STRATEGIC MANAGEMENT:
THE EVOLUTION OF STRATEGY IN A REAL ESTATE COMPANY

by

ADAM ADAMAKAKIS

Bachelor of Architecture, 1985
Bachelor of Science in Architecture, 1984
McGill University, Montreal, Canada

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Signature of the author ______________________________

Adam Adamakakis
July 31, 1993
Department of Architecture

Certified by ______________________________

Dr. Gloria Schuck
Lecturer, Department of Urban Studies and Planning

Accepted by ______________________________

William C. Wheaton, Chairman
Interdepartmental Degree Program in Real Estate Development

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ABSTRACT

The severe economic recession in North America has had a significant impact on most developers. The inability to make reliable forecasts about future events will require firms to have a different focus. The organizational and financial successes of the 1980s will no longer be valid in the 1990s. Real estate companies will confront a major challenge in attempting to establish strategic plans which will permit them to downsize the firm. This will ensure survival in an over built market in the short term and allow them to prosper in an industry which is cyclical over the long term. Very little research has been carried out in the field of strategic planning in real estate development firms. The concept of strategy and the process of how strategies actually form in such settings is an area that needs study.

This thesis examines the interaction and evolution of strategic planning in a real estate firm during a specific period of time. The transitional period involved in the restructuring and downsizing of a firm represents a critical phase in the history of a company. This time frame is the focus of this study. Strategic planning principles from other industries contribute to the development of a definition of strategic management. This definition is used as a framework for investigation and analysis of strategic issues within the context of the real estate industry.

Two conclusions are drawn from the study. One is that the strategic management of real estate companies must become proactive. The second relates to the challenges confronting real estate companies undergoing financial and organizational restructuring. These companies, if they are to prosper in the future, must simultaneously deal with the tension between short term demands and long term strategies and opportunities. The challenge of the next cycle is to be different. Until real estate companies become strategically managed they are likely to repeat past mistakes.

Thesis Supervisor: Gloria Schuck
Title: Lecturer, Department of Urban Studies and Planning

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CHAPTER 1 - INTRODUCTION

The decade of the 1980s will be fondly remembered by most real estate developers as one where the industry enjoyed tremendous prosperity and growth. According to a 1992 report by Harry Rannala, a real estate analyst at McLean McCarthy of Toronto (The Canadian division of Deutsche Bank Group), North America's real estate inventory doubled during the decade of the eighties. Factors that were responsible for initiating a significantly higher level of development activity included: rising rental rates, a carefree reliance on capital provided by loose real estate lending practices, and the use of debt as the primary means of financing projects. Increased income streams and property appreciation which resulted from constantly rising inflation rates were seen by real estate companies as a form of protection against their highly leveraged positions. Real estate development commitments were inspired by an environment of tremendous real estate speculation and not by the economic fundamentals which traditionally supported real estate values.

The cyclical nature of the industry was all but forgotten in the 1980s. Very few companies foresaw the serious decline that the industry would undergo. In general, the over built North American real estate markets started experiencing declining rental rates, lower property values and a reduced level of investment interest. Today, real estate is clearly a depressed market. After ten years of unchecked building and excessive debt, many developers are now facing a horde of impatient creditors who are demanding immediate payment or additional equity on outstanding loans. The nineties will be a challenge for most real estate developers.

The severe economic recession in North America has had a significant impact on most developers. They presently face an environment undergoing rapid and dramatic change in which there are pressures of increasing competition from financial institutions as well as from other developers. The inability to make reliable forecasts about future events will require firms to have a different focus. The organizational and financial successes of the 1980s will no longer be valid in the 1990s. Real estate companies will confront a major challenge in attempting to establish strategic plans which will permit them to downsize the firm. This will ensure survival in an over built market in the short term and allow them to prosper in an industry which is cyclical over the long term. The prevalent trend in real estate firms in the 1990s is towards restructuring and downsizing. Very little research has been carried out in the field of strategic planning in real estate development firms. The vague concept of strategy and the process of how strategies actually form in such settings is an area that needs study.

This thesis examines the interaction and evolution of strategic planning in a real estate firm during a specific period of time. The transitional period involved in the restructuring and downsizing of a firm represents a critical phase in the history of a company. This time frame is the focus of this study. This dynamic and important phase can be characterized by action, learning and change. Strategic planning principles from other industries contribute to the development of a definition of strategic management. This definition is used as a framework for investigation and analysis of strategic issues within the context of the real estate industry.

Bramalea, a publicly traded Canadian real estate development company, has been chosen to illustrate the strategic planning process. Bramalea experienced extraordinary growth during the decade of the eighties. The book value of assets went from $550 Million to $6050 Million in 1990, and the stock price increased almost six fold to $ 30.00 per share in 1989. However by July 1993, the price of Bramalea stock had plummeted to $ 0.18 per share. On December 22, 1992, Bramalea filed for the Canadian equivalent of Chapter 11, protection from its creditors. In mid February 1993 a new Business plan was approved, and subsequently a court decision made it binding on all the lenders. Bramalea can now proceed under a "climate of financial stability" towards restructuring their balance sheet, organizing its internal structure and implementing a corporate philosophy consistent with a dramatically changing market.

Chapter two of the thesis presents a survey of the strategic planning literature. It begins with a definition of strategy and a description of the different organizational levels in the strategic planning process. The evolution of strategic planning systems is then traced from the initial approaches of budgeting or financial planning in the 1950s to the current thoughts describing the process of strategic management. A definition and theoretical framework of strategic management is developed for the analysis of the case study on Bramalea.

Chapter three presents the case study of Bramalea, a publicly held Canadian real estate company. Bramalea is one of the largest publicly held developers in North America. They currently find themselves undergoing a survival and re-structuring phase, while under the umbrella of bankruptcy protection. The case study is based on person-to-person interviews and literature from corporate annual reports, periodical articles and reports from an investment bank that has followed the progress of Bramalea since its early days. The evolution of strategy will be traced through two distinct periods in the company's history: the Buccaneer period -- of the eighties; the survival stage -- the early nineties efforts to financially and organizationally re-structuring the company.

Integrated into the third chapter is the analysis of the evolution of strategy formation at Bramalea. The analytical framework developed in chapter two forms the basis of the analysis. The fourth chapter draws general conclusions and defines areas in need of future research.

CHAPTER 2 - LITERATURE REVIEW

Chapter two of the thesis presents a survey of the strategic planning literature. It begins with a definition of strategy and a description of the different organizational levels in the strategic planning process. The evolution of strategic planning systems is then traced from the initial approaches of budgeting or financial planning in the 1950s to the current thoughts describing the process of strategic management. The second section of the chapter defines a theoretical framework of strategic management. This will be used for the analysis of the case study on Bramalea that will be presented in chapter 3.

Definition of Strategy

The concept of 'strategy' has no single universally accepted definition. It originated in military settings and initially referred to "the planned deployment of military resources to achieve specific territorial objectives" (ULI, 1991, p.40). It is derived from the Greek word *strategos*, which means "the art of the general". Although there have been a number of attempts to define 'strategy', different authors and managers use the word differently. The intention is not to promote one particular view of strategy but to broaden the definition. There are a number of definitions from a variety of fields that expand the meaning of strategy:

In military terms:

> ***strategy*** - 1.a) The science of planning and directing large scale military operations, specifically of maneuvering forces into the most advantageous position prior to actual engagement with the enemy. (Quinn, 1988, p.14)

in contemporary management terms:

> ***strategy*** - A unified, comprehensive and integrated plan ... designed to ensure that the basic objectives of the enterprise are achieved. (Quinn, 1988, p.14)

or from the definitions found in the Webster's Dictionary:

> ***strategy*** - 1.a) A plan or action for obtaining a specific goal or result 2.a) a skill in managing or planning especially by using stratagem.

