditional approach in completion of any project they get. So far it has proven to be effective in survival of company but it lacks in the proper planning system. The traditional approach also means that they are unaware about future events and adapting change in dynamic market is steadily. However, there is need for change in order to achieve the mission and

vision of the company. Therefore, the ultimate goal of this research is to define the benefit of SP in small growing businesses and further more to apply it in JIEB strategic plan in order to achieve its mission and vision.

After developing a work plan I had a discussion with my supervisor on the SP concept. Following these discussions, I focused on literature review of related topics to familiarize myself with SP and to develop meaningful characteristics. Analyzing these and with an interview with company owner the following research question were developed:

How can scenario planning help a small construction company grow in Nepal?

This is the main research question that I selected for this research. Here the small construction company refers to the case company JIEB. This question also addresses the developing of SP concept in the case company existing strategies and its ultimate mission is to prove logically what the importance of SP is and how it can help to improve the performance of JIEB. The scenarios drawn are based on valid argumentation which will prove for need of changes in company's strategy in order to achieve success and be preparing for upcoming challenges. Therefore, the main subject area this research question will consider is how JIEB can be well prepared to accept challenges in future. Moreover, the main research question also includes answering the question of how SP impacts on the case company performance in order to be superior in the market in terms of business.

Literature and documents analysis are used to identify the necessary background information about SP and the case company. Furthermore, interviews with the owner and head advisor were held to get information about the company's mission and vision as well as the situation of the company's operating environment. In order to answer the main research question efficiently, I narrowed it down with some sub research question and they are discussed below:

What is the current market situation of JIEB in the construction market of Nepal?

This research question finds out information about the business nature as well as the

market of JIEB. The current market analysis of JIEB is very important in order to identify its key partners and to analyze the nature of competition in the market it operates. Analysis of interviews with Mr Thapa as well as an analysis of my observations help me to draw the conclusion of this question.

What are key factors that impact on business environment of JIEB company?

The main motivation of this question is to introduce the possible forces that can have an impact on the business of JIEB. Firstly, the holistic view of JIEB will be done and those driving forces such as technological, political, social, economic, and other possible issues that impact on working environment of JIEB will be analyzed (Wilkinson 2004, 2). It is very important to consider all these issues because these issues are the main influencers in dynamic market. An analysis of these issues helps develop an effective scenarios for JIEB.

What are the future perspectives of JIEB?

This research question aims to analyze the future scope of the nature of business in which JIEB operates. In addition, this question will help me to find out where JIEB is heading towards and where it wants to be in a certain period of time in the near future. Moreover, this is a core motivational research question that aims to find out the reason why JIEB wants to change. It is very important to answer this question because based on the answers, effective strategies are drawn for the case company which will guide them to meet all their expectations in terms of change which the company is seeking for present and future.

How can JIEB anticipate change while looking at future?

This research question explains the possible ways how JIEB can make strategies for the challenges the case company will face in future. Taking references from other research questions, this research question will introduce various concepts of SP and proves its validity in performance of a company. Moreover, it will also find out the possible benefit while linking SP in strategic planning of JIEB. Lindgren and Bandold (2003) point out that any strategic planning is useless without scenario thinking.

This question deals mainly with forecasting the possible uncertainties and preparing to avoid by applying changes in different aspect of business work. Therefore, developing scenarios based on future will not only help the case company to be prepared for future challenges but it will also ensure them to take an early step in dynamic market than their competitors. Taking positive steps based on these alternatives can prove out successful to the case company.

1.3 Methods and techniques

This research analyzes a single existing company situation. Therefore, I used a single case study analysis (Yin 2009, 47). The Objective of this research is to answer “how” question addressed in main research question. How question relates to explanation of certain phenomena (Collis & Hussy 2009, 6). Analysis of literature, direct observation, documents, and interviews are the major techniques used in this research and they belong to qualitative research methods (Macnabb 2008, 10). A detailed discussion of these research approaches and techniques is introduced in Chapter 3 of this Bachelor Thesis.

1.4 Thesis framework

This Bachelor Thesis consists in total of eight chapters. Chapter two describes how this research is carried on. Moreover, It deals with explaining the methods and techniques used to fulfill this research. Chapter 3 is a literature review of small business and its operating environment. In chapter 4, the characteristics of small construction company in Nepal is described. Analysis of the case company is done in chapter 5. Chapter 6 contains a theoretical framework of scenario planning. Chapter 7 and 8 presents the discussion of research findings and conclusion of the research conducted.

2 METHODOLOGY

This chapter describes in detail the reason behind selecting particular methods in data collection for the research. It encloses the description of topic such as research method, purpose, approach, techniques, outcome, and validity as well as reliability of the research.

2.1 Research method

The main research method used in conducting this research is a case study. According to Yin (2009, 18), “case study is an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between the phenomenon and context are not clearly evident”. Case study is used in order to investigate phenomena in normal normal environment using several methods to obtain in-depth knowledge (Collis & Hussy 2009, 82). Yin (2003) argues that the goal of case study research is not only to analyze certain phenomena, but also to understand them within a particular context (cited in Collis & Hussy 2009, 82). Yin (2009, 9) propose, “How research question is more likely to lead to the use of case study because such questions tackle with operational links needing to be traced over time, rather than mere frequencies or incidence.” Case study research relies on multiple source of evidence such as survey, interview, observation, documentation, and artifacts etc whose data need to be assembled in triangulating fashion (Yin 2009, 18, 102). Furthermore, Yin (2009, 19) suggests that case study research includes single as well as multiple case studies. Figure 1 illustrates the different approaches in case study research.

The main objective of this Bachelor’s Thesis is to analyze the situation of single existing company in particular context and based on it, to develop the application of scenario planning (henceforth SP) for guiding the case company to achieve its mission and vision. In this research, the single existing company refers to the case company of this Bachelor’s Thesis that is JIEB. JIEB is a construction company located in the Jhapa district of Nepal. I was interested in investigating the situation of one particular company in the Nepalese construction market context. I am developing a future based

plan for the case company based on its present situation and future prospects. In addition, these plans are made using the concept of SP. Moreover, the case study helps to identify the critical background information that can work as a base for developing future casting scenario. Therefore, looking at my objective and matching it with the above justification, a single case study method is most appropriate for my research. Herriott and Firestone (1993) suggests that evidence from multiple cases is more reliable in comparison to single case because multiple cases use two or more phenomenon to be investigated under its real-life context (cited in Yin 2009, 53). However, the rationale for single-case study such as unusual or rare case, the critical case, and the revelatory case etc cannot be satisfied by multiple case-studies (Yin 2009, 53). During this research, the theory of SP is tested on the case company in order to determine whether the SP theory suggestions are correct or some alternative set of explanations might be more relevant. Similarly, this research represents unique case because of the fact that theory of SP used in this research has never been studied before in the context of Nepalese construction market. Therefore, these rationales support the idea behind taking the single case study analysis in this research.

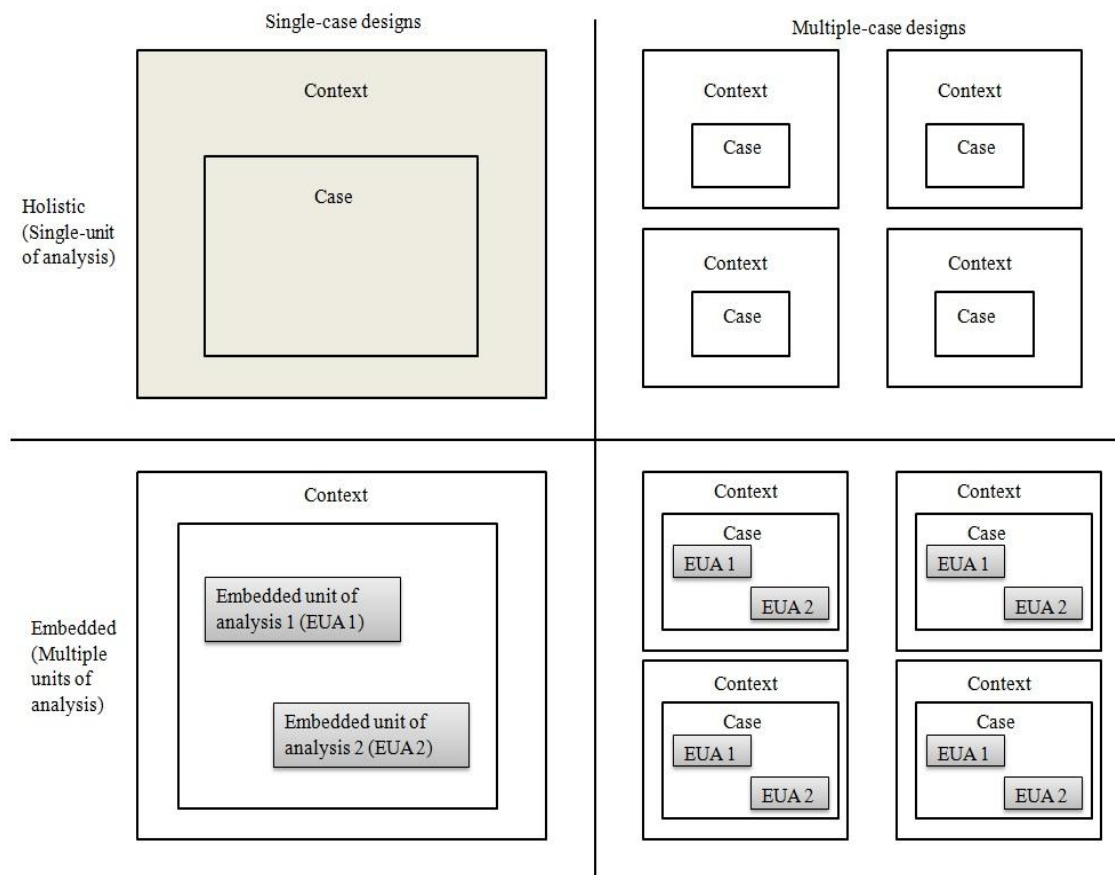


Figure 1. Basic types of case studies (Source: adopted from Yin 2009, 46)

Figure 1 show that single and multiple case studies are further described in two variants: those using holistic designs and those using embedded units of analysis. Therefore, in total case study can be designed into four types; single-case (holistic) designs, single-case (embedded) designs, multiple-case (holistic) designs, and multiple-case embedded designs. Moreover, the Figure also entails that every type of design will include the desire to analyze contextual condition in relation to the 'case'. In addition, the figure illustrates that the boundaries between the case and the context are not likely to be sharp. My research is focused in single case study. Within single case study, there involve either one unit of analysis called holistic analysis or more unit of analysis called embedded analysis. This research is based on holistic analysis. Holistic analysis is used to examine the global nature of a company or of a program. During this research, one unit of analysis is done that is complete study of case is done and recommendations are made for the case company. The main topic used in this research is SP which is itself holistic in nature. SP focus on overall view of the company's nature of work and based on which recommendations are made. These recommendations have influence in strategic level of management of the company rather than its day to day operation. Within this research, there are no other subunits identified in this research. Therefore, single holistic case study focusing on one unit of analysis is realistic for carrying out this research. (Yin 2009, 46-52.)

