

Responding to an Emerging Market

Introduction

"The industry as a whole is **under-achieving**." This was the verdict of the Construction Task Force, led by Sir John Egan, in July 1998. The Task Force had investigated the state of the British construction industry.

The Egan Report, as it came to be called, confirmed that the industry did have some **centres of excellence**, but that overall there were many problems to resolve. These included:

- **low profitability**, which in turn led to;
- low levels of **capital investment**
- insufficient research and development
- inadequate employee training
- outdated methods of production
- excessive waste of resources eg time and materials
- many dissatisfied customers.

The Task Force thought that too many

firms in the industry were poorly led and lacked vision. Firms were criticised for being insufficiently aware of the business environment in which they operated, and for failing to adapt products and their processes to meet changing customer needs.

The directors of Portakabin, Europe's leading provider of **modular buildings**, welcomed the report's findings. Clearly, its comments were accurate in relation to large sections of the construction industry. On the other hand, Portakabin had good reason to believe that it was one of the industry's centres of excellence and that its own progressive approach gave it a competitive advantage over many of its would-be rivals.

This case study looks at how Portakabin's operations exhibit the kind of good practice that the Construction Task Force wants to see the whole industry adopt. In particular, it demonstrates how Portakabin is 'ahead of the game' by being customer-led and responsive to the changing business environment.

Changes in the business environment

The business environment in which firms operate lies outside themselves. It is their external environment, which is always changing. Some changes are so dramatic that everybody notices them, but others may creep up on an industry over the years and be largely ignored for too long.

Changes take many forms and create new challenges. For an industry as a whole, it may well be that:

- Customers' needs and requirements change. They look for new, better and cheaper products.
- New technologies become established. These encourage new firms to enter the industry with better products and cheaper ways of doing things.
- Employees' skills need revising to take advantage of new technologies.
- New laws are passed that require changes in how businesses operate eg introduction of a minimum wage, restrictions in working hours and tougher health and safety requirements.
- Traditional sources of supplies of raw materials and components begin to look less reliable.

- New supply sources emerge.
 - Banks and other investors start to lose interest in financing the industry.
 - Pressure groups start to take a greater interest in the industry's activities.
 - The industry ceases to be able to attract new, high calibre recruits.
- For individual firms within an industry, the external business environment also includes their competitors, who may:
- introduce new, superior methods of production
 - change the ways in which they compete for business
 - extend their target markets
 - find new ways of attracting key employees.

One test of a firm and also of an industry is how well it recognises significant changes and adapts to them.

The construction industry

The construction industry has to meet the needs of a whole range of clients. These include:

- public and privately owned businesses and organisations in all sectors of British industry

- schools, hospitals, universities etc
- national and local governments eg roads, railways, tunnels, dams, stadiums and offices
- private citizens, and particularly home owners.

All these clients want the job that is done to be:

- better suited to their own particular needs
- completed more quickly
- cheaper than in the past
- finished to higher standards.

For this to happen, the UK construction industry has to change its approach.

The need for innovation

Customers' requirements could not be met by existing products. There was a need for new ideas and better techniques. This was because:

- Companies were looking for innovative buildings to provide more adaptable office space with reduced lead times.
- Schools, hospitals, universities etc needed better high quality, flexible buildings quickly.

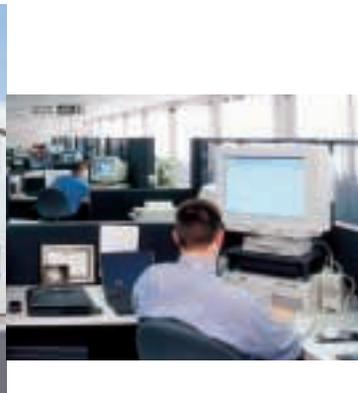
- Governments wanted key projects delivered quickly and on time in order to fulfill their policy commitments.
- Government and Local Authorities' requirement for modern affordable housing.

Portakabin was already operating in many of these markets and meeting many of these requirements. With the government itself supporting the drive for change, ongoing innovation offered Portakabin many business opportunities.

Portakabin

Portakabin belongs to that select group of companies which have made such a mark that in popular speech its **brand name** is sometimes used (wrongly) for all the products of a particular industry. Such fame is a mixed blessing – there are some modular buildings and portable constructions on the market which Portakabin does not manufacture.

'Portakabin' is a registered trade mark and may be used only to describe buildings manufactured by Portakabin Limited. The company is protective of its mark and takes action against any infringement/misuse of the trade mark. This is mainly due to the need to protect it from becoming a generic term and the



associated risk of the company losing exclusive rights to the use of the name, as happened to Aspirin and Escalator.

Portakabin provides quality modular factory-built accommodation. Its products include modular building systems, relocatable self-contained accommodation and also flat pack buildings to export worldwide. (For some buildings, there is a hire service for customers who prefer not to buy outright.) The Portakabin Group also includes Yorkon Limited, a single source building service specialising in steel frame modular building systems for use within health-care, education etc as well as general commercial use. The group also provides added-value services including climate control, office planning and furniture solutions.

Continuous research and development by Portakabin has enabled it to provide state-of-the-art building solutions and to establish market leadership across a range of product areas.