One can also draw a number of similarities between the concepts of strategies which originated in military settings and business strategies of today. Strategy involved the deployment of military forces to achieve specific territorial objectives. Commanders would formulate a strategy that would maximize the probability of success. To undertake such a task the commander took many different aspects into consideration. First, it was necessary to possess a thorough understanding of all available resources, including the enemy' s position, capabilities and intentions. Subsequently, elements of intelligence information, backup plans and deployment of forces were all targeted towards the enemy's relative weaknesses and the attacker's relative strengths. Similarly, successful strategies in business are based on a thorough understanding of the business environment, of resources, capabilities and values of a company, and of competitors. The strengths of the company are defined and pitted against the competitor's weaknesses. (ULI, 1991)

Different schools of strategy have their own ideas as to the definition of 'strategy', and it can be deliberate or emergent. One example is the definition of corporate strategy formulated by Kenneth Andrews (1980), a proponent of ***deliberate*** strategy:

"Corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of economic and non economic contribution it tends to make to its shareholders, employees, customers, and communities...[It] defines the businesses in which a company will compete, preferably in a way that focuses resources to convey distinctive competencies into competitive advantage." (p.13)

In the 1970s, a group of researchers at McGill University headed by Henry Mintzberg, undertook studies examining actual experiences of managers and strategic histories of companies for the purpose of developing conclusions about the process of strategy formation; i.e., ***emergent*** strategy. They wanted to explore how strategies "get made as opposed to how they are supposed to get made" (Mintzberg, Crafting Strategy, p. 67). This train of thought contrasted the bureaucratic thinking of the traditional strategic planning theories. Mintzberg's findings on strategy also point to a more humanistic approach to management. He believes that strategies are not necessarily the product of a planning process, but instead can be formed and implemented in a hurried or inadequately informed environment. Strategies can be characterized as intended, unrealized, deliberate, emergent or realized. Their success or failure is the result of human activity.

Mintzberg goes on to extend the definition by identifying five aspects of strategy. Henry Mintzberg describes: ***1. "Strategy as plan":***

"To almost anyone you care to ask, strategy is plan--some sort of consciously intended course of action, a guideline (or set of guidelines) to deal with a situation.

Most people define strategy as some type of plan or an intended course of action that deals with a specific situation within a specific period of time. By this definition, strategies have two essential characteristics: they are made in advance of the actions to which they apply, and they are developed consciously and purposefully. Thus they can be characterized as deliberate strategy." (Quinn, Mintzberg, 1988, p.14)

2. ***"Strategy as ploy"*** is defined as a specific maneuver intended to outwit a competitor.
3. ***"Strategy as pattern"*** that is consistent in behavior, whether it is intended or not.
4. ***"Strategy as position"*** is defined as a means of locating an organization in an environment, for example an organization locating itself in a certain market.
5. ***"Strategy as perspective"*** means an ingrained way of perceiving the world, the personality or character of an organization. For example, some firms can be considered aggressive pace setters, while others sit back in established markets and build protective walls around themselves. These distinct definitions of strategy go beyond the traditional planning oriented view of deliberate strategy and to the notion of emergent strategy. This introduces the idea that strategy can form in an organization without consciously being intended, without being formulated. (Quinn, Mintzberg, 1988, p.13)

Although there are some differences among academics and practitioners regarding the basic definitions of strategy, most agree on the various layers of strategy in an organization. The next section describes the different levels of strategy and illustrates them using examples from the real estate industry.

Organizational Levels of Strategy

In the management discipline, three conceptual hierarchical levels are recognized as essential levels of any corporate planning process: corporate strategy, business strategy and functional strategy.

A. Corporate Strategy: This level is concerned with:

1. Selecting the portfolio of businesses, and the interrelationships between the various businesses in which the firm will participate. Which business should the company engage in and how should they be coordinated?

2. Acquiring and allocating resources among the selected businesses to create value for the firm's publics (constituencies). How should the corporate office manage the array of business units?

(Wheeleright, 1984, p.20)

Corporate strategy is comprehensive in nature and shapes a company's course of action over a relatively long time span. It helps establish broader organizational goals by giving additional weight to characteristics such as unity, coherence, consistency, purpose and concern for the future (Andrews, 1987). It usually involves both the formation and implementation of strategy and eventually incorporates non-financial goals in organization, human, and ethical terms. An example of corporate strategy in the real estate industry is a company that decides to build for institutional clients and to start a property management division.

*B. **Business Strategy:*** This level is concerned with:

1. Clarifying the boundaries of the business to be served.

2. Determining the desired competitive advantage that the company has compared to its competitors, and how they can maximize this advantage in the marketplace. (Wheeleright, 1984, p.20)

Once the company has chosen specific businesses in which to compete, business strategy is formulated to determine how the company should compete in each segment. Business strategy has a relatively short time span, and is usually expressed in both economic and competitive terms. While a company will have only one corporate strategy, it can have a number of business strategies that relate to the underlying corporate objectives of the firm. An example of business strategy in the real estate industry is starting a property management firm in the New England area for class A office space. Providing vertical integration of services within a development company is also an example of a business strategy.

*C. **Functional Strategy:*** This level is concerned with:

1. Determining the appropriate functional strategies, such as marketing, finance, management/organizational structure, ownership that are needed to support the desired competitive advantage.

2. Integrating and coordinating the functional strategy with other functions with which it interacts. (Wheeleright, 1984, p.20)

The functional level of strategy is derived from the corporate and business strategies. An important aspect of all levels of strategy is the degree of internal consistency between them. The goal of a functional strategy is "recognizable as natural to the function". (Andrews, 1987, pp. xi) In the real estate industry an example of a functional strategy would be the choice of a marketing strategy of a company planning to compete with an elite image versus that of a company that plans to compete with a low cost mass production image.

Kenneth Andrews (1980), one of the pioneers in strategic planning, summarized the scope of the various strategies:

> "In an organization of any size or diversity, 'corporate strategy' usually applies to the whole enterprise, while 'business strategy,' less comprehensive, defines the choice of product or service or market of individual businesses within the firm." Andrews. (p.13)

Each of the organizational levels of corporate strategy reinforces the view that the corporate strategic planning process is a well defined effort which clearly addresses all issues related to corporate strategy.

Evolution of the Strategic Planning Process

Formal strategic planning has evolved over the last thirty to forty years. In a 1980 study of developments of planning systems Gluck, Kaufman and Walleck concluded that the evolution of strategic planning systems can be segmented into four clear sequential phases: budgeting, forecasting, externally oriented planning and strategic management. Each phase can be briefly defined as follows: (Hussey, 1990, p.5-6)

*1. **Budgeting / Financial Planning:*** This approach involved extending the budget figures one year in advance. Planning was seen as a financial problem. Emphasis was placed on revenues, costs, capital needs of the business and on meeting the budgets.

*2. **Forecasting:*** This approach attempts to match the company's strategies to the products and markets served. It was believed that more accurate forecasting, thus predicting the future, would result in better planning. Emphasis of the approach was on forecasting techniques and models. Some improvement was achieved over financial planning.

*3. **Externally oriented planning:*** This approach evolved from the realization that accurate forecasting was not possible in a world characterized by a discontinuity of events. Emphasis was on creative analysis of market trends, customers, and competition. Resource allocation was a dynamic component. As well, the formal grouping of businesses with similar strategic characteristics into strategic business units (SBU) accompanied this approach. Companies were forced to think strategically.