2.2 Research purpose

Yin (2009, 7) suggests three different purpose for which research method can be used; exploratory, descriptive and explanatory. The purpose of this research is to answer "how" question addressed in the main research question of this Bachelor's Thesis. Thus, it concludes that the research aims to test a principle of a certain theory, analyze it and to draw various conclusions based on it. Hence, this research uses an explanatory case study research approach (Collis & Hussy 2009, 6).

2.3 Research approach

According to Blaikie (2010, 204), research methods can be divided into two broad types, quantitative and qualitative. McNabb (2008, 9) argues that there is use of numbers to explain things in quantitative data therefore, it can be considered as a statistical analysis of collected data. On the other hand, Collis and Hussy (2009, 7) believes that qualitative methods is taken in order to interpret data using non-numerical value. Qualitative data can be obtained through interviews, observation, and analysis of documents (Blaikie 2010, 205; McNabb 2008, 10).

The objective of this research is to analyze the situation of the case company in its local market context. The ultimate objective is to find out how an effective future casting plan can be developed in order to guide the case company to achieve their mission and vision. To achieve these objectives, various techniques such as analysis of documents, observation, and interviews are the major techniques used and they belong to qualitative research methods. Besides these, findings and conclusion of the collected data forms non-numerical shape. Therefore, qualitative approach is used in this research.

2.4 Research techniques in data collection

Yin (2009, 101) suggests six sources of information while collecting data for case study. He lists them as documentation, archival records, interviews, direct observations, participant observations, and physical artifacts. These are the multiple source of evidence on which case studies relies and its data assembled in triangulating fashion increases the validity of the research (Yin 2009, 18). The research techniques used in this research are discussed below.

2.4.1 Documentation

Letters, memoranda, e-mail correspondence, personal documents, written reports, administrative documents, articles appearing in the mass media, and all other documents increasingly available through Internet searches are a part of documentation. The most

important use of documentation is to back up information and to argue its evidence from other sources. (Yin 2009, 103.) Document analysis was carried on at JIEB to find out its internal records, the situation of its operational environment, and facts about the nature of business in which it operates. E-mail correspondence and Internet searches were widely used during the research in order to gather back up the information and to compare it with other similar information gained from other techniques.

2.4.2 Interview

The most important source of data collection used in this research is Interviews. Interview is a method for collecting data in which sample of selected participants (interviewees) are asked questions to find out what they do, think or feel. Every kind of interviews can be with an individual or groups using face to face, video conferencing method, telephone and email. (Collis & Hussy 2009, 144.) There are three different ways of conducting an interview i.e. in-depth interview, structured interview, and focused interview. An in-depth interview asks respondents to answer freely about the facts of any matter and their opinions about the events. On the other hand a structured interview contains more structured question. The final way of conducting an interview is a focused interview which has elements of structured as well as in-depth interview. For this research, focused interview is used. (Yin 2009, 107, 108)

A sample of interview questions was made and passed to MD of JIEB Mr. Mausam Thapa. The first interview with Mr. Thapa was conducted face-to-face which was helpful in identifying problem in JIEB. All other interviews were carried on through an email and video conference.

2.4.3 Direct observation

Direct observation is often useful in providing additional information about the subject matter being studied. Direct observation is normally made through a field visit and it can help in interpreting the evidence collected from other source of information. (Yin 2009, 109). I was involved in the activities of JIEB during March-May 2011 which

helped me find out different aspects of business activities in JIEB as well as its located environment. To validate the information of my observation, I developed a list of questions and implemented it during the interviews with Mr. Thapa.

2.5 Validity and reliability of the research

Validity and reliability are two aspects that measure the quality of a research. Validity is concerned with the extent to which the findings of a research accurately reflect what is happening in the situation; to measure if the data collected represent a true picture of intended studies. Similarly, reliability is concerned with the degree of how reliable the finding of a research is. (Collis & Hussy 2009, 65, 205.)

The beginning phase of the data collecting process in this research started with an observation technique. To strengthen its validity, I used other techniques such as interview and document analyses. The use of these techniques together forms multiple sources of evidence in data collection which Collis and Hussy (2009, 85) describe through the concept of triangulation. “Triangulation is the use of multiple sources of data, different research methods and more than one researcher to investigate the same phenomenon in the study” (Yin 2009, 114; Collis & Hussy 2009, 85). Furthermore, Jick (1979) maintains that triangulation can reduce fault in data sources, methods and investigators (cited in Collis & Hussy 2009, 85).

2.6 Limitations

In the previous sub-chapters I described my motivation for taking case study as a research method. Furthermore I described in brief the objective of this research as well as the reasons for using different research approaches and techniques while conducting the case study research. These are the positive approach I have mentioned about case study. However, there are negative aspects of case study. Yin (2003, 10) discusses three main concern about case study that might have adverse effect on its finding. Firstly, the careless behavior of a researcher or not following the systematic procedure or using a wrong view to catch the direction of the findings and conclusions. Secondly, case

studies provide little basis for scientific generalization, while scientific facts are based on multiple experiments. The goal of a case study is to generalize theories analytically but not statistically. Therefore generalization from single case cannot increase the degree of validity. The last shortcoming of case study is that it is time consuming which might lead to produce massive and unreadable documents. It occurs when the past case studies are considered. (Yin 2003, 10-11.) Furthermore there is no formal definition about the skills needed by a researcher to obtain good results from a case study (Yin 2003, 11).

As was previously discussed, I used the field observation method in the initial phase to acquire data for my research. To validate those acquired data I used interviews, document, and archival records analysis methods. However, the main source of data collection was number of interviews with an owner of the case company. Even though the owner is well known about the company and his business as well as its operating area, he might not be fully aware of the small facts of those related topics. An Interview or a questionnaire survey conducted among the other employees of the case company could have increased the validity of the collected data. Multiple interviews were carried out in the English as well as Nepali language during the research. In addition to, most of the documents analyzed were in the Nepali language. Therefore, while translating the language into English which is the language of this Thesis might not give the same and clear meaning.

3 SMALL BUSINESSES AND ITS OPERATING ENVIRONMENT

I will introduce a core factor of small companies that drives their activities in order to reach their set goals or milestone in this chapter. The term ‘small businesses’ used in this chapter refers to those companies that employs personnel between 10-49 and it is considered as small company according to European Commission definition of small-medium enterprises 2003. Moreover, I will describe about the concerned parties in businesses. Furthermore, I will describe about the major power or forces in external business environment that affect the business activities of the company. Finally I will conclude this chapter describing about the management practice in small family businesses.

3.1 Business objectives

Every business in this world no matter big or small has own reason of existence. They come up in the market to deliver certain products or services to the customer. It is the customer who analyze product of the company. Customers are one of the main influencer who analyzes the future of any products or services offered by a company. Company get success if customer adopt their products else, they fails. Therefore, success and failures are the two notion of business. However, every manager in the company works in relation to the company’s objective to make it successful and survive in the competitive market. (van der Heijden 2002, 12.) Objectives of a company can be described in terms of mission, vision and strategy, and values.

3.1.1 Mission

A mission statement defines core purpose of a company existence. Mission statements are evident statements that explain value, objective, and area of focus of a company. Furthermore, it describe the relationship between the organization and its different stakeholders such employees, customers, shareholders, and sponsors. (Nair 2004, 69.)

3.1.2 Vision

A vision statement of a company explains where it is heading towards. Vision statement should be clear, visible, and achievable in a set timeframe of five, ten, or fifteen years. Moreover, Vision statement follows company's core purpose and value. Company should be able to see its picture of future in order to set its strategic plan now to achieve it. This is why vision statement is very necessary in any company. It is directly connected with the mission and strategy of the company. (Niven 2006, 83.)

3.1.3 Value

“Values are the timeless principles that guide an organization. They represent the deeply held beliefs within the company and it is demonstrated through the day to day behavior of an employee's”. (Niven 2006, 77.) Values focus on how the company will perform to the set mission. It enclose that values are the qualities of a company that transform its mission and vision into reality. In essence, a value plans a company culture and furthermore, plays an important role in everyday activities of company's personnel. Therefore the key elements of mission, vision, and values drive the company to success. (Nair 2004, 70.)

3.1.4 Strategy

In order achieve mission and vision taking in to consideration of company's value, company sets plan of action different from their competitors known as strategy. Effective formulated strategy leads company to a unique and valuable position in the market. Strategy is more about the choice of what not to do over what to do in business. Effective formulation of strategy means configuring resources of a company in a challenging environment in order to meet the needs and wants of market and stakeholder of the company. (Niven 2006, 91.)

3.1.4 Four perspective of business

Mission statement describes the core purpose of business existence in the market. Similarly, vision statement defines where the company is moving ahead and what it wants to achieve in certain period of time. Moreover, values represent the deeply held belief about the company principle that drives the everyday activities. In addition to it, strategy describe about the plan of action formulated to drive company in order to achieve its mission and vision while considering the values of a company. The question then arises why company develop mission, vision, value, and strategy? Simply we can answer; because company wants to achieve its objectives, prove success, and survive in the competitive market. Objectives of business can be well described by taking a reference from four perspective of balanced scorecard.

Financial objectives: This particular perspective describes how a company should look towards its shareholders in order to be financially successful. Furthermore, financial objective main focus is to find out if the company's formulated strategy is contributing to bottom-line improvement. It mainly relates to profitability-measured in the company such as operating income, return-on-capital employed etc. Simply, financial objective focus on growth of sales and generation of cash flow in the company. (Kaplan & Norton 1996, 26.)

Customer objectives: The main aim of customer perspective is to analyze what kind of value a company must provide to their customer in order to achieve their financial objective. The main focus of this perspective is on customer and operating market of the business. The core outcome of this perspective includes customer satisfaction, customer loyalty, new customer acquisition, customer profitability, and identifies possible market for the business. (Kaplan & Norton 1996, 27.) Niven (2006, 14) identified three measure question that customer perspective includes; who are our customer? What is our value proposition in serving them? And what do our customer expects or demands from us?

Internal process objectives: This particular perspective describes the critical internal process in which a company must excel to achieve financial goal by providing value to the customer. This process identifies the critical factors for current and future success of

the company. The internal-process deals with all the process from identifying to fulfilling customer needs. These processes include designing of product, developing it, packaging, and finally delivering it in the market to the customer. Its main focus is on quality, response time, cost, and new product development. (Kaplan & Norton 1996, 27-28.)

Learning and growth objectives: This is last perspective that deals with identifying the infrastructure that the company must build in order to create long term growth and improvement of their business. People, systems, and working procedure are the three main principles in learning and growth of company. (Kaplan & Norton 1996, 29.) Connecting this perspective with other three perspectives mentioned above, I can conclude that learning and growth objective is to identify what skills and capabilities a company must have in order to drive the internal process, to provide value to the customer, and to reach the financial goals. Kaplan and Norton (1996, 146) believes that the ability to meet ambitious targets for financial, customer, and internal-business-process objectives depends on the learning and growth capabilities of a companies.

