



## Creating New Markets



*Rodney Franks, Managing Director  
Hsin Chong Construction Group Ltd.*

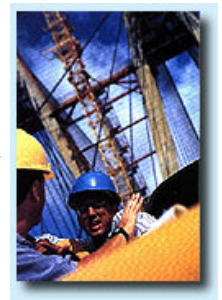
Prior to Franks joining Hsin Chong, V-Nee Yeh as Deputy Chairman, had in 2000 started a cultural change programme within the construction division of the Group and introduced the balanced score card system of business performance management. Franks' mandate was to give the Group a strategy, a blueprint for the future. "I've come with the specific purpose of restructuring this business, determining it's new direction, equipping it with necessary skill set and managing the change process," says Franks.



Even with Franks' extensive experience, he saw the need for a third party to come in as a facilitator. "I was a member of the corporate strategy group for Taylor Woodrow plc when Taylor Woodrow Construction carried out it's restructuring exercise," says Franks, "so I was familiar with the process. I soon realized, however, that what was required in Hsin Chong would demand a different approach because we were not seeking to reinvent ourselves but to establish a new strategic direction founded upon our core business."

Franks interviewed a number of consultants before settling on Hong Kong-based Strategic Thinking Group. "My decision to go with Strategic Thinking Group was based purely and simply on my understanding of their experience and the quality of service they had provided to other clients," says Franks, "and whether I felt that James (James Haybyrne, CEO of Strategic Thinking Group), who was going to be heading up the exercise, was the sort of person that I could work with."

"There is no way we could have successfully completed that journey - as James puts it - without a facilitator, because within an organization you've got those who are aggressive for change, those that are indifferent to change, and those who are resistant to change. For me the whole intention," says Franks, "apart from purely getting a strategy, was to get total buy-in from the management team - not just directors, but people from other levels of management within the company. I think that one of the greatest values of the exercise was actually getting that buy-in. It was not easy - there were differing opinions on a number of issues but at the end of the day there was total agreement."





Goals were set and milestones placed at intervals to keep the company motivated and on track. “We have to maintain a significant position within our domestic market in Hong Kong,” says Franks, “but to be able to do that we've got to move away from certain sectors, and concentrate more on areas where we can bring added value.”

For one thing, Franks sees greater participation with the Hong Kong government. “The application of a public/private partnership in developing, implementing and maintaining projects over a longer period is actually a valuable way for the government to maintain its level of activity in terms of infrastructure and development,” says Franks.

“We believe in a broad infrastructure development of Hong Kong. Therefore it's going to be up to this company to become more involved. We see ourselves very much as a sort of contractor/developer. I want to put a small 'd' on that; we're not in development -- when you say development in this town everybody thinks about property -- I'm talking about taking an active part in initiating the concept, developing the design and being involved in the operation, the maintenance or the asset management of a project.

Franks says that Hsin Chong's new strategy seeks to lengthen the value chain from its traditional core of building construction. On the front end of a project this could include “helping the government or the developer develop the concept, the design and maybe even arranging the finance,” says Franks. “We then come to our comfort zone in the middle (construction), which is what we do as our stock-in-trade. Then we also look at undertaking the asset management of that particular facility, and that could be up to a 25-year period. It significantly lengthens the value chain for the company, so rather than having this very sick little turnover from a pure contracting perspective, we've actually got some investment at the front end in terms of development and we've got some long-term revenue flowing from asset management.”

It's a tall order, and one with no small element of risk. But Franks is busy putting the various pieces of the puzzle into place. One of the crucial elements is to closely monitor the company's progress. “Everybody understood the need for a high-risk strategy, but the implications of that are that we need to ensure we have very close monitoring of how that strategy rolls out. Within our management committee we will be reviewing that on a quarterly basis, so we will be in a position to report where we are performing against the budget and how we are managing to retain a move in the direction of the strategy that we've determined. We've got a lot to do in a short space of time,” says Franks.



Yet another crucial element will be communicating the company's new strategy to employees and investors. Franks already has his board's approval, but knows he will have to be ready when he presents the plan to employees. “There will be comments, there will be disagreements,” says Franks. “Everybody's going to have an opinion and I hope what we've put in place will enable those opinions to be at least listened to. I'm not for one minute suggesting we are going to be able to deal with everyone satisfactorily. But at the end of the day the message will be made very clearly: you're either in or you're out -- you can't be on the fence. It's probably not a message people are used to being told in this organization.”

It's more likely most of those employees will be 'in' – and investors are apt to like the new strategy too. But there's still a tough economic climate to contend with. After a lot of planning and insight from his team, Rodney Franks thinks he has the recipe for Hsin Chong's reinvention.



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