*4. **Strategic management:*** This approach combines strategic planning and management into one process. Strategic planning is no longer a once a year activity that is performed and then shelved; it becomes inseparable from the activity of management itself.

Prior to establishing a definition and analytical framework for strategic management, a basic understanding of the evolution of previous strategic planning systems is fundamental. A survey of the many schools of thought, a presentation of the prevalent analysis tools used and the limitations of each of the prior systems must presented. The historical overview that makes up the following section of the thesis serves to compare, contrast and outline the contribution of each of the above aspects to the field of strategic management.

Historical Overview

Early Developments

Formal strategic planning evolved as a phenomenon after World War II. Initially, during the 1950s planning was concerned with the monitoring of budgeting and financial controls of a company. Procedures were developed to forecast revenues, costs, and capital needs one year in advance. The strengths of corporate CEOs revolved around their expertise in the production of goods and in establishing budget and control models. As well, there was no distinction between corporate and business strategy. They were perceived as one, and had a focus on product production. The planning strategy was governed by the idea that the future of a firm can really be planned and that the operations could be controlled. The actual planning activity as well as the developed plan were carried out in a sequential manner.

The period represented by the 1960s and 1970s was one where formal strategic planning was adopted by many US corporations. Intellectual origins of corporate strategy date back to a major study of corporate growth done by Alfred Chandler in 1962. He investigated a number of large corporations, including General Motors, Standard Oil, and DuPont. The main focus of the study was the analysis of the relationship between each firm's corporate strategy and its organizational structure. At this time Chandler identified four types of growth strategies:

a. Expansion of Volume - Increased sales in existing markets
b. Geographic Diversification - Entry into new geographically defined markets
c. Vertical Integration - Integration of activities
d. Product diversification - Entry of firm into new product/markets

Chandler concluded from the study that changes in strategic direction resulted in administrative problems which eventually lead to evolution of a multidivisional structure. (Capon, Farley, Hulbert,1987, p.163).

A number of other figures also made key contributions to the strategic planning systems of the time. One such example is Kenneth Andrews. He is credited with the development of a strategic planning approach that has become a standard in the field during the 1960s and 1970s. It is referred to by Mintzberg (1990) as the "design school" and it has been associated with the Business Policy group at the Harvard Business School. The framework of this school has had tremendous impact on how strategy and the strategy making process are viewed in practice as well as in education and research. This school of thought is prescriptive in nature, thus concerned more with how strategies should be formulated as opposed to how they necessarily do form. Although this model places a greater emphasis on creativity, reflection and speculation, it still involves advance planning and implementation. In this approach to the formation of strategy, developing a competitive strategy means developing a formula for how a business is going to compete, what its goals should be, and what policies will be needed to carry out these goals. The consideration of four key factors determines the limits to the competitive strategy which the company can adopt. Two of these factors are considered internal to the company: 1.) the company's strengths and weaknesses -- determined by looking at its profile of assets and skills (i.e.; financial resources, brand identification) relative to its competitors. 2.) The personal values of the organization -- determined by the motivations and needs of the personnel chosen to implement the strategy. External factors are defined within both the industry and the broader environment. An analysis of industry opportunities and threats as well as an analysis of the important social, political and governmental factors define the external limits. (Porter, 1980)

Another key person in the evolution of strategic planning is Igor Ansoff (1965). His well known book, Corporate Strategy, presents one of the earliest, but still very insightful discussions on strategy. It was in this book that the concept of synergy was first introduced to the field of management. It is a result of Ansoff's work that professionals in the field of management field distinguish between corporate strategy and business strategy. (Quinn, Mintzberg, 1988). Ansoff was also one of the earliest authors to pay attention to the notions of mission, objectives, goals of a corporation. (Capon, Farley and Hulbert, 1987)

Described above are examples of a school of thought which were among the most popular approaches from the mid 1960s to the end of the 1970s. Their focus was on strategy formation as a process of formal planning. When considering the establishment of a long term direction, this approach supposes that the beliefs of management and workers in an organization come second to the actions of competitors and structure of its products' markets. (Wheelwright, 1984)

<u>Concepts of the Early 1970s</u>

During the period of the 1970s strategic planning was dominated by three main concepts. These included: The Experience Curve, The Strategic Business Unit, and Portfolio Planning. Many of these concepts were developed at the beginning of the 1970s on the initiative of consulting firms. Two main issues provided the focus for these studies: how to administer a large diversified firm with many different businesses, and how to deal with the risks associated with each of the units. (Gluck, 1985) What follows is a brief description of the analysis tools used for strategic planning during the period of the 1970s. Their contribution to the field of strategy formulation as well as their limitations will be outlined. It is important to understand the origins of the strategic planning discipline because components of ideas developed during this time became the "economic strategic planning concepts of the 1980's." (Weremiuk, 1987, pp. 9)

<u>The Experience Curve</u>

It was Bruce Henderson, the founder of the Boston Consulting Group (BCG), that first determined the relationship between market share and competitive dynamics. The learning curve theory developed at the Wright-Patterson Air Force Base in 1925 formed the basis of his thoughts. Henderson renamed the learning curve the "experience curve" (Gluck, 1985, p.7). It states that a company could dominate market leadership by gaining the largest market share of a product as early as possible. This would enable the larger firm to enjoy an advantage in production costs over smaller companies as a result of the benefits obtained by increasing the volume of production. This concept permitted organizations to focus on cost and relative competitive positions. Unfortunately, this idea had certain limitations and fell into disfavor when, as Alan Zackon of the Boston Consulting Group stated, "The world changed from a high growth 'big is beautiful' situation to a low growth 'big is bust' situation". (Gluck, 1985, p.7) Competitive advantage that relied too heavily on economies of scale are no longer sustainable. (Gluck, 1985)

Strategic Business Unit

The rational of this concept focused on the idea that "a company's activities in the marketplace ought to be understood and segmented 'strategically' so that key resources could then be best allocated for competitive advantage" (Gluck, 1985, p. 8). The notion was that in a complex organization, each of the diversified businesses that formed part of the entity had to look and act like individual, freestanding units. There was a emphasis on a management style that stressed an understanding of each unit. By placing each of the businesses into proper "strategic units" the organization could proceed with the setting of objectives, strategy review and resource allocation that would attempt to establish a competitive advantage for the each unit. The great strength and contribution of the SBU concept was that it resulted in a management style that highlighted two key issues for competitive advantage: the strategic position of businesses and the selective allocation of resources. A major shortcoming of this concept was that in actual practice, SBU definition was extremely difficult. Although the criteria for designating SBUs are clear, their application relies a great deal on judgment and is thus problematic.