3.2 Stakeholders of the company

Stakeholders are the people or group whose influence affect a business or are affected by business activities. Stakeholder's judges the company based on their focus of interest in particular aspect of business. Small companies with small market share and which is managed by its owners in a personal way rather than a formalized management structure have their own stakeholders. Stakeholders with their particular interest in the small companies as listed by Jewell (1996, 26) are presented in Table 1.

Table 1 Stakeholder of small company with their particular interest.

Stakeholder	Interest
Owners	Profitability, growth, dividends, market share, security
Managers	Growth, cash-flow, promotion prospects, job satisfaction.
Employees	Earnings, working conditions, job security, job satisfaction.
Suppliers	Size of order, security of orders, payment period, prices.
Customers	Price, quality, and variety of products. Moreover, on after-sales services, credit terms.
Creditors	Promptness of repayment, reliability.
Competitors	Extreme and fairness of competition.
Society or the community	Job creation, impact on other firm, impact on environment, ethical standards, contribution to the society and its cultural life, equal opportunity for all members in the society.
The government	Contribution to tax receipts, job creation, economic growth and balance of payments, trading practices, impact on the environment, compliance with the law.

Table 1 gives a clear picture that within a company's working environment there are numbers of individuals or an organization that have either direct or indirect interest on business activities. From this table various conclusions can be drawn regarding the interest of different stakeholders within a company's business environment. For instance, owners or shareholders of the company are interested in the capital growth of the money or share invested in the business. Similarly, employees of the company's are interested in fair pay for their job, and safety working conditions. Additionally, customers are interested in price, quality, and variety of products offered by the company. Besides these, customers are also looking forward to the company's after sale service. Moreover, suppliers and creditors are interested in doing regular business with the company and punctuality of payment made for the products and services offered to the company. Furthermore, government and local communities are mainly interested employment for the local people, contribution to the society, compliance with the law, and impact on environment. In essence we can conclude that stakeholder analysis makes it clear that for the overall success of the company there is vital role of the entire stakeholder associated to the company.

3.3 Driving forces in business

Driving forces are those forces that shape the business environment of the company and they are outside of company's control. For the company, driving forces can be categorized into two headings; driving force in company's working environment and in contextual environment. These forces are described brief in the subheadings below.

3.3.1 Working environment

Driving forces of working environment are simple the external stakeholder of the company whose activities affect on company' business. Some of the forces identified in working environment of companies are firstly, the customers' who focus on price, quality, variety of products, and after-sales services those companies provides. Change in customers taste and fashion can impact the business of the company.

Secondly, it is a community who Judge Company based on job creation, impact on other firm, impact on environment, ethical standards, contribution to the society and its cultural life, and equal opportunity for all members in the society. Based on this aspect, society chooses products and services of the company.

Thirdly, it is competitors who provides similar product and services and exist in the market. If the company does not anticipate change occurring in the economy they might be outbid in business by competitors. Hence, competitor can lead to failures of the company. Besides these, increase in competitors' means sharing of market by more companies and more variety for customer. Competitor's try to add more value in the products and service they offer. Therefore, sometime emerge of competitor is good for business because it provide them an opportunity to learn the market trends.

Finally, it is all those key partners such as creditors and suppliers who provide materials, finance, and other resources needed for the company's business. Company relies on suppliers for materials needed in the business and creditors such as financial institution that provide monetary funds. (Jewell 1996, 26.)

3.3.2 Contextual environment

Driving forces of contextual environment are the macro-level environment that affects the business of the company. Various researchers have taken various numbers of those major forces into consideration that can impact the company's business. Jewell (1996) and Wilkinson (2004) are based on PEST analysis which means they have taken four major forces into account. Similarly, Turner (2008) identified five forces. However, at present the number of forces has reached to seven. It is most commonly known as STEEPLE analysis or STEEPLE forces in business (SlideShare Inc. 2012). STEEPLE forces in contextual environment of companies are described in brief below.

1) Social – Social environment is mainly related to the size of population of the economy. Increase in size of population is very beneficial for the companies because it provides potential market and supply of labor for the company. In a society or community of an economy, lifestyles, value and beliefs, ethnic or religious background of society, and socio-economic classes are subject to change. These changes are significance to businesses because of their impact on availability of labor and on the purchasing behavior of the society. (Jewell 1996, 73)

2) Technological – In modern days, businesses are operating in changing technological environment that provide both opportunities and threats for them. For example the development of compact disc (CD) created market opportunities for some businesses but, at the same time it cause threat for those businesses that were committed to other recording formats. Similarly, development of modern technologies has lead to increase in output of efficiency but it has affected the labor companies. Therefore, a successful company is that company who is willing to adopt changes with changing environment of technology as well as other forces was previously discussed. (Jewell 1996, 72)

3) Economic – Businesses should be aware of the impact of economic variables on both supplies of resources as well as the demand from the customer. These variables include the rate of growth of output and cash flow, level of employment opportunity, rate of inflation in the country, monetary value, and balance of payments etc. In addition to these changes that occur naturally in the environment, businesses should also be aware about of the impact of government policy related to business. Those policies include

interest rates, taxation, exchange rate etc. (Jewell 1996, 71)

4) Environment – This factor is concerned with the threats caused by nature and the various components of nature. For example, the effects of flood, landslide, global warming, scarcity of sustainable energy and natural resources and other similar causes. (SlideShare Inc. 2012.) One of the recent listed environmental threat was hurricane Katrina occurred in United States of America during August 2005 threatened the country economy. Katrina hurricane led to shut down oil production and refining operations in for several weeks, lost of jobs and people migration to other cities, businesses were without power, and there was increase in price of gasoline and other source of energy. (Herman 2006.) Similarly, the scarcity of fuel energy is threatening the sharp rise in price of materials and commodities needed in everyday livelihood of people and businesses (IRIC 2012). Moreover, the limited gasoline reserves in the world are driving countries to think about future alternative for sources of fuel (Chermack 2011, 104).

5) Political – It is concerned with the activities of the state and trends in politics. There are various roles of a government in the economy of the country. Firstly, it is government who set all kinds of rules and regulation that has direct affects on the businesses. These law and regulation include taxation system, interest rate, implementation of law, security system etc. Secondly, it is government who is the buyer of goods and services of the businesses. In addition to it, they are also the seller of goods and services to the businesses. For example, materials needed in defense force are handled by the companies. In addition to, it is government who provides public construction projects for the local companies. Therefore, political trends are very critical for businesses. In an economy with unstable government provide uncertainty because of their changing implementation in law and policy which might be either harmful or beneficial to the local businesses. (Jewell 1996, 71.) Chermack (2011, 105) advice entrepreneur to be alert with this particular driving force by reading newspaper, magazines and journals, exploring web, and watching local as well as international news.

6) Legal – Businesses of the companies are operated within a legal framework that resolves disputes and regulates behavior for the benefit of the community. In business, contract law related to promising the delivery of goods and services or terms of the

payment of money is involved. Besides this, law related to protection of customers and employees are also involved in business environment. Moreover, company law is designed to protect creditors and shareholders. Additionally, activities of business are bind by law to protect any offence caused in the society or community. Furthermore, because of growing concern of environment in the present condition therefore, there is certain control on industrial activities. In essence, sometimes legislation of the country places an obstacle on business limiting them what they can do and what they cannot do. (Jewell 1996, 70)

7) Ethical – It is concerned with what is morally right and wrong to do for businesses. Modern businesses are expected to be, a good supporter of ethical and moral ideas, satisfying, rewarding and safety place to work, a participant in community activities, focusing on public health and environment safety, and bribe free etc. Ethical practices followed by businesses not only create reputation in the market but also increase awareness in people. Thus, people take such businesses as a good example to trade with. (Kuriloff & Jr. Hemphill & Cloud 1993, 509; SlideShare Inc. 2012.)

3.4 Senior management and decision making in small family business

Family business refers to those businesses where there is an influence of one or more family members. In such kind of small family business governance, senior managers have the most important role because the quality of their managers' skills directly affects the performance of the company. Therefore, having skillful managers can lead the family business to the success. In the beginning years of establishment, family businesses are directed and managed by its founders. The decision-making power lies in the hands of the founders and other close relatives. Leadership is based on seniority rather than shown competences or successes recognized by other members. Integrity and hard working are the key reason of success in beginning phase. (International Finance Corporation, henceforth IFC 2012.)

However, when the company starts to mature in size and its business activities become more and more complex, there is need of more formal company structure and decentralized decision-making process. Furthermore to deal with the complexity of business and challenging day-to-day operations, there is need of qualified management

body. Most of the family businesses ignore this fact or fails to realize the need of experts for driving their business instead; they keep family members in the senior manager's post. Most of the senior family members are skilled managers because of engagement in business for several years. They add value to the business and help in growth of business; even they are not competent enough to perform such duties. Successful and growing family businesses in a long run identify the need of professional and skilled outsiders and hence, they do not hesitate to step down some of the company's family members. It is to ensure that professionalism is applied in business and all the members have common theme of "business comes first" than "family comes first". Therefore, qualified family members can only hold the major position in the company. (IFC 2012.)

4 CHARACTERISTICS OF SMALL CONSTRUCTION COMPANIES IN NEPAL

This particular chapter aims to describe in brief about the law and policies implemented by Nepal Law Commission related to the newly established construction business in Nepal. Additionally, it will describe other major association and governing body and their works related to construction business. Furthermore, it will describe about standard working procedure of the public construction work in Nepal.

4.1 Qualification needed for small construction companies in Nepal

Nepal Law Commission (henceforth NLC) in Nepal is responsible for implementing law for justice in the society, to promote good governance under the rule of law, and furthermore to recommend reform where it is needed (NLC 2011). The main business focus of this Bachelor's Thesis is on construction business therefore in this chapter I will describe the major law implemented by NLC which is regarded as, "The Construction Business Rules, 2000".

Any construction entrepreneur who intends to carry out public construction works shall submit an application, in the standard format referred by the Government of Nepal, to the District Development Committee (henceforth DDC) in order to obtain the work license. Then the application is inquired by DDC who mainly focus into the financial capacity and technical qualification of an applicant. Once the committee approves the application, it is then forwarded to Government of Nepal to issue the license of the appropriate class, "A", "B", "C", and "D" pursuant to rule. It is done no later than thirty days after the application is received by committee. Within fifteen days of receiving the application by Government of Nepal issue the license to the applicant. The license expires every year and needs to be renewed by submitting an application. Construction companies carrying out public construction works in Nepal are classified into four different categories according to their qualifications as listed by Government of Nepal in the Construction Business Act, 1999. However, in this chapter we will only focus on the qualification needed for the case company JIEB of this Bachelor's Thesis. JIEB is a newly established company that has been offering its product and services in the

Nepalese construction market. So far it has completed its second year of operation successfully in terms of financial turnover as mentioned by its owner Mr. Thapa. According to Construction Business Act, 1999 of Nepal, JIEB is a newly established small and “D” class classified construction company. JIEB being as a “D” class Construction Company, there is certain requirement listed by Government of Nepal for it operate in the Nepalese market. These requirements are described in the following subheadings.