Modular building expertise

In modular construction, buildings are manufactured and fitted-out in a con-

trolled factory environment. In the meantime, the foundations are being prepared on-site. The customer's modules are then taken to the site and craned into position and linked together. Architectural features (such as brick cladding to the outside of the building, a pitched roof, glazing, lifts or a stair tower) are added on-site. The advantages of modular construction include:

- vastly reduced programme times
 - significantly improved quality and reduced costs
 - greater ability to customise the building
 - minimised disruption during construction
 - safer, quieter and cleaner work on site.
- Clearly, modular building techniques offer many of the improvements that the Egan Report called for. The Portakabin Group provides organisations with a fast, effective response to their building requirements and provides both building and room modules in a range of sizes to offer flexibility for building and design solutions.

For example, this system allows a building to be extended horizontally or vertically, to create multiple storey buildings, with little or no disruption to existing facilities. Internally, the modules can be adapted to match a range of specifications for open-plan or cellular

offices, while externally, a wide choice of claddings, colours and treatments may be developed to fit in with other buildings or reflect a corporate style.

Innovative developments

Housing

- In mainland Europe, housing sites contain many innovative forms of building. They use a high-degree of pre-fabrication and pre-assembly of factory-built parts which are then transported to the designated building site. Similarly, **standardisation** of components makes it possible to adapt modules to the specific needs of customers. This way of constructing buildings means that less work is done on site and more time is spent focusing upon the technologies associated with the construction. This includes using design tools such as Computer-Aided-Design.
- In London in March 1998, the Peabody Trust received planning permission to develop 30 factory-built, modular homes, in Murray Grove, Hackney. This was the first development of its kind to be piloted in Britain. The Murray Grove site has opened up opportunities for affordable housing. The housing is both distinctive and durable and the emphasis has been upon fine materials and a distinct architectural image. The Portakabin subsidiary, Yorkon, started work in Autumn 1998 and assembled the units on site in Spring 1999 ie through the winter months. Such an achievement is more or less unthinkable using traditional building materials and methods.
- In York in early 2001, there were 4,500 people on the council's waiting list for housing. Portakabin is providing 24 affordable homes on a **brownfield**

site on the outskirts of the city. The development occupies the site of a former school canteen, and is arranged four storeys high in a L-shaped configuration, with a private landscaped court to the rear. In keeping with the urban location, and clad in red cedar, the Sixth Avenue Apartments represent the first factory-built, multi-storey affordable housing project outside London and will take about 6 months to complete.

Industrial and other buildings

- In business to business markets, such as chemicals, pharmaceuticals and specialist services, firms need buildings that they can rapidly adapt to meet market changes eg they may need more laboratory space and less dedicated office space within the same building shell and with minimum disruption to ongoing work. To meet this requirement, construction companies need to find methods of construction that are:
 - clean, safe and efficient
 - guarantee quality and save time.
- Sony UK solved its need for additional office accommodation at its headquarters in Weybridge, Surrey with a two-storey building comprising 20 *Duplex* building modules. The building provided a flexible solution to accommodate 120 staff with fittings and furniture that can be re-configured as Sony's needs change.
- In Essex in March 2001 when the then Ministry of Agriculture, Fisheries and Food urgently needed office premises on site in order to tackle an outbreak of foot and mouth disease, Portakabin had four buildings up and running, to MAFF's specifications, within 48 hours.
- When the University of Leeds wanted a new nursery to accommodate 60 children, Portakabin built and installed their new *Lilliput* nursery system

within five weeks. It includes specially designed features for a child-friendly environment.

- Although the sight of a new McDonald's restaurant might be more familiar than the examples listed, it might surprise students that many of these restaurants are modular buildings supplied by the Portakabin subsidiary Yorkon.

Conclusion

The UK construction industry is changing its practices. Portakabin is helping to lead that change. Its projects are customer led, and offer high quality solutions in much less time and at a lower cost than traditional building methods require. This approach is in line with the rethinking that the Egan report demanded. Companies that have acted on the Egan Report's recommendations are becoming more competitive as they become increasingly customer led and in tune with modern construction methods and materials. Portakabin amply demonstrates this welcome development.

 **AirCare**[®]

 **Titan**[®]

 **Duplex**[®]

 **Interiors**
Office Flooring and Furniture Solutions

 **Pacemaker**[®]



Glossary of Keywords



Brand: Name, symbol or design used to identify a specific type of product and to differentiate it from competitors' products.

Brownfield: A site that has been reclaimed from its previous industrial or commercial use. In contrast to a greenfield site, where the land is taken out of agricultural use and allocated another use.

Capital investment: Spending money on new buildings, new machinery, new equipment or on modernising and revitalising existing buildings, machinery and equipment.

Centres of excellence: Organisations that are carrying out the very best of good practice.

Low profitability: Achieving a low level of profit, when measured as a percentage of the value of business done or as a return on capital employed in the industry.

Modular buildings: Buildings that are comprised of one or more modules that are constructed in a factory controlled environment away from the building site. Modules are then linked together to form multi-purpose buildings.

Standardisation: The development of products and components that are interchangeable.

Under-achieving: Doing less well than it ought to be doing. Failing to meet the targets set eg time deadlines, safety standards, fewer wasted materials, less pollution.



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1 Describe three factors that are part of every organisation's external environment. Provide an example of each within the construction industry.

2 Discuss why the construction industry needed to change.

3 Suggest reasons why the UK government became actively interested in the performance of the UK construction industry.

4 Explain why Portakabin was better able than many of its competitors to meet the challenge of change.

5 Evaluate how far modular building techniques could further change the construction industry.

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Questions