To combat the problems of diversification during the fast growing economies of the late 1960s and early 1970s management began looking for a planning approach that could deal with these issues. The logical extension of the notion of a strategic business unit was its use as the basis for the corporate planning process of the 1960s and 1970s known as portfolio planning. The portfolio approach to planning was invented to focus on the competitive strength and market attractiveness of a diversified company. (Gluck, 1985)

Portfolio Planning

Haspeslaugh (1982) found that by 1979 some 36 percent of Fortune 1000 companies and 45 percent of the Fortune 500 companies had embraced some form of formal strategic (portfolio based) planning. He described these planning systems as having three distinct steps: "Defining strategic business units (SBUs), identifying and positioning those SBUs on a portfolio grid according to their competitive position and product market attractiveness, assigning each a strategic mission (growth and financial objectives) and allocating resources accordingly" (Haspeslaugh, 1982). Wheelwright (1984) distinguished the following characteristics as central to this approach. He stated:

> "The CEO is the chief strategist, unique businesses and functional strategies are defined for each strategic business unit (SBU), staff analysis is used for evaluation and decision making, and that the company 'bets on the promise' of the projected results. This approach views the structure of the business environment, as defined by the market and the industry, and the firm's position in that as the overriding determinants of success. Thus once the appropriate analysis has been performed and agreement has been reached on the portfolio position of the business, the appropriate strategy and strategic actions can be identified readily." (Wheelwright, 1984, pp. 23)

The CEOs of this period managed the mixture of businesses as if they were a portfolio of investments. The treatment of their diversified businesses was analogous to that of an investment manager and his diversified portfolio of stocks. The definition of financial management of a portfolio of business involved channeling money to the profitable businesses while the unprofitable ones would be neglected. Reginald Jones, General Electric's CEO of that time referred to this process as sorting out the "winners from the losers" (Lewis, 1984, p.3). In direct contrast to the earlier period of the 1950s, the CEOs of this period had very little operating experience, but had extensive financial or legal expertise. (Gluck, 1984)

A number of different portfolio planning matrices were developed during these times. Regardless of which portfolio matrix was used, the approach taken towards portfolio planning was the same. Their primary function was to evaluate the strategic position of a company's individual businesses. This would be accomplished by using a specific matrix or grid that would measure the relative strength of a unit relative to its competitors, and the potential for future growth within the specific industry. Subsequent to an evaluation, an appropriate strategic mission was assigned to each SBU, and strategies were developed to achieve the goals. (Gluck, 1985)

The main difference between the various matrices was the approach used to determine market attractiveness and competitive position. Two examples have been chosen for further discussion in Appendix A: One is the Growth Share Matrix by BCG, and the other is the Industry Attractiveness-Business Strength Matrix by McKinsey. Other examples include: matrices developed by Arthur D. Little that used market position and industry maturity as a gauge for profit performance, and a model named PIMS(Profit Impact of Market Strategies) relating profitability to thirty seven business variables. (Gluck, 1985)

Regardless of the matrix used as an analysis tool for the portfolio planning approach, this concept made a number of key contributions to the strategic planning process. Portfolio planning encouraged management to study the components of each of the company's individual businesses, to establish objectives based on the contribution each could make to the company goals, and to allocate resources. It used externally focused data as an aid to evaluating the potential of a business. As management planned for expansion and growth, portfolio planning raised the issue regarding cash flow balance. It also facilitated communication across all levels of the organization through its use of verbal and graphic language. (Gluck, 1985)

However, portfolio approaches also have very serious limitations that have been amplified by the serious challenges presented by the economic disruptions of the decade of the 1970s. Most portfolio approaches are retrospective and dependent on conventional wisdom. They also suggest standard generic strategies based on the portfolio position of the individual SBUs. The portfolio approach works best when conditions are stable, when the alternatives are known, and when the future is a pattern based on the past. It is not useful in identifying new opportunities or setting new directions for a business. (Gluck, 1985)

Planning Philosophies Of The 1980s

The development of strategy formation can be characterized as being very uniform until the end of the 1970s. Most of the literature published in the field was prescriptive in nature, thus dealt with how strategy should be designed or consciously formulated. There was general consensus on how this should be accomplished. The period of the 1980s developed newer approaches and separate trends in strategic planning. Since 1980, literature concerning strategy formation has been growing at startling rate. This has lead to the establishment of different schools of thought in the field of strategy formation, and to new concepts such as strategic management, or strategic thinking. Strategic management is based on strategic planning, and thus requires all its disciplines and techniques. Yet it is much more than strategic planning. Henry Mintzberg has identified ten distinct schools of strategy formation. These are the ten schools of thought:

The Design School	The Planning School
The Positioning School	The Entrepreneurial School
The Cognitive School	The Learning School
The Political School	The Cultural School
The Environmental School	The Configurational School.

A number of schools of thought of strategy formation have been chosen for discussion. Each of these schools of thought possess certain elements that made a positive contribution to the field of strategic management.

Mintzberg described three of those schools as being prescriptive in orientation, thus strategy formation was treated as a process of design, of formal planning, and of analytical positioning (the latter including much of the research on the content of competitive strategies). Six additional schools were labeled as being descriptive in nature, thus seeking to understand the process of strategy formation as it develops. Among those included in this category are: The entrepreneurial school (concerned with strategy formation as a visionary process), the cognitive school (a mental process that contributes to the idea of strategic vision), the learning school (an emergent process), and the environmental school (a passive process)." The last school, the configurational school, integrates ideas from all of the other schools. (Mintzberg, 1990)

For the purpose of this thesis, three schools (as defined by Mintzberg 1990) that have made significant contributions to strategic management have been chosen for further discussion. They include: The Positioning School, The Entrepreneurial School, and The Learning School.

Positioning School

This school embraced most of the premises of the traditional model of Andrews and Ansoff (1970), but went on to develop a series of formal analyses required for the development of successful strategies. Thus, a second prescriptive view of the formulation of strategy emerged in the 1980s. The leader of this approach was Michael Porter of the Harvard Business School. Porter (1980) elaborated on the views of Ansoff and Andrews in three important ways. First, Porter examined in great detail the external environment, in particular the competitive situation a firm faces in its industry. This provided a new awareness of competitor analysis and the industry forces that affect a company's profits. Specific and detailed procedures for analyzing both competitors and industry structures were developed. He proposed a competition concept where the strategist analyzes industry competitors, suppliers, the threat of new entrants, the threat of substitutes and the determinants of buying power. Such an analysis is imperative prior to choosing a generic strategy for a company. Second, he focuses on three internally consistent generic strategies that all strategies can be reduced to. These strategies were: cost leadership, industry wide differentiation, and focus. Each of the generic strategies leads the firm to achieve a competitive advantage and above average performance in an industry. Third, he developed some views on how strategies tend to cluster, whether by type of industry, by groups within an industry. This school has made a significant contribution to the field of strategy formation. (Quinn, 1988)

The Entrepreneurial School

This school of thought is descriptive; it seeks to understand the process of strategy formation as it unfolds. The exclusive focus of the strategy formation process is on a single leader. He is the person with a sense of long term direction or a vision of the organization's future. An emphasis is placed on the softer, more personalized elements of leadership such as intuition, judgment, wisdom, experience and insight. The process of strategy formation is related to the experience and intuition of the leader. Mintzberg (1990) states that this "promotes a view of strategy as perspective, associated with image, sense of direction, and above all vision." (p. 140) The contribution to strategy formation lies in its proactive nature, the role of personalized leadership and strategic vision. The context within which it is appropriate includes dynamic situations such as "turnaround" situations. Under such circumstances organizations have to refer to visionary leaders. (Mintzberg, 1990)

The Learning School

The publication of Charles Lindblom's (1959) article, "The Science of 'Muddling Through'", initiated this school. Lindblom's conclusions destroyed the premises of "rational" management. His observations of policy making in government were that it was not a neat, orderly, controlled process but instead one where the policy makers were just trying to cope with the world around them. (Mintzberg, 1990, posm)

Edward Wrapp (1967) observed similar situations in the business world. His observations regarding the work performed by executives in large organizations challenged the conventional prescriptive view of the manager as planner, organizer and coordinator. Wrapp believed that managers in an organization had to possess five skills. The most important of the five was the skill of "muddling with a purpose" -- describing the process of providing broad guidance while pushing through their strategies bit by bit and in unexpected ways . (Wrapp, 1967)

Quinn's book of 1980, Strategies for change: Logical Incrementalism, signaled the growth of what is now known as the learning school. Quinn's logical incrementalism shows strategy formation as a managed learning process where the main strategist gradually works out the strategy and subsequently gets the organization to accept it. He states that the process used is typically fragmented, evolutionary and intuitive.