4.1.1 Financial capacity

The Company has to be registered with the Department of Industries as a private or public limited company or partnership firm with the running capital of a one hundred thousand NPR. All the types of public construction work that worth up to three million NPR are done using this category of companies. There are no specific requirements for this particular category of the company. All the newly established companies are categorized in this group.

4.1.2 Description of key human resource

The Company has to have whole time service of one technician having passed certificate level in civil engineering one administer having passed certificate level in any subject and one person having passed graduation level in commerce.

4.1.3 Machine and equipment

The requirement of machine and equipment needed for construction business in this category include; level (one), water pump (one), vibrator (one). There is similar provision like other grade of companies was previously discussed for the registration and using of machinery and equipment.

4.2 Importance of joint venture for small companies

There is a new provision for doing all kinds of public construction works since 2003 which sounds positive for newly establish as well for small construction companies. Earlier there used to be certain requirements for the companies to do different level of project. Every kinds of project with different worth were competed by different class of companies as mentioned in the rule of Construction Business Act of Nepal, 1999. There were certain requirements of the human resources in the company to recognize the firm. At present with the change in provision all the newly established companies no matter what level of man-power as well as machinery and equipments they have, are categorized in “D” class. (Thapa 2012.)

All the newly established construction companies in Nepal can do a number of projects in which the value of one project should not exceed more than six million NPR. For the newly established company to qualify for the big project that worth more than six million, there are certain criteria that they have to follow. Firstly, the company must meet all those requirements of “D” Class Company as mentioned by Construction Business Act of Nepal, 1999. Secondly, the company needs minimum of five years continuous work experience in related field. During this time they can do number of work related to construction of dams, short roads, small buildings, and bridges etc. After completion of five years of working, those companies are eligible to work together with bigger “A” class company as joint venture (henceforth JV) to gain experience in bigger project. It is a must for these small companies who have engaged in construction business for more than five years in order to bid bigger projects that worth more than six million NPR in future else they are not eligible. (Thapa 2012.)

Annual turnover in business is very important for those construction companies who have worked for more than five years because it determine the level of work what company can do after five year. An average of best three years turnover is considered while working together with the bigger companies in bigger project. There is also a requirement that the best three years turnover should meet at least 25% of total worth of project in which they do JV with the bigger companies. For example if “A” class company get a project worth twenty million NRS then to do JV, newly established company who has worked for more than five years need 25% of twenty million which is

five million, as an average of three best years turnover. In doing JV they get agreed percent of share from the total worth which. Besides these, in the provision it is also mentioned that newly established companies who do JV with big companies are only eligible to do similar specific projects independently afterwards. It entails us that if small companies do JV to complete roads then they are only eligible to the big project of roads. They cannot do other big project related to construction such as construction of dams, bridges, and canals etc unless they do JV with big companies for similar projects. Therefore in the present condition, grading of the company still exists to recognize the company standard but there is no strict obligation for doing all kinds of public construction work. Even a small company which has enough working capital, good turnover, and experienced manpower with experience in bigger project through JV can still compete for all kinds of project. (Thapa 2012.)

“Big companies do JV with small local companies either in a situation that they are handling several projects at same time in order to decrease work pressure or in a case that they do a project in unknown location where they have never been before. Local companies are fully aware of community, local suppliers of materials. Collaborating with these companies can also help big companies to maintain strong relationship for the future.” (Thapa 2012.)

4.3 Bidding system of small construction project in Nepal

Nepalese Contractors are the registered members of Federation of Contractors' Associations of Nepal (FCAN). FCAN was established in 1997 as an umbrella organization of all Nepalese contractors. It aims to help and guide Nepalese contractors related to their work. Furthermore, they provide training system to their members in order to develop professionalism in their work. (FCAN 2005.) In Nepal, Ministry of Physical Planning and Work (MoPPW) is responsible for planning of public construction works. MoPPW work include development of all construction works such as national transport network particularly the road network, improvement on housing and urban environmental developments, waterways, railways, ropeways, water supply, and sanitation facilities. (MoPPW 2009.)

There are several contractors who compete against each other to get the project of public construction work issued by several governmental bodies. Getting such project and its completion also describes the relationship between public and government that; without each other involvement the completion of work is almost impossible. Since there are number of contractors who bid for the project hence, fair rule should be apply which ensure that the project is awarded to the right person. It helps to build environment of trust and confidence between general public and government. Realizing this fact Public Procurement Monitoring Office (PPMO) was established as the government agency on August 2007 and is placed directly under the prime minister. It aims to ensure good governance in procurement process of public entity that is transparent, efficient, and free of corruption using different information and communications technology. It is also responsible for developing and issuing the standard bidding documents for all kinds of civil works that different contractors intend to grab. (PPMO 2009.)

According to the Standard Bidding Document issued by PPMO (2012), the first phase in bidding process of any construction project starts with number of registered contractors offering their price for completion of the project. In this phase the applicant companies are ready with the calculation of finance; for example they will check the quality requirement of the project and calculate their own cost for completion of the project. Most of the companies do not have their own construction equipments and materials therefore, they rely on different other companies and cost might varies depending upon the nature of its availability, place of availability, and the personal relationship with the owner of these companies. Besides these, there are also few companies who are well facilitated with these things and they can make better cost and benefit of the project. All the bidders must deposit an initial security of 2.5% of total worth of a project. Bid security is normally a Bank check document issued by a local bank and it entails that the equivalent amount is in the holder's account that can be withdrawn any time. All the bids are evaluated by the employer and ultimately the lowest bidder is a winner. Evaluation process is kept as confidential and only the winning bidder document is made public at the end. The winning company has to sign a contract for the completion of related project no later than fifteen days or else it will lose its initial bid security of 2.5%. Furthermore, they have to bring a bank guarantee paper which is 13% of initial value of project. Once all this process is completed, the employer provides initial

working fund that is 20% of total value the winning company has offered. Sometime there might be a case that the company stopped working in the beginning phase or give it up without starting the work and disappear taking 20% of beginning work fund provided by the employer. Then the work is awarded to other interested bidders. Employer gets money back from 2.5% of security deposit and 13% from bank guarantee security. Besides these, they might deliver poor quality of work or might take longer time than agreed in a contract without a valid reason. Furthermore, they also blacklist the company and cancel its license. In all of these cases the company is blacklisted and its license is cancelled. Extra time is provided to a company if occurrence of uncontrolled able events such as natural disasters, public protest, strikes, scarcity of materials, and broke down of civil war etc. Extra fund for work is only provided in certain circumstances such as the happening of uncontrolled able events and sudden rise in materials price. Employer makes rest of the payments on installment basis with respect to the portion of work completed. The work is regularly monitored by the employer's personnel and engineers. Once the work is completed and handed to the employer, then it is evaluated and after this process the final payment is made to the contractor. Additionally, they get back their security deposit of 2.5% and 13%. (PPMO 2012; Thapa 2012.) Thapa (2012) stressed out that sometimes when there are two or more bidder competing for the project with same offer then bidder having better personal relationship with employer might conquer over quality of work delivered by other bidder.

5 ANALYSIS OF CASE COMPANY

I begin this chapter with an introduction of the case company of this Thesis. Moreover, the case company business nature, located environment, mission, vision and strategy, key partners as well as customers, competitor's analysis and decision making practice are introduced in this chapter. The data for these topics were collected mainly through interview with the owner of the case company, observation, and documentation. All of the above mentioned topics are described in the following sub chapters.

5.1 The case company: Jhapali International Engineering and Builders

JIEB is a construction company that is specialized in public construction works such as: buildings, roads, bridge, canals for irrigation, dams, river protection works and all other types of construction work (Thapa 2011). It is a registered member of FCAN. JIEB was established in December 2009 in Jhapa district of Nepal. The company is of the sole-proprietor form, which means that it is owned by a single person who owns all the assets of the company (Kuriloff et al. 1993, 509). JIEB is owned by an entrepreneur Mr. Mausam Thapa. The working capital issued by the company is five Million NPR. At present JIEB has permit to take on contract till six million NPR with no limit. It means that the company can take on as many contracts as possible but the single contract worth should not exceed 6 million NPR. The motto of the JIEB is quality work with no compromise. Furthermore, to take more challenges, increasing turnover and to maintain the sound relationship with different stakeholder related to company. The case company bids construction projects available in Jhapa district. Moreover, they bid similar projects from nearby districts. (Thapa 2011.) JIEB owns various tools and equipment needed for construction works on everyday basis. It is operated by various workers employed in the company on a permanent basis. There are also other workers who supervise the work and some temporary worker who are hired whenever need. Details of the equipment and number of workers with the equipment are illustrated in the Table 2 below.

Table 2 Construction equipment and its operating workers in JIEB (Thapa 2012b)

No. of Equipment	No. of workers	Specialized uses
3 Dump truck	6	<ul style="list-style-type: none"> • Carrying raw materials such as sand, gravel, iron, cement, stone, and bricks etc needed for construction and other business.
2 Tractor with trailer	4	<ul style="list-style-type: none"> • Providing similar uses as with dump truck
1 Wheel loader	2	<ul style="list-style-type: none"> • Loading raw materials in dump truck and tractor
1 Excavator	2	<ul style="list-style-type: none"> • Providing similar uses with dump truck. Additionally, it is able to demolish buildings, and crush rocks.
1 Excavator carrying truck	2	<ul style="list-style-type: none"> • Truck carrying excavator from one location to another because of fact that excavator chain destroys the roads.
1 Road roller	2	<ul style="list-style-type: none"> • Rolling wheel equipment to compact gravel, soil, asphalt while constructing roads
1 Water tanker	2	<ul style="list-style-type: none"> • Water supplying truck to the construction area

Besides these above mentioned workers there are also other workers such as 4 mechanical team and helpers, 1 engineer, 2 overseers, 6 supervisors, 2 office staffs, and 1 accountant. They work on a permanent basis. Moreover, whenever needed they hire employees on a fixed-term contract basis. Those employees include a mason, carpenter, engineer and blue collar. (Thapa 2012.) Some of the equipment and working processes of JIEB are illustrated in Figure 1 through the four pictures.



Picture 1.



Picture 2.



Picture 3.



Picture 4.

Figure 2. Portray of JIEB activities

A description of each picture is provided below.

Picture 1 – Pitching road by asphalt by blue-collar workers of JIEB in the presence of supervisor. It also includes the presence of local people pictured standing in the foreground of the picture.

Picture 2 – Grader dressing the unpaved road surface.

Picture 3 – Dump truck unloading materials for construction works.

Picture 4 – Loading excavator in the truck.

Besides public construction work, JIEB also provides service to private customers in order to build their private houses, roads, parking areas, and all other construction work when required. Furthermore, the company lends their machinery and equipment to other companies on a lease basis for short periods of time. Such ancillary activities help in generating revenue and maintaining relationship with other companies. (Thapa 2011.)

5.2 Jhapa district in brief

The Federal Democratic Republic of Nepal is a landlocked country which is bordered to the east, west, and south by India and to north by the People's Republic of China. It holds an area of 147,181 square kilometers with Kathmandu as the capital city. (Government of Nepal 2012.) The country is grouped into 5 development regions which in total consist of 14 zones and 75 districts. Each of these 75 districts is commanded by a chief district officer who is responsible for maintaining law and order as well as coordinating the work related to several government ministries. The most south-easternmost district that shares border with India with a major highway is Jhapa district. (Dhital 2006.)

Jhapa district is one among the seventy-five districts of Nepal. It covers an area of 1,606 square kilometers and the district headquarter is Chandragadhi. (Dhital 2006.) According to Nepalese national population and housing census 2011, Jhapa district is the fourth largest district with population distribution of 810,626 which is 3.05% of the total population of Nepal.

Figure 1 below exhibits the district map of Nepal. The south-easternmost district pointed with black arrow on the map is Jhapa district which lies in the fertile plains of terai region. Three other districts are pointed in the same figure that is Morang, Ilam, and Panchthar. These are the closest districts from Jhapa. However, it borders Morang district in the west and Ilam district in the north are two districts from Nepal whereas, West Bengal in the east and Bihar in the south are two Indian states. The district consists of 47 Village Development Committees and three municipalities, namely Damak in the west, Mechinagar in the east, and Bhadrapur in the South. Its major centers are Chandragadhi, Bhadrapur, Birtamod, Kakarbhitta, Damak, Dhulabari, Surunga, Charali. (Dhital 2006.) The case company of this thesis, JIEB is located in one of these centers; Birtamod which is 30 kilometers east from Damak, 14 kilometers north from Bhadrapur, 11 kilometers from the district headquarters Chandragadhi and 17 kilometers west from Mechinagar as well as from the Indian border (Thapa 2012).

The location of the case company was also raised for discussion in an interview because of the location advantage in business. The discussion of the case company location is as

follows: “Birtamod where JIEB is located is the heart of District. Major centers, municipalities, district headquarters, and Indian border being nearby have been very beneficial to our business. We can carry out all the official work easily travelling a short distance, we can be frequently aware of all the construction projects availability, and it has also been beneficial for us to get raw materials efficiently and in cheap price needed in our business.” (Thapa 2012.)



Figure 3. District map of Nepal (Compare Infobase Limited 2006).

Jhapa receives about 250 to 300 cm of rainfall annually. It is mainly during the monsoon season in the summer. Its hilly area in the north receives more rainfall compared to the south. The district consists of a number of rivers that provide water for irrigation purposes. Because of its alluvial soil which is best for an agricultural purpose, Jhapa remains the largest producer of cereal crops such as rice and wheat that is why it is known as the ‘Grain Grocery of Nepal’. Besides cereal crops, it is also among the largest producer of cash crops such as jute, tea, rubber, and betel nut. (Dhital 2006.) On one hand various rivers in the district as well as its annual rainfall have been very beneficial to the local farmers whereas, on the other hand because of the climate change occurring it has also resulted in flood and landslide (Oxfam International 2009, 25-32).

The influence of weather and climate in the case company location was also raised for discussion in an interview because of its impact in the company's business. The discussion is as follows: "Jhapa is among one of the industrial district of Nepal. Being so, the district gives high value for road networks. There is number of construction works going on for the welfare of private business and public. However, because of numbers of river in the district and getting heavy rainfall each year, the district plain land is affected by flood and hilly part is affected by landslide. It not only affects the livestock of people but also the construction and development work of the district. Monsoon rain slowdown the construction work as well." (Thapa 2012.)

Jhapa is home district for many indigenous ethnic nationalities who celebrate various festivals throughout the year. It has several historical and religious sites of great importance. This site also represents the tourist's spot of the district. Besides that it acts as the major gateway to Darjeeling and Sikkim as well as most of the north-east India from Nepal. (Dhital 2006.)

An aspect of religions was also raised for discussion in an interview because of its impact in the company's business. The discussion is as follows: "Nepal is a Hindu religious country. All the religious and historical sites in the country are of various importances among the communities people. Each day there are numbers of people visiting in these sites. Similar situation is seen in Jhapa's religious and historical sites. Therefore, flow of local as well as Indian religious people is very common here. Because of open border with India, it has been helpful for Indian people to travel here. Locals and government pays lot of attention in development of these sites and surrounded area. Hence, it is good for construction business that get project to do a development works."(Thapa 2012.)

Jhapa is one of the most developed districts in terms of infrastructure of development in the country. Most of the villages and towns are connected either by paved or unpaved roads. Realizing the importance of agriculture, the Agricultural Development Bank started Small Farmer Development Programme to uplift the local famer out of poverty and to motivate them in their work. The programme was successful and it is now handed to local a person who runs it around the district. There are numbers of schools

and colleges in various parts of the district. It is also connected with an airport which has regular flight to link Kathmandu. The district consists of a number of hospitals as well. Jhapa district is also known for having the highest literacy rate and producing most intellectual person in the country. It has also played an important role in national politics. It has also produced number of political leader who are still active and they are from one of the most prominent party of the nation. (Dhital 2006.)

An infrastructure of development in the case company location was also raised for discussion in an interview because of its impact in the company's business. The discussion is as follows: "Being one of the most develop district in the country with influence of political leader, development work regarding construction of buildings, dams, canals, bridges etc are always going on in various parts of the district. There are number of unpaved road which is getting paved each year and many villages are getting connected developing a road with gravel. It is positive news for all the local construction companies because they get project to do these jobs." (Thapa 2012.)

5.3 Mission

The case company of this Bachelors' Thesis was established in December 2009. According to the regulation, currently the company is eligible to compete for the small projects that are worth a maximum of six million NPR. Mr. Thapa aims to compete for big construction project in future. In order to reach this milestone Mr. Thapa is planning to do as many projects as he manages to get in the upcoming years. Doing such projects will increase their turnover as well as the company's personnel's experience. Furthermore, an increase in the turnover also attracts the big companies to do joint venture with small companies such as JIEB especially when these big companies arrive in the operating area of JIEB to complete bigger projects.

The interviewee described the mission statement of the case company in the following way: "To deliver quality in construction work and maintain sound relationship with stakeholder of our company by fulfilling their expectation." (Thapa 2012a).

5.4 Vision

JIEB which is the case company of this Bachelor's Thesis aims to do a number of small projects it manages to get in the coming years. Moreover the company targets to work together with bigger companies for bigger projects in future. Doing bigger project with big companies not only increases the turnover of JIEB but it will also increase their experience. Hence, it will make JIEB competent enough to bid bigger projects and complete them independently. Mr. Thapa also mentioned that he has a dream to position his company in the top of construction business companies' list in the eastern part of Nepal.

The interviewee described the vision statement for 2018 of the case company in the following way: "To develop trust in construction a business with focus in quality works and serve Eastern Nepal being as market leader in construction business." (JIEB vision 2018 stated by Mr. Thapa 2012)

5.5 Key partners and strategy

The case company's business nature, qualification requirements in its business operation, and its operating area is discussed in previous sub-headings. Hence, analyzing these and interviews with Mr. Thapa I came to know that there are various key partners of the company. JIEB has set a strategy to meet all of key partners' expectations because of the fact that without key partners' collaboration the company cannot survive. Some of the key partners identified in JIEB business are mentioned below from the analysis of characteristics of small construction company described in previous chapter and interviews b and c with the owner of JIEB Mr. Thapa in 2012.

Governments is an employer who offers the public construction projects such as constructing roads, bridge, dams, and canals to JIEB.

Commercial banks are the financial institutions that provide funds for the companies. Companies utilize these funds to as working capital or for purchasing fixed assets. Banks provide funds to the companies when they have clear evidence that the

company's cash flow can ensure the payments of principal and interests.

Suppliers provide construction materials needed for the business. Besides construction materials, suppliers also give financial assistance for the company. Financial assistance is in a sense that these suppliers provide trade credit to the company based on the trust relationship. This means that the company can get materials in credit with initial payment of certain percent and once the work is completed they can pay after. Hence, trust relationship between suppliers and the company is necessary for success of the business.

General public includes all the ordinary people who use construction product such as roads network in daily basis.

JIEB is focused on satisfying the external stakeholder because the company is fully aware of the impact of these stakeholders. Without the collaboration of these stakeholders the company cannot survive. Therefore, realizing this fact JIEB strategy is to deliver quality work in order to satisfy its customer, i.e. government and general public who evaluate the construction products. JIEB uses a local bank to deposit funds and make bid security which is required while bidding any kinds of construction project. Furthermore the company takes a loan whenever necessary by mortgaging its property and paying interest of the loan on a timely basis. This is how JIEB has maintained good working relationship with financial institutions. Besides these, it is a supplier who provides construction materials for the business. JIEB takes products from a number of suppliers every time in their work and payments are made on the agreed time. This is how trust relationship has been built between JIEB and suppliers.

5.6 Competitive strategy

In the market place there is increasing rivalry between the companies who provide similar kind of product and services. Whenever market popularity of certain products and services offered by a company becomes high, there is always occurrence of competition in the similar nature of business. There are new companies emerging which are similar in view of their business. Recognizing the shift in consumer tastes and

preferences, established as well as new companies add more conveniences or services to their products. There are no strict barriers for a company to enter in the market. Therefore, there are a number of small companies emerging in the market with little knowledge but attractive marketing. However, in competitive markets to get loyal and satisfied customers is the most crucial part. (Kuriloff et al. 1993, 255.)

As mentioned in earlier chapter, JIEB is a newly established company that is eligible to do small construction projects worth up to six million NPR. According to the business nature of the company, I can conclude that all the construction companies operating in the same location where it operates are the company's potential competitors. Especially, the small companies who compete for the small kinds of project are JIEB's potential competitors.

There are two major competitors mentioned by Mr. Thapa during the interview. These competitors are listed in Table 2 below.

Table 3. Strength and weakness of JIEB competitors (Thapa 2012c)

Competitor	Strength	Weakness
First	1. Long term experience in the construction business, company established in 1999.	1. Old entrepreneur with low level of education. 2. Siblings engaged in different profession, hence no back up support. 3. Lack of construction equipment and machinery. 4. Lack of skilled manpower. 5. Traditional method of planning based on past trends. 6. Lack of willingness to learn new skills.
Second	1. Young entrepreneur with degree in business. 2. Self directed company therefore, no clash with employees in decision making.	1. Lack of construction equipment and machinery. 2. Lack of dedication in work. 3. Opportunity seekers who are looking for substitute work. Therefore, lack of focus in one particular business.