Contributions to the process of strategy formation include the following: The notion that an organization that wants to develop effective strategy may have to learn collectively since there is no central authority that has power. Since this school is based on descriptive research, it outlines what organizations actually do when faced with complex internal or external situations, and has also brought a sense of reality to strategy formation. (Mintzberg, 1990)

Strategic Management

Strategic management has been popularized by leaders such as the former chairman of General Electric, and it is a term for which Igor Ansoff (1976) can claim a large measure of authorship. It was derived in response to the increased complexity faced by modern business. In the process Ansoff established a new way of thinking about strategy. Strategic management is a more complete way of managing a business. It is concerned not only with markets and decision making, but also with social developments, implementation and the fit of strategy with organizational structure. To contrast the difference between strategic planning and strategic management, the former is about choosing the things to do, while the later is about choosing the things to do and the people who will do them. (Hussey, 1990)

Management can no longer rely on the "1970s style planning" to succeed in the 1990s. That planning style was largely retrospective in nature. In a period characterized by a stable environment, experience is a reliable basis for decision making. This is no longer a viable option because most organizations find themselves in times of dramatic change. Companies that rely on past experiences to forecast future events, become rigid in their thinking, and lose the flexibility that is necessary for responding to change. Future business success requires a new kind of management thinking and behavior. (Gluck, 1985) Frederick Gluck, a director of McKinsey and Company, states:

> "Management by remoteness, management by numbers, and management by exception are dead. Management by involvement is in....And with customers, competition, and markets characterized by rapid changes, as they are today, it becomes crucial that managers supplement current planning techniques with one thing that tools and techniques alone cannot provide--innovative ideas. In other words, strategic planning must evolve into strategic management." (p. 6)

As a result strategic management can no longer be a once a year activity performed at the urging of the corporate staff and then shelved. It becomes inseparable from the system of management itself. Summarizing strategic management, Ansoff (1988) states that it consists of three phases: formulating strategies, designing the firm's capabilities, and managing and implementing strategies and capabilities.

Today, strategic management is popular in business school courses, in seminars provided by consulting firms, and in the many journal articles written on the subject. However, few fully understand what strategic management is, know exactly how to do it, or can clearly define its benefits. (Gluck, 1982)

What follows is the development of the analytic framework for the definition of strategic management.

Analytical Framework

This section of the thesis defines the concept of strategic management. Although there is no single accepted definition, ideas as to what constitutes a strategically managed organization are drawn from a variety of sources. The intent is to develop a conceptual framework which can be used as a theoretical basis for the analysis of Bramalea. Example of the questions to be examined are: Are any of the qualities of strategic management exhibited at Bramalea during the process of its restructuring? What are the effects of Bramalea's "survival mode" on the strategic management of the company?

For the purposes of this thesis, the definition of strategic management will draw on a variety of sources. The six major components of the framework: Direction and Vision, Intelligence and Diagnosis, Relationships and Resources, Planning, Implementation and Action, and Monitoring and Review are taken from the definition proposed by Mason (1986). A strategically managed company will be defined as one which possess the above characteristics. In addition, there will be a number of concepts within each of the categories, that are borrowed from definitions proposed by different authors. The distinctive features of strategic management as defined by Gluck et al (1982) form part of the sub-categories within each heading. They include a sound strategic framework for planning which is tied to a strategically focused organizational structure, widespread strategic thinking capability, the right motivational systems and management values that support strategy, and a good system for negotiation and review. For them, these five qualities define a strategically managed company. Figure 1 is a matrix outlining the sections that will be developed and used to define strategic management.

Figure 1: Case Study Matrix

			Buccaneer Period 1980 - 1990		Survival Period 1990 - 1993
1.	**Direction and Vision**				
	* clear vision				
	* strategic thinking				
	* leadership responsibility				
2.	**Intelligence and Diagnosis**				
	* internal elements				
	* techniques and analysis tools				
3.	**Relationships and Resources**				
	* Communication				
	* human and financial resource management				
4.	**Planning**				
	* Flexibility				
	* managerial responsibility				
	* involvement and education				
5.	**Implementation and Action**				
	* leadership				
	* teamwork				
6.	**Monitoring and Review**				
	* differentiated review system				
	* motivational systems and management values				

1. DIRECTION AND VISION

For a strategically managed company to have direction and vision it must exhibit the ability to: create a *clear and consistent vision*, possess *strategic thinking capability*, and reveal *leadership responsibility*.

1a. Clear consistent vision and mission

It is important for top management and the employees to have a clear sense of what they stand for. Peters' and Waterman's (1982) book, In Search For Excellence, highlighted the advantages of having an understandable and functional set of values. Robert Pirzig in his book, Zen and the Art of Motorcycle Maintenance (1974) illustrates the reason why a vision makes a difference. He describes the difference between a novice working from a set of instructions, and a craftsman with a clear vision of the results he expects and an understanding of the materials he is working with:

> The craftsman isn't ever following a single line of instruction. He is making decisions as he goes along. For that reason he will be absorbed and attentive to what he is doing even though he doesn't deliberately contrive this. His motions and the machine are in a kind of harmony. He isn't following any set of instructions because the nature of the material at hand determines these thoughts and motions which simultaneously change the nature of the material at hand. The material and his thoughts are changing together in a progression of changes until his mind is at rest at the same time as the material is right.(Gluck, 1984, p.10)

The vision of what can be achieved has to be broad enough to permit flexibility for others to develop their own goals within it. Developing a clear vision that leaves room for individual goals and ideas from middle management is an important priority for top management. It is possible to include financial targets within the vision, however achieving the financial targets a result of the success in reaching the other goals. Direction and vision are dependent on imagination and creativity and not only on analysis and information alone. (Mason, 1986)

Gluck (1984) distinguishes several reasons why vision has such an effect on the link between strategic planning and operational decision making. They include the following: Top management develops a good sense of what needs the company can meet, they assess problems that may interfere with the vision and act promptly when they arise, and the search for opportunities and options is focused since they know what they are looking for. (Gluck, 1984). Gluck states:

> "Vision is a hard nosed attribute based on an understanding of the dynamics of industries, markets and competition, and the potential of the corporation for influencing and exploiting these dynamics. But the most powerful and insightful vision is useless without effective execution." (p.14)

1b. Strategic Thinking Capability

The ability to generate creative strategic ideas and turn them into systematically managed action programs is a hallmark of a strategically managed company. The quality of strategy depends on the exercise of strategic thinking. Ohmae (1983) states that strategic thinking starts with analysis -- that is, identifying all the issues and factors which may have an effect on the business over time. The next step involves breaking them down into their basic elements and evaluating them both individually and in their interrelationships. The process then relies on the strategic thinker's ability to identify new relationships and reassemble the pieces in the most advantageous way. It is the combination of "analytical method and mental elasticity" that Ohmae defines as strategic thinking (Ohmae, 1983, p.35). Ohmae firmly believes that these two components are complimentary. For the strategic mind to work creatively, it requires to be stimulated by a good insightful analysis, and in order to conduct a good analysis, it takes a strategic and inquisitive mind to come up with the right questions.

Gluck, Kaufman and Walleck outlined some simple rules for recognizing "strategic thinking":

- Seeks hard, fact-based information, since a strategist does not feel comfortable with vague concepts such as synergy or economies of scale.
- Questions everyone's unquestioned assumptions, in the hope of finding a competitive edge for their companies.
- Involves an unwillingness to expend resources. A strategist is always looking for opportunities to win at low or no cost.
- Is usually indirect and unexpected, rather than predictable. This can result in a surprise strategy that competition does not understand until it is too late. (Gluck, 1982, p.18)

Top management has to accept that strategic thinking is a process characterized by participation, interaction, enthusiasm, dedication, and mutual trust. (Hansen, 1991, p. 131)

1c. Leadership Responsibility

Leadership is required to generate and refine the vision. Strategic leadership is an essential part of the whole process. The Chief Executive is a visible leader. The top management make a commitment to a philosophy, a set of objectives, and a broad strategy that is publicized inside and outside the organization. A recent study of the planning function in a cross section of American corporations, reveals the new role of the CEO as follows:

> "The CEOs are re-assuming their leadership responsibility...as the originators or focal points of the corporate strategic planning process. The CEOs interviewed believed future economic success will depend to a large extent...on a stronger, more proactive planning role for the CEO - one of chief strategic thinker and corporate culture leader, rather than just the apex a multi-layered organizational structure." (Gluck, 1985, p .4)

The executive team is the planner. It delegates operational control to the level below the board; it develops objectives and strategies for the corporation as a whole, and it requires the Chief Executives of each business unit to present strategies to the board for approval. A change in attitude of those who must confront the problem is very important. The secret lies in making people think, What can we do? instead of, What can't we do?

2. INTELLIGENCE AND DIAGNOSIS

This refers to the collection and analysis of data about the internal and external environment of an organization. It includes political, social and economic factors, as well as information on customers, suppliers or competitors. It also includes analysis of past trends, current positions and future developments. (Mason, 1986)

The factors that differentiate a strategically managed company in terms of intelligence and diagnosis are the following: The environmental analysis includes *internal elements*.

T*echniques and analysis tools* support the thinking process instead of acting as a substitute for it.

2a. Internal Elements

Examples of internal elements used in the analysis of the external environment are problem solving teams and the involvement of middle management.

Problem Solving Teams

The formation of teams formed at various levels for the purpose of reviewing their own performance continuously, and making recommendations can improve the company's productivity, quality, cost levels and customer satisfaction.

Involvement of middle management

Task forces and project teams are formed which cross functional and divisional lines and report directly to the CEO. As well, encouraging middle management into analysis of external environment can result in improved performance within the company.

2b. Techniques and Analysis Tools

Strategic planning is a process that attempts to identify and explore the issues facing a company. It is not a science, therefore, it can not be prescriptive. Techniques and analysis tools can be helpful in assisting the thinking process but they cannot be a substitute for that process; they must be auxiliaries to the strategic planning process. One must not forget that analysis tools are only as good as the information that they manipulate. Heirs (1989) demonstrates that human beings think in terms of models and they use experience, imagination and reason to construct and reason those models:

"The need to make sense of events and to construct a model of reality, which yields accurate and useful predictions about the future, is a fundamental human requirement. The obvious danger is that, faced with the monumental complexities of today's world, we may try to cope with them by devising models which are simplistic and artificially rigid, or by shutting our eyes to reality and constructing a model of the world which shows it as we would like it to be rather than as it actually is." (Heirs, 1989, p.57)

3. RELATIONSHIPS AND RESOURCES

A strategically managed company must exhibit open *communication* and the ability to manage its *human and financial resources.*

3a. Communication

Relationships and communication play a major role in a strategically managed company. In any large organization, managers must continuously rely on others for information, for knowledge and for implementation of strategies. Ineffective communication often results in poorly utilized human and financial resources within a company. Strategic management includes the requirement that all parts of a company are informed and involved in the strategic planning process. It is important that the company philosophy, objectives and strategies are communicated throughout the entire organization via meetings, conferences, and by using additional marketing techniques. Strategic managers should use opportunities to build relationships and coalitions behind strategies. This is important since it permits the strategic manager to move the organization form the current state to the desired state. Relationships are also affected by the notion of change and the reluctance of people to accept new direction and strategies.

3b. Resource Management

A well thought out strategy involves a lot more than the allocation of a limited pool of resources to different units of the organization. The task of strategic management is create new opportunities and the find the best use of the available assets. Gluck (1982) states: "A strategy is in tune with the resources available to it." (p. 19)

It is important to understand the under used resources in a company and how they could be used to enhance the qualities, services or characteristics that the market and the strategy demand. The effective use of resources of an organization is hampered by internal barriers. Examples of internal barriers include: insecurity about jobs, or class and functional attitudes.

4. PLANNING

There are a number of realities managers of a strategically managed company have to face when confronting the planning process. First is *flexibility*--the notion that the future is not predictable, and as a result the plans often have to be altered to accommodate the changing environment. Secondly, *managerial responsibility*--managers in a hierarchical organization require clear direction with regard to objectives constraints. Thirdly, greater commitment and quality of implementation comes from *involvement and education* within the planning process. (Mason, 1986)

4.1 Flexibility

While translating plans into action, one must be aware of the changing opportunities and circumstances within the environment. General Patton summed up this quality in the following statement:

"One does not plan and try to make the circumstances fit the plan. One tries to make the plan fit the circumstances." (Mason, 1986, p.77)

Capacity For Change

As well the company must have the capacity for change in response to the rapidly changing environment. The organization must develop a planning process as well as tools that can anticipate changes and can turn the changes into a competitive advantage for the firm. They must also have the ability to remove internal obstacles to change, such as employees with obsolete traditions and behavior.

4b. Managerial Responsibility

The role of the top management is to define objectives, supervise the planning process, agree on an analysis of internal and external factors, to decide what degree of freedom is given to each planning level and to ensure that results and review methods are sufficient. It is also their responsibility to verify that no important or delicate issues are left unresolved. The operating management is assigned the task of resolving most issues and creating opportunities.

In strategic management, the planning responsibility is pushed further down into the organization. It specifies what types of issues will be addressed at each level, thus it gives the top management reassurance that none of the key issues will be overlooked. In addition, it establishes a link between strategic planning and operational management by separating planning from the organizational structure.

4c. Education and Involvement

A strategically managed company places talented people in key positions regardless of their position in the hierarchical structure of the organization. There is a willingness to listen to the objectives and concerns of all parties involved. The planning process facilitates the participation and commitment of all levels of the organization. Motivational systems and rewards are structured in a manner that ensures responsible people stay in the positions they are needed the most. Therefore, promotion does not form part of this package. The role of the CEO can vary widely in a strategically managed company. Under some circumstances the CEO is a leader, a commander, while other times a coordinator, or motivator is required. (Mason, 1986)

5. IMPLEMENTATION AND ACTION

The implementation of plans is a critical requirement of the strategic management process. It is not enough to develop an appropriate strategy, without the means or power to implement the ideas. Planning and implementation are interrelated ideas. Effective action depends on good planning. In addition, the results of an action should always be communicated and incorporated within new planning ideas. Successful implementation of a strategy requires the existence of a link between strategic planning which deals with what we want to do, and operational planning which studies how we want to do it. l*eadership* and t*eamwork* play an important role in the success of management during the process of implementation.

5a. Leadership

Brilliant planning and good communication need to be supplemented by direct intervention from senior managers. Actions speak louder than words and thus leadership by example is required to maintain the interest of other managers in the strategy. The actions of top management are constantly analyzed and interpreted throughout the different levels of the organization. As a result their actions become symbolic in nature and thus establish a potential model for others within the organization. (Mason, 1986)

5b. Teamwork

Successful implementation also requires teamwork. The collaboration between different operating units can help in; defining potential problems, clarifying roles of each member, establishing a network where information and objectives can be shared. (Mason, 1986)

6. MONITOR/REVIEW

The qualities that a strategically managed company must possess in the context of Monitoring and review are, a d*ifferentiated review system* and appropriate *motivational systems and management values*.