These two companies mentioned in Table 2 are the potential competitors of JIEB who operates in similar construction business. Moreover, they are from the same location where JIEB operates. Both are sole-proprietorship form of companies directed by a single owner. In comparison to competitors, JIEB have better strength in terms of capital, assets, and technical and experienced man power. However, JIEB have good cooperation with these competitors. In most projects they work together for completion of construction project holding different percent of shares. Besides these two competitors identified, there are various other small-medium construction companies operating in the same district and nearby districts. In addition, new companies are always emerging in the market full of scope and possibilities. They are the potential competitors in the business of JIEB. Nevertheless, Mr. Thapa takes competitions as a normal business practice in everyday life of an entrepreneur. Furthermore, he is of the opinion that technical manpower, machinery tools and equipments, and relationship with suppliers are the strong points of JIEB that overcomes the rivalry with small existing competitors.

Whenever, the scope of product or service rises in the market, competition becomes natural phenomena. A positive aspect of competition is that it forces company to be creative. Creativeness is in a sense that a company will realize the trends of market as well as customers and try to react according to it by providing extra value to the product and service. Providing extra value means focusing on quality, renovation, and long term planning of product and services.

However, competition can lead to decrease in market share and exit of company. Therefore, company should be fully aware of the social-economic dynamics in market, strengths, weaknesses, and strategies of potential competitors. Hence, competitive strategy becomes a must for all the companies in order to make right strategy for the right market and outbid the competitors. Moreover, competitive strategy helps companies survive, develop, and grow their business. In addition it will help companies to gain competitive advantages over their competitors. Porter (1980) explains that competitive strategies are the responses of companies in its operating environment. These strategies of a company can fall into either of the three market strategies identified by Porter (1980); cost leadership, differentiation, and focus. Cost leadership strategy is concerned with number of company's competition on low price of their

offerings. This strategy alone is not well enough to gain competitive advantage because it might end in a price war. Similarly, differentiation strategy is based on diversifying the product or service offerings of a company. This strategy is more likely to occur when company's products have entered the maturity stage and there is need to provide extra value. Hence, successful differentiation strategy can lead companies to gain brand awareness and customer loyalty. The final strategy is focus strategy which is related to identification of niche market. It is often used by newcomers in the market with their specialized products and services. This strategy objective is to create market segment and focus on the segmented market wants and needs. (Deakins & Freel 2003, 343-345.)

JIEB is a small construction company that is currently focusing on doing independently a number of small construction projects in its district of origin and the bordering district. In order to achieve its set mission and vision, the company must achieve competitive advantages on its service offered over the competitors. Therefore, the company can apply the three strategies identified by Porter in its corporate strategy. Combination of all three strategies can prove success to the company in its business.

5.7 Senior management and decision making in JIEB

JIEB is small construction company owned by a single entrepreneur. There is an influence of family members and relatives in the company. Most of these members hold the position of senior management and have influence in decision making process. From the interview with Mr. Thapa and from my own observation, I came to know that the company management has similar characteristics to other family businesses as mentioned by IFC 2012. The family members involved in JIEB business are skilled in terms of work because of their involvement in such business for several years. So far, these family members have been the key reason of success in the company. However, they lack the technical ability which in the long run can affect the company's business operation. At present JIEB is operating in a small scale of projects and has proved success so far. Looking at the near future as well as the objectives of the company it is clear that the company must anticipate change in its management structure. Furthermore, they must identify the right members for the right positions and hire outsiders for the necessary positions.

6 UNDERSTANDING SCENARIO PLANNING

The history behind evolution of scenario planning concept is introduced here. Moreover, I will describe the opinion of various researchers regarding SP. Furthermore, I will describe the importance of SP concept in small businesses.

6.1 Evolution of scenario planning

Modern day's companies are operating in a dynamically changing and unpredictable environment. In order to adopt in such a changing environment which is unpredictable and might occur suddenly, companies are forced to prepare plans of action. To make it more precise, companies need flexible strategic planning systems that ensures them to survive in the uncertain environments of business. (Chakravarthy 1997.) Salo (1993) and Mintzberg (1994) emphasizes that traditional planning has failed to prove effectiveness in changing environment because these planning is lacking in producing reliable forecast of different variables. (cited in Phelps et al. 2001, 223.) Traditional planning is mainly based on the belief that experienced professionals' working practice will achieve the milestone or target the company has set. Those professionals make flawed assumption that the action plans formulated will meet their objectives, competition remains the same in the market and customer loyalty will remain forever. However, they fail to include long-term issues in business and keep their eyes blind which results in extraordinary surprises. Hence, it might lead to significant failures of the companies. (Peterson & Cumming & Carpenter 2003, 59.) Therefore, the weaknesses of traditional planning have resulted in the development and widespread use of new style planning method known as scenario planning. (Phelps et al. 2001, 223.)

The concept of SP was introduced for the first time by Herbert Kahn as a method for military planning in the late 1960s. It was used as an alternative strategic planning to imagine and response the uncertainty of future and its impact on the organisation. (Peterson et al. 2003, 360.)

SP approach was used for the first time as corporate strategy in the 1970s by Royal Dutch-Shell Oil Company. Shell Oil used scenarios to estimate the long-term decisions. It was in 1970 when planners in Shell identified the possibility in rise of oil price. The price of oil was supposed to be stable. Traditional approach practices in the company based on past experience lead Shell executives to be in “how” situation of occurring such phenomena hence, it forced these executives to use different strategic alternatives to understand the situation; scenarios were developed to investigate the global markets of oil. The scenarios come up with the suggestion that oil exporting countries will limit the production and that will cause rise in price. Shell management prepared for the possible future of rise in oil price by increasing the efficiency of its refining and shipping operations. The change in business practices and the company’s ability to respond to changes according to the rise in oil price allowed Shell to survive in a world of dynamic market faster than its competitors. Similar scenario practice occurred in Shell during the early 1980s. The company was able to explore the possibility of price change in the market. There was decline in oil price world-wide mainly because of the new discovery in oil producing state. Shell was again able to outbid its competitors by early adopting of business strategy taking into account the investigation of oil market around the world. Shell was among one of the smallest multinational oil companies in the world during the 1970s. Its fortune changed dramatically during that period of time when it adopted the SP concept in its corporate strategy to become the second largest oil company. (Peterson et al. 2003, 363; Turner 2008, 1; de Geus 1988 cited in Phelps et al. 2001, 223.)

In essence, SP approach adopted by Shell Oil has proved that traditional predictions are less effective in comparison to SP because those predictions cannot take an insight approach of future uncertainty. Hence, it might lead companies to slowly adopt in the dynamics of market environment and they might be outperformed by their competitors. It can result in costly failure to the company. The case of Shell Oil is a good example that the case company can take into consideration: traditional planning are not good enough to cope in modern business.

6.2 Concept of scenario planning

Wack developed the SP concept in corporate strategy of Shell Oil during the 1970s. In 1984, after the successful trial of SP in Shell Oil, he described SP as a discipline to explore the entrepreneurial foresight power in changing business environment, greater complexity and uncertainty. (cited in Daum 2008.) Similarly, Porter (1985) defined SP as a regular view of how future might shape and impact the business. In addition, Ringland (1988) presents SP as a part of strategic planning of company to manage the uncertainties of the future. Moreover, Shoemaker (1995) explains SP as a disciplined method for imaging the future possibilities in which company's strategic decision may be played out. (cited in Lindgren & Bandhold, 2003, 21.) Hence, it can be concluded that SP is not a forecast of desired future; instead it is a capability of a company to explore a future state of environment where it is going to exist. Moreover, SP is more about understanding "what could happen" and "how it will happen" in different future context and to adopt in such kind of situation by flexible planning system.

Companies can use SP to make big, hard decision in business more effectively. The main purpose of SP is to identify the large scale driving forces that might shape future into a different direction. Moreover, to understand these forces and if they occur, the planner gets an early warning and can react quickly with the level of knowledge applied. Therefore, SP aims at guiding to make better decisions today. Wilkinson (2004, 1.) The sequential format of SP is creating stories by developing images. These created stories represent different futures and it force mind to think of different directions that future might take. Hence, it increases one's ability to think the unthinkable and unusual events and various conclusions made on the thinking basis can play out in future. Because of all these above mentioned reason SP is regarded "as powerful instrument in strategic planning." (Lindgren & Bandhold, 2003, 28-29.)

6.3 Scenario planning development process

Various researchers have identified various approaches in scenario building process depending upon their objectives. Therefore, they suggest different stages which a

company should pass through in order to make effective scenarios. This stage varies from four to eight as mentioned by different researcher. For instance, Phelps et al. (2001, 24) describes four stage in SP process. The first stage aims at defining the scope of business. In this stage focus is on where the company is heading towards, what the company's goals are, where its market is, and who are its potential stakeholders. Therefore, this stage is also regarded as vision building because it describes the main focus area during future period. The second stage constructs a database of trends of market environment, predetermined elements, and uncertainties. The third stage consists of scenario building based on exploration of predetermined elements. Normally, building of two to three scenarios are recommended. Finally, it is the last stage where strategic options are taken into consideration with an in-depth analysis of different scenarios.

Lindgren and Bandhold (2003, 38) propose five stages in scenario development process named as TAIDA framework. TAIDA stands for tracking, analyzing, imagining, deciding and acting. Tracking is the first stage where companies trace changes in market. Moreover, signs of opportunities and threats are identified. The second stage critically analyzes the consequences of different factors traced in first stage. Scenarios are developed for different alternative futures in imaging stage. The fourth stage is deciding critically which strategic alternative to consider out of different scenarios developed in imaging stage. Finally the last stages focus on putting strategy into action.

Similarly, Peterson et al. (2003, 360-362) discuss six stages of scenario development process consisting of; identification of focal issue, assessment, identification of alternatives, scenario building, testing scenarios, and policy screening. Moreover, Chermack and Korte (2007, 650-651) suggest that SP process passes with eight different stages. It includes identifying the issue, identifying key factors, researching driving factors, ranking key factors and driving forces, developing scenario logics, developing scenario details, considering implications, and identifying indicators.

Analyzing the perspectives of SP process described by various researchers above, it is clear that there is no definite rule about whose process to follow while building scenarios. Depending upon the objective and simplicity any companies can precede SP development process on their own way in systematic process. From the process

described above, systematic process in developing SP could begin with forming a team to identify different focal issues. These focal issues are can be generated looking at the perspective of a company business and its mission and vision. Secondly, the driving forces that shape the future business environment can be identified by the team. It can be followed by determining the uncertainties that can be created by the forces. Moreover, scenarios can be created for different alternative future and lastly scenario strategies can be created.

6.4 Research on scenario planning in small companies

There was a survey carried on by Phelps et al. (2001, 229-230) on small-medium companies who employs less than 100 employees. The survey was aimed to find out the performance resulted on small-medium companies with and without the use of SP. The companies using SP in while formulating strategies reported significant improvement in decision making because SP allowed them to generate develop more realistic and possible futures. Moreover, it helped them to improve in quality of decision making. Furthermore, companies using SP noted better impact in use of resource, eliminating irrelevant processes, and innovative management. Moreover, they found themselves as a low cost consultancy provider. However, in two aspects; improving client services and leadership in new IT applications, SP couldn't perform well. This was subjective opinions of the companies.