6a. Differentiated Review System

A major weakness of the early planning processes was their involvement in the regimented calendar of submissions and meetings required by corporations. Strategic planning had become a yearly ritual without real meaning for the organization. The ability to break away from the routine of annual planning, and to adopt an approach that generates a thorough strategy once for each business and then re-plan only on an as needed basis, is a goal of a strategically managed company. The time saved from these planning sessions can be devoted to the fast changing environments or to areas where there has been a lack of performance. Monitoring can motivate performance so a monthly review motivates three times as often as a quarterly review.

Monitoring and review of strategy are important; however, problems with review arise when there are variances from the expectation of the plan. As a result managers find themselves assuming a defensive position, and are often subject to reprimand. The notion behind monitoring is not to punish offenders, but rather to understand why the variances occurred, and how they can be prevented in the future. This relates to the wider idea of organizational learning. Unfortunately, opportunities to learn are seen as threatening, and the need for managers to learn is perceived as a weakness. (Gluck, 1982)

An organization must learn about how it learns and what it learns. (Argyris, 1991) Discovering how it learns can increase the speed with which the company can adapt to new circumstances. Organizations can learn from a variety of sources, including; competitors, customers, consultants and themselves. Companies should ensure that every activity is a chance to review and learn. The daily running of the business is a new source of ideas and improvements. (Mason, 1986)

6b. Motivational Systems and Management Values

One of the primary objectives of top management is to incorporate the involvement of managers at all levels in the process of strategy formulation. It encourages greater employee involvement in company affairs by promoting share ownership and incentive payments related to plans. This has the effect of making managers at all levels, aware of their contribution to the company's strategic success. To align the incentive or reward systems to business strategy success as opposed other targets is very compelling and can be viewed as a great motivational system. However, compensation systems that reward managers for their overall success are not very prevalent.

Even more important in influencing the actions of managers are the planning values that top management supports. Preliminary research shows that bad decisions are often the result of strong advocacy and insufficient exploration of alternatives. (i.e.; "We didn't think it was a terrific proposal but we didn't want to vote against Robert.") Strategically managed companies are likely to discuss an important strategic choice prior to making a decision and proceeding with the implementation. (Gluck, 1982)

The next chapter presents the case study of Bramalea. The analytical framework developed in chapter 2 will be used as a basis for the study, and for understanding the evolution of strategy within a real estate development company.

CHAPTER 3 - CASE STUDY

Methodology

The research technique for the case study was person-to-person interviews. Four people were interviewed; three of these interviews were conducted with people presently associated with Bramalea. They included the chief executive officer, the chief financial officer, and an external consultant who has been employed by Bramalea in various capacities over a fifteen year period. The fourth was an interview with a Canadian real estate analyst employed by McLean McCarthy of Toronto. He has followed the evolution of Bramalea over the last fifteen to twenty years. Each of the people was interviewed once, plus one follow up telephone interview with the external consultant to Bramalea. The length of each interview varied from one hour and fifteen minutes to two and one half hours.

The first person interviewed was the consultant. From that interview I gained a historical overview of the decision making and strategy formation processes at Bramalea. This interview was one source of information for strategy formation and action over the period 1980 to 1990.

Prior to the interviews with the CFO and CEO, I interviewed the Canadian real estate analyst to probe further into the historical evolution of Bramalea and to gain an understanding about the industry context. This was the only interview conducted with a person not associated with Bramalea. It provided an outsiders' opinion about what transpired in the company over the period prior to 1990.

Interviews were then conducted with the current CFO and CEO. The purpose of these interviews was to investigate the decisions and the decision making process with respect to strategy from the period 1990 to present. This corresponds to the restructuring period of Bramalea. During these interviews, I tried to investigate the extent to which the company was focused on strategic management.

This methodology was not without difficulties. It was extremely difficult to gain a complete understanding of what went on in the company because I only had a limited amount of time with each of the people interviewed. The CEO and CFO provided an executive viewpoint; however additional meetings with lower level management may have provided a different perspective as to the success or failures of what is presently happening or what happened in the past. Access to any of the old leadership within the company was not possible because they were no longer employed by Bramalea. The lack of information from a primary source over this period of time is a weakness in the case study.

The real estate development firm, Bramalea, was chosen for several reasons. This development company experienced phenomenal growth during the later half of the 1980s, but also encountered severe financial difficulties in the beginning of the 1990s. These problems forced the company to take necessary measures to avoid a possible liquidation. The goals and objectives of the company have been transformed from an aggressive growth policy to a struggle for survival. The evolution of strategy formulation through turmoil is a topic which interests many real estate companies. Secondly, Bramalea is publicly traded on the Toronto Stock Exchange, and thus information on the company is readily available. Information includes annual reports, as well as detailed financial analyses from investment dealers who have historically followed Bramalea. Unfortunately, the use of a single real estate developer for a case study can result in a narrow point of view. Conclusions become firm specific and may limit the generalizations that can be drawn for the evolution of strategy in the real estate industry. However, this research is a beginning; hopefully others will continue to investigate this topic.

This Chapter

The framework developed in the previous chapter will be used to study the evolution of strategy formation at Bramalea. The time frame for the analysis begins during the period of early 1980s, and progresses through the restructuring period of the early 1990s. Observations are also made regarding the future direction of the strategic planning process once the requirements of the five year restructuring plan have been met. These two distinct periods of the company's history are identified as follows: The Buccaneer Period -- represents the eighties, The Survival Period -- deals with the early nineties efforts to restructure financially and organizationally.

The chapter will begin by giving a brief description of the historical evolution of Bramalea. This will outline the major events that have occurred in the company and will provide an introduction to the case study. The Bramalea case study is organized using the six major components of the analytical framework: Direction and Vision, Intelligence and Diagnosis, Relationships and Resources, Planning, Implementation and Action, Monitoring and Review. Within each of the categories, a description of the strategy for the relevant time period will be given. Following the presentation of the data, conclusions regarding Bramalea's strategy formation will be drawn. Figure 1 presents a matrix of the components of the analytic framework and time periods. It is used to summarize the conclusions of strategy formation over time. After each section in the case study the appropriate section of the matrix is presented, with the analysis or conclusions that have been drawn.

Figure 2: Case Study Matrix

			Buccaneer Period		**Survival Period**
			1974 - 1990		1990 - 1993
1.	**Direction and Vision**				
	* clear vision				
	* strategic thinking				
	* leadership responsibility				
2.	**Intelligence and Diagnosis**				
	* internal elements				
	* techniques and analysis tools				
3.	**Relationships and Resources**				
	* Communication				
	* human and financial resource management				
4.	**Planning**				
	* Flexibility				
	* managerial responsibility				
	* involvement and education				
5.	**Implementation and Action**				
	* leadership				
	* teamwork				
6.	**Monitoring and Review**				
	* differentiated review system				
	* motivational systems and management values				

Introduction to Case Study - Company Description and History

Bramalea is a publicly traded Canadian real estate developer with $6.2 billion assets. The company has substantial land holdings and home building operations in Ontario and Southern California. Its diversified portfolio also includes shopping centers, office buildings, industrial properties. Roughly two-thirds of Bramalea's revenue is derived from residential housing development and shopping centers.

Bramalea Ltd. was established in 1957 to build a self contained city a little over 10 miles west of Toronto. The founder was a Southern Ontario doctor who had a vision of building a new town and who subsequently convinced a group of British investors and merchant bankers to back his idea. In 1960 Bramalea completed its first house of the pre-planned, all inclusive community that would house 70,000 people and be the largest satellite city built in North America. The first phase of the company from 1960 to 1973 was the land development, and housing phase; it was run by the English investors and English managers. It was a fairly successful, albeit low profile operation until 1974.