Similarly, companies using SP out-bided non-users in objective measures of performance. For instance, those using SP performed well in terms of generating profit and return on capital employed (ROCE). SP users identified increase in clients by 11.27% whereas non-users identified only 6.57% and some of the non-user of SP even has negative rates.

The last part of survey questionnaires were used to measure the difficulties faced by both users and non-users of SP in executing strategies. SP users reported superior performance in all the criteria of survey and they were not seeking for further changes in their strategic planning. At the same time 60% of companies who were not using SP were seeking for change in their current strategic planning techniques. Thus, this study

implies that there is widespread satisfaction of SP users because of its effectiveness in the performance of company.

6.5 Pitfall of scenario planning

In above sub-chapters I have described about the concept of SP as well as importance and outcome of SP user companies. This study shows that there are number of advantages that SP user can achieve. However, SP having effected on the performance of its user has various shortcomings. That is why number of companies around the globe is not utilizing it and they favor traditional approach in their planning method. Lindgren and Bandhold (2003, 30-31.) has identified some of the shortcomings of using SP in a company.

SP is future mapping strategy used in strategic planning of business. SP can guide companies to make the vision of future but it cannot predict the impact of future uncertainty accurately. Therefore, SP does not provide clear conclusion and it leads to lack of security which is vital in decision making. Moreover, it is more demanding approach in comparison to traditional approach.

Similarly, SP makes problem more complicated because of a fact that SP divide every problems into different sub-parts. It tries to solve each sub-parts separately which might be time consuming and resource demanding in comparison to traditional methods which is simply based on the principles of one right answer to every question.

Moreover, The SP techniques are usually qualitative in nature. It is based on reasoning and simple pattern recognition. Although complete analysis is made on understanding of phenomena, however the data results are presented in qualitative terms. These data might fit poorly in comparison to traditional cultures that are numbers oriented.

7 SCENARIO PLANNING FOR CASE COMPANY

I will describe the process of developing SP for the case company in this particular chapter. Constructing a scenario based strategy for case company looking at its future prospects is one of the major objectives of this research work. This section is also based on the analysis of research findings.

7.1 SWOT and TOWS analysis of JIEB

In the section of SWOT analysis, strengths, weaknesses, opportunities, and threats of businesses are identified. Out of which strengths and weaknesses represent the internal environment of the company whereas, opportunities and threats represent the external environment that impacts the company's business. (Deakins & Freel 2003, 342.)

By the analysis of strengths and weaknesses on the internal environment and opportunities and threats on the external environment of the company, strategic alternatives can be constructed based on holistic view of a company. TOWS analysis aims to design optional strategies based on SWOT analysis of the company. Combination of SWOT and TOWS analysis helps companies to understand the strategic choices it faces. Moreover, it helps companies to answer four major questions: how can a company make the most of its strengths? How can a company prevent its weaknesses? How can a company capitalize its opportunities? How can company manage its threat? A 3*3 matrix can be drawn to represent strategic alternatives based on SWOT and TOWS analysis. Simply, internal strengths and weaknesses can be placed on the two rows of matrix. Similarly external opportunities and threats can be placed on two columns of the same matrix. The same matrix includes four more boxes containing strategic alternatives and out of which the first strategy is about using strengths to maximize opportunities. Second box is about using strengths to minimize threats. Third box is about minimizing weaknesses by taking advantages of opportunities. The final box is about strategy to minimize weaknesses and avoid threats. (MindTools 2012.) A strategic alternatives matrix is constructed for the case company: Jhapali International Engineering and Builders (henceforth JIEB) which is illustrated in Table 4.

Table 4. SWOT and TOWS analysis of JIEB

SWOT/TOWS	<p>External Opportunities (O)</p> <ul style="list-style-type: none"> - Collaboration with big companies to work together for number of projects. - Opportunity to learn the practice of corporate governance in big companies. - Work independently in number of small and big projects. - Create niche market. - Create customer loyalty and get brand awareness. 	<p>External Threats (T)</p> <ul style="list-style-type: none"> - Competitors: both new and established from same and nearby locations. - Political instability. - Growing concern of ethical issues. - Environmental issue related to shortage and scarcity of materials. - Low profit margin.
<p>Internal Strengths (S)</p> <ul style="list-style-type: none"> - Deep knowledge of the operating as well as nearby locations. - Experienced professional with the knowledge of maintaining personal relationship with different stakeholders. - Quality of work. - Cost leadership because of number of machinery equipments. 	<p>S/O Strategies</p> <ul style="list-style-type: none"> - Maintaining long-term relationship with big companies. - Offer quality in work. - Networking with suppliers. 	<p>S/T Strategies</p> <ul style="list-style-type: none"> - Collaboration with few local competitors. - Maintaining long-term relationship with creditors and suppliers. - Providing safety and innovative working environment.
<p>Internal Weaknesses (W)</p> <ul style="list-style-type: none"> - Lack of proper management structure. - Clashes in decision making between family members. - Lack of marketing. - Education level of employees. 	<p>W/O Strategies</p> <ul style="list-style-type: none"> - Development of employee's competences. - Focus on collaboration with big companies for working in big projects. - Learning by experience. 	<p>W/T Strategies</p> <ul style="list-style-type: none"> - Collaboration with big companies, suppliers. - Focus on niche market and brand awareness. - Development of systematic management practice. - Delivering quality work.

The SWOT and TOWS analysis of JIEB, illustrated in Table 4 clearly shows the current company situation (with illustration of internal strength and weaknesses) and future prospects (with an identification of opportunities and threats) of the company in its nature of business. Furthermore, strategic alternatives are made for the case company which is illustrated in Table 4 as “SO”, “ST”, “WO”, and “WT” strategies. These alternative strategies are future suggestions for the company to maximize its efficiency power and gain success in business. The table shows that maintaining personal relationship with different stakeholders, delivering quality work, and availability of machinery equipments that helps to gain cost benefit, are the core strengths of JIEB. However, lack of proper management structure that leads to conflict in decision making, and lack of awareness in e-marketing are the major weaknesses of the company. There are various opportunities and threats identified in the business environment where JIEB operates. In order to optimize opportunity and minimize threats and weaknesses of the company, I have suggested various strategic alternatives. These strategic alternatives can guide the case company to form three main market strategies identified by Porter (1980): cost leadership, differentiation, and focus. Moreover, it will help the case company to gain competitive advantages over their competitors and that result in achieving mission and vision set by the company.

As was previously discussed, JIEB is specialized in doing various types of public construction work that is financed by the government of Nepal. Currently, the company is operating its business in Jhapa district and other bordering districts. These locations are considered by the company in its operation because of the fact that the locations are well known by entrepreneur and effectiveness of travelling. However, the company lack thinking of “focus strategy” while operating in this market. JIEB has been operating in local and nearby market since two and half years. The company can still focus in this market for few more years taking it as a potential market segment. Market segment strategy combined with the company’s quality work delivery helps to gain interest of customer. Customer in JIEB nature of business is the government who provides public construction projects. This strategy of JIEB will not only gain interest from its customer but furthermore, it will help to get customer loyalty. Once created customer loyalty will increase brand awareness of the company and hence, it will help JIEB to get more projects in future. Moreover, the company will gain popularity in the country and because of which big companies will be interested in working together for bigger

projects when they come in the operating area of JIEB. Workings together with big companies prove huge impact in the case company in terms of generating profit, learning management practice, and developing capabilities and skills of employees. Profit generated from big projects can be used for several purposes. However, my recommendation for case company is to invest such profit in modern machinery and tools that can increase work efficiency.

Maintaining strong relationship with the government and brand recognition in the market helps the case company to develop trust relationship with other influencing stakeholders such as suppliers, creditors, community, and local private customer. The case company does not deliver specific products. It relies on the contract of different construction work. Whenever, the company get project it rely on creditor for finance and suppliers for different materials needed in work. Based on trust relationship with creditors and suppliers, the company can get financial loan with low interest, working materials whenever needed in terms of credit. On the basis of materials cost provided by suppliers and the percentage interest of loan, the cost and benefit analysis of the project is done. Therefore, more the cost of products less the profit margin of the project. Sometimes when there is shortage of materials such as iron, cements, fuel, and gravels needed for work however, suppliers try to manage for their loyal and trustworthy customer in time. Hence, maintaining long-term relationship with creditors and suppliers helps the case company to respond its customer needs quickly. In addition, customer needs responded with focus on quality will differentiate the company activities with its competitors. Furthermore, the result of collaboration and relationship with big companies, creditors, and suppliers can lead company to gain cost leadership in the market. Hence, the case company can bid for the project with low price because of work efficiency, availability of products and finance in time with low cost, and influence of skillful workers. One aspect of threats which JIEB must consider is an ethical issue related to safety of its employee, bribe free working environment, and fair trade with concern parties. These issues are very important when the company start to grow in the market. Bad ethical practice leads company to lose its reputation and finally it might lead to collapse of business in the market. SWOT and TOWS analysis illustrated in Table 4 forms a solid base to develop SP for the case company.

7.2 Developing scenarios for the case company

As it was previously discussed the systematic procedure of making scenarios begin with building a team that will define the major issues related to the company's nature of business. Moreover, the team will define the predetermined factors, driving forces, uncertainties, develop scenarios, analyze scenarios, and finally develop scenario based strategies. This team should be as diverse as possible meaning that it should include people from wide range of management who possess different age and genders. Moreover, the people from different organization functions and different cultural background are considered as advantage. The central idea is, more diverse of people more the scenarios are generated. This team will generate ideas mainly based on the company's mission, vision, and field of work. Therefore, a challenging thinker from outside of organization can be included in the team to explore more ideas. It is important to mark the timeframe of scenario because it affects the range of movement and creativity within the scenario. (Ogilvy & Schwartz 1998, 2.)

In the case company there are various workers who hold number of tasks. The company consists of managing director, supervisors, overseers, engineer, accountant, mechanical tools and equipment operators, and blue-collar employees. For a small company like JIEB these members can form a scenario team. Furthermore, the company can include an external consultant. As was previously discussed SP is a time consuming process and its effectiveness lies on the time that is spent to build it. In the context of the case company, appropriate time for SP is monsoon period of summer because of the fact that the company's activities are slowed down during that period. Hence, during this period of time the case company can form a brainstorming session using the scenario team. In brainstorming session the team can create a story of any aspect of future that can affect the case company. The company can raise one important theme or issue with timeframe where the scenario building team will mainly focus. For JIEB it can be the challenges in achieving the company's mission and vision. Therefore, main issue to be raised could be: What factors should JIEB consider in order to be the market leader in construction market of Eastern Nepal by 2012?

The second phase of SP then begins where the team will identify the driving forces that create uncertainty and can impact in the company's set issue. The team will mainly

analyze the aspects of STEEPLE factors: social, technological, economic, environmental, political, legal, and ethical. There is no such impact identified in social aspect because social aspect is mainly concerned with the size, economy, value, taste, and fashion of population. JIEB is not delivering any specific products to the customer instead; the company is delivering quality construction service. There is no such threat detected about the shortage of labor needed in JIEB activities. As described earlier, there is broad scope of construction market in Nepal. Whenever there is scope of any kind of business, there is always a threat from competitors. Number of competitors with big and small capital investment rises. Construction companies future depends upon the construction project they get to work. The lowest bidder for the project gets it and technology plays vital role. For instance company with numbers of modern tools and equipment normally have better cost and benefit analysis because of high efficiency power. Therefore, technological issue creates a threat for the company.

One of the main economic issues can be the spending power of customer in construction works. Moreover, the inflation rate of the country and the interest rate of a loan that the company takes for raising finance in business. Customer in the case of construction companies is the government of Nepal. There might be a financial shortage to run construction projects equally throughout the country. Similarly, most of the materials needed in construction works come from neighboring countries of which mainly are from India. Therefore, difference in exchange rate might results in rise of price of materials. In these cases, economic issues can create threat for the company. Environmental issue has been always a threat for the company. For instance, heavy rainfall of monsoon season and surprising floods slowdown the company activities. Similarly, the regular scarcity and rise in price of gasoline as well as other construction materials can directly impact the company. Political issues for the case company could be: instability in Nepalese political situation which results in variation in taxation policy, working system, and balance of construction projects throughout the country. Moreover, the relationship with bordering countries has direct impact on the supply and pricing of materials needed in construction company business. Legal aspects of the country places an obstacle on business limiting them what they can do and what they cannot do. The legal framework includes protection of employees' rights, consumer protection law, and law related to buying and selling of goods. Ethical aspects are related with people awareness on quality, employees' safety, consumer health issue, and

participation in community activities. In most of these ethical aspects the company must spend extra resources which might mainly be in the form of money.







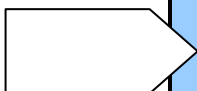

These categories of STEEPLE factors are taken as a possible example in order to identify the current and past trends of market. Moreover, to identify the unusual uncertainty caused by these forces. It is better to know these forces in brainstorming session because sometimes these forces are powerful enough to shape the business situation. Positive change in these forces can result in profit making, long term success, and ultimately the growth of the company whereas, the negative change might force can extinct the business.

Now comes the third phase which is a backbone phase because various uncertainties are listed here. There are two main goals while planning uncertainties: to understand all the forces that create uncertainties and to understand their relationship with each others. However, it is advised to select few forces that are appropriate to focal issue and almost impossible to predict. Although most of the uncertainty listed by the scenario team might look very unique in the beginning however, after have deep insight one can be able to identify the similarities. Hence, the team will be able to reduce these uncertainties and they will list few critical uncertainties. (Wilkinson 2004, 2.) From the analysis of case company and SWOT and TOWS analysis some of the critical uncertainty could be: border matter conflict between India and Nepal, flexible government policies that welcome rich foreign companies, suppliers and creditors go bankrupt, downturn of Nepalese economy, emerge of new wealthy local competitors, breakdown of civil war.

After identifying the list of uncertainties for the case company, it is possible to define a two axes crossing matrix that define four different, but plausible scenarios for the possible futures uncertainty. Each of these scenarios describes a logical future that can be explored. Although it is possible to generate various number of scenarios from the combination of determined forces, but experience researcher suggests as few as possible. In their opinion one to three scenarios gives very effective framework which can explore all of the other forces. (Wilkinson 2004, 2.) There are four different principle logics proposed by Schnaars and Ziamou (2001, 27) to structure the scenarios: putting three scenarios that is bounded by optimistic and pessimistic thinking, putting

two scenarios arrayed as good and bad, putting three scenarios arrayed over a single dimension, and putting three independently themed scenarios. For the case company, I have chosen independent logic that put three different scenarios. This logic is considered in my work because all three scenarios developed are conceptually independent of the others. For the case company I propose three scenarios that are named as: “Conflict Border”, “Nepalese Economy”, and “Wealthy Competitors.” These scenarios are illustrated in Table 5 below.

Table 5. Scenarios for JIEB

SCENARIO	FACTOR	ACTION
„Conflict border” 	Border issue rises between India and Nepal  Restriction in free mobility  Increase in import tax  Increase in price level of materials	Maintain good relationship with number of suppliers
„Nepalese economy” 	Downfall in economy  Restriction of small construction companies’ growth	Focus on public construction work Identify numbers of private customers Maintain strong working relationship with other companies
„Wealthy competitors” 	Wealthy competitors appearance on the market  Poor performance of JIEB in bidding projects	Focus on particular market segment Continuous delivery of quality work Maintain sound relationship with customers, big companies, and suppliers

Next phase is to write the story of these proposed scenarios. Moreover, scenario strategy can be proposed to tackle these scenarios. The first scenario illustrated in Table 5 is “Conflict Border.” It generates a question what if there rises border issue between India and Nepal? As was previously discussed, Nepal is bordered with India from east, west, and south. In common they share free border so the mobility of people from both countries are freely allowed. There are various Indian traders doing business in Nepal. Because of cheap labor cost, the prices of materials are cheap in India in comparison to Nepal. JIEB is located in Jhapa district that shares border with India from south-east region part of the country. The company utilizes free border to get various materials needed in its business activities. Similarly, Indian traders act as major suppliers of materials for the company’s business. The conflict in these two countries border might lead to restriction in free mobility of its people. Hence, it results in increase in price level of materials because of increase in import tax. Increase in import tax creates a threat for the company to make cost and benefit analysis while bidding for the project. Therefore, I propose the case company to follow the strategic alternative of maintaining good relationship with number of suppliers who can provide assistance during the hard times.

The second scenario is “Nepalese Economy” that is presented in Table 5. It generates the question, what if the Nepalese economy goes down. The political instability going in Nepal and the excessive imbalance of foreign trade can lead to downfall of Nepalese economy. Downfall of country economy has direct effect in construction market. Government plan budget for construction works in different parts of the country in different period of time. For instance, in year 2012 government might focus on construction work of west and east companies might have to wait for several months to get one single project. This practice of government due to shortage in finance provides threats for the company because they survive in the market relying on the construction project provided by the government. In my opinion it is signaling company to diversify its activities. Therefore, I propose the case company not only to focus on public construction work but also to identify numbers of private customers. Moreover, the company should utilize its machinery equipment and tools as outsourcing for number of small and big companies which can generate extra income. It is only possible if the company maintains strong working relationship with other companies.

The third scenario illustrated in Table 5 is “Wealthy Competitors”. Again this scenario forms a question, what if new or established but wealthy competitors come in the market of the case company location? As it was previously discussed competition is a natural phenomenon in market full of scope. Competition becomes fierce in construction market when several competitors’ gains cost and benefit because of increase in work efficiency. It is easy for wealthy company with number of machinery tools and equipment, and having own store of inventory to out-bid its competitors. For the small company like JIEB, these kinds of competitors create threat because the competitors might prove outstanding in bidding the project. In this particular situation, JIEB strengths might not prove well enough to compete against its competitors. The case company should be well prepared to overcome this kind of tackles in future. Therefore, my advice for the case company is to focus on particular market segment, continuous delivery of quality work, maintaining sound relationship with customers, big companies, and suppliers. To tackle in this kind of hard times created by the competitors, the company must understand that it is not necessary to be perfect but better than competition is just enough.

I developed the three scenarios for the case company looking at the future perspectives. It is just an example of what kind of uncertainty companies might face in their nature of business. I have proposed some scenarios strategy which might play out for the company. Lastly, to conclude the chapter I would like to say that scenario planning is not an accurate forecast of future but it is a discipline to elaborate insight knowledge of people. Similarly, SP makes them to realize what is happening, what does it means and how to tackle it with the level of knowledge. Therefore, SP is more about making the future trends thinkable and hence, it is more about making better decisions today.

8 CONCLUSIONS

The objective of this Bachelor's Thesis was to analyze the situation of the case company Jhapali International Engineering and Builders (JIEB). Similarly, second objective was to develop strategies in the form of scenarios in order to guide the case company to achieve its mission and vision.

Throughout this thesis, I tried to describe what SP is and in what way SP can be applied in the strategy of the case company. During this process, firstly I went through the theoretical base of small business and its operating environment. To relate it with the case company, I introduced the business nature of small construction companies in Nepal. Combining both theory bases with the interview data collected, an analysis of the case company was made. Furthermore, a literature review regarding the topic of SP was done. Finally strategic alternatives for the case company business were developed. Moreover, recommendations about applying the SP in corporate strategy of the case company were made based on the research findings.

This research proved that small companies are either unaware of the SP concept or they are not willing to practice it in their strategies and they focus on traditional planning methods. There are several reasons behind it. First and foremost, SP relates to long term planning in business. These kinds of practices are not common in small companies because they revise their strategy only if the changes occur in the environment. Secondly, in a small company the owners are responsible for supervision of all the business units and because of time concern they are not willing to focus on different planning methods. Moreover, SP is time consuming and needs extra resources such as time, finance, and man-power. Small companies' owners are not willing to take those challenges and therefore, they welcome traditional approaches.

This research has come up with various advantages of SP. The concept of SP used in the corporate strategy helps to understand the different shape of future and hence, it leads the company to take early steps in dynamic markets and adopting change. Adopting in the dynamic market denotes to improve in performance of small companies on different measures such as innovative management and wise decision making, generating sound

profit, ensure of return on capital employed, increase in number of customers, allocation of resources, and eliminating unnecessary processes. Therefore, it is easy to conclude that adopting SP in companies' strategy is not always considered as the best practice. However, companies should be aware of the fact that SP makes thinkable of uninvited events. In addition, SP can guide the company to create the story of their vision and which might play out in future. It is very important for the case company to consider SP concept in its strategy because of the scope of the business in which it is operating and to cope with possible threats of future.

The study of this thesis work focused on developing scenarios and explaining the importance of SP in the company's strategy. Scenarios were created based on the analysis of the case company and through the reference of theoretical framework. As it was previously discussed SP is a new concept for the small company in Nepal. SP effectiveness can only be visible when it is applied in practical level. Therefore, further is necessary to find out challenges that the company will face when applying SP in its strategy. Moreover, further research could measure effectiveness of SP in the performance of the case company.

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APPENDIX 1

Interview questions

1. Could you describe in brief about your company and its nature of business?
2. What are the mission and vision of your company?
3. What kind of strategy have you formed in order to meet your expectations?
4. Could you please describe me the total process of how you get new project and how you complete it?
5. How business decisions are made in your company?
6. Who are the key partners of your company?
7. What kind of planning method do you use in your company? Do you plan for both short and long-term?
8. What kind of factors do you consider while making long-term plans?
9. Could you please tell me in brief about the financial turnover of your company in last two and half years?
10. What is the net profit margin of the company?
11. Where do you invest your profit?
12. Could you please provide me some detail of your competitors?
13. How do you think your company is better placed in the market than your competitors?
14. What are the biggest threats in construction business of Nepal?
15. How the threat does effects your company?
16. Do you use any alternative planning methods to consider these threats?
17. Have you heard about the concept of scenario planning used in business strategies?
18. What are your expectations from this research?