The evolution of the company was very rapid from the period 1974 to 1990. In 1974 a couple of enterprising Toronto lawyers, Dick Shiff and Ken Field, bought control of the company. In the five years between 1974-1979 the company aggressively diversified into big commercial projects. Their total assets jumped from $164 million to $405 million, however, their total debt also increased from $104 million from $352 million. According to Gwyn Williams, a consultant at Bramalea:

> "They had a very simple strategy -- you cannot run a company which is built on one community and you cannot run a company that is built purely on home-building. So they developed a strategy, and the strategy was simply that in order

> to offset the cyclical nature of housing, you should diversify into income properties. The strategy also recognized that the cash you get from housing, or more importantly the cash that you get from that historic land which was bought back in the 1950s gives you the equity part of the financing to develop an income property portfolio."

With the help of accountant and lawyer, Ben Swirsky, and a prolonged period of high inflation, this team turned the local developer into one of the great success stories in Canadian business history.

However, along the way an event occurred that would affect the evolution of the company. Despite the increasing debt, the company continued to experience success into the early 1980s, until the time when Bramalea started to look around for sources of revenue outside the real estate industry. In 1981, as a result of Ken Field's interest in the energy industry, and incentives offered by a national energy program, Bramalea acquired an interest in an oil and gas exploration company named Coseka Resources Ltd. Bramalea leveraged their real estate portfolio in order to buy the interest in Coseka. Unfortunately, this turned out to be a monumental mistake and they eventually lost $180 million on the purchase and sale of their share of Coseka.

This put a considerable strain on the company's financial position. By 1984 the long term debt of Bramalea had risen to $1.47 billion on total assets of $1.86 billion. This prompted management, who was faced with an urgent need for equity, to look for an investor. Trizec Corp. Ltd., part of the Edper Bronfman stable of companies, comes in. As Harry

Rannala of McLean McCarthy, of Toronto (The Canadian subsidiary of the Deutsche Bank equity sales and trading) put it:

> "So in comes Trizec now with its big bag of equity, plunks down $100 million and does a swaparoo with its shopping centers so that they could offset a very large loss that Bramalea had in Coseka. The shopping centers, Trizec's crown jewels, were transferred into Bramalea, and it was Bramalea's management which controlled these crown jewels... Then the rules change for some reason."

The efforts to pool their assets caused a number of skirmishes between the two companies. Bramalea sold its shopping centers to Trizec, creating a paper profit that was used to offset the Coseka loss on Bramalea's books. Bramalea then bought back the assets and Trizec's shopping centers for enough common shares to give Trizec effective control of Bramalea. To quote Rannala, a Canadian real estate analyst with McLean McCarthy:

> "Ever since the transfer of those Trizec shopping centers to Bramalea, you had something else that was involved here, you had animosities. Trizec was basically upset that its good shopping centers had been moved into Bramalea to cover a Bramalea mistake."

The influence exerted by Trizec, who had controlling interest on the board of directors, proved to be a source of conflict in the management of Bramalea. Rannala pointed to problems between Trizec and Ken Field as the reason why Field left the company in late 1987.

This period, 1974-1990, can be looked at as the second phase in the development of Bramalea. The dream ended with the prolonged recession and the realization that Bramalea's cash flow could no longer meet the interest payments on its nearly $5-billion worth of debt. They would face a liquidity crisis in the summer of 1992.

The decision in 1990 to bring in Marvin Marshall as the new CEO, as well as a new management team to run Bramalea, signals the start of the third phase in the development of Bramalea. This is a period characterized by uncertainty and by a struggle for survival. In March 1993, the company's creditors approved a five year debt restructuring plan that will allow Bramalea to clean up its balance sheet and to go forward with residential and commercial property groups in the United States and Canada.

Consulting sessions, for the purpose of addressing Bramalea's future growth opportunities were initiated at the start of 1993. A brief description of the content and process of these sessions follows.

Consulting sessions

Bramalea recognized that they had a major commitment to fulfill the obligations of the five year business plan. However; they also were aware that they could not wait for the first and second years to pass before they started thinking about future growth strategies. Marvin Marshall, the current CEO, in January 1993 created a task force to facilitate the strategic planning process. Responsibilities of the task force included organizing consulting sessions to address future growth strategies for the company.

The consulting sessions involved the participation of the four operating groups in the company, and the corporate group. The operating divisions include Canadian housing, Canadian commercial properties, US Housing, and US commercial properties. People involved from the corporate division included the treasurer, legal counsel, and the heads of finance, administration and human resources. The participants in each of the consulting sessions comprised of the management from one of the groups, the three top executives of the company, the leaders of the four operating groups and the representative from the task force.

The sessions began with Gwyn Williams providing a brief explanation of the strategic planning process and its origins. The individuals would be made aware that the process was backed by the top executives in the company as well as by the board of directors. Williams would then explain the importance of their contribution to the process. Their involvement in the early stages of the planning process was a way of developing strategies using their knowledge, talent and expertise. These people would have to implement any strategies developed, therefore, greater involvement in the process would result in a greater commitment during the implementation of the strategies.

The goal of these consulting sessions was to develop a creative process from which ideas regarding future growth opportunities and obstacles would be collected. The participants attempted to come up with ideas on products, services and markets, specific to their area of expertise. Gwyn Williams saw this investigation of future investment opportunities as a totally creative process. The individuals who came up with specific ideas were not required to substantiate them in terms of financial feasibility. Williams summarizes the reason for the involvement of senior managers in the strategic planning process:

"Bramalea can provide demographic and economic information. What we need is the intuitive gut feeling, knowledge and experience of the senior managers because they are the ones that make strategy come alive."

The data collected would be put into a report by the task force and would then be presented to the top executives of the company. The CEO, CFO, COO and Gwyn Williams would prioritize the ideas in terms of areas and actions Bramalea could proceed in. They would identify both new and existing markets as well as business opportunities to pursue. Once a list was prepared, a meeting would be arranged with the chairman of the strategic planning committee to bring him up to date and to receive his input. Subsequently, meetings would be arranged with some of the senior managers to discuss how Bramalea can proceed with the priorities they have identified. The process and meetings continue until the priorities move from a strategic perspective to an operational mode.

The task force also has the responsibility of managing the process of research. Senior managers are involved in the reviewing of the research material. It is also their responsibility to utilize the research material in the development of strategy.

Data that will define the evolution of strategy in Bramalea will be presented and examined in the following section. The organization and the analysis of this part of the thesis will be based on the analytical framework defined in chapter 2. The major headings for the framework are: Direction and Vision, Intelligence and Diagnosis, Relationships and Resources, Planning, Implementation and Action, and Monitoring and Review.

1. DIRECTION AND VISION

1a. Clear and Consistent Vision

"Clear and consistent vision" was defined as having a clear understanding of what the company stood for. It is dependent on imagination and creativity, not only on analysis of information. Financial targets are a result of achieving certain specified goals, and do not comprise a vision.

Buccaneer Period: 1980 to 1990

The direction of the company was geared toward corporate growth. According to an article in the Financial Post, profits formed part of the corporate philosophy of the Hees-Edper companies (Bramalea being one of them). The minimum return to shareholders was to be in the range between 12% and 20% depending on the risks involved. The clear and consistent 'vision' of the company was in fact a financial strategy based on financial objectives. This was the driving force behind the actions of Bramalea. Williams, was asked whether a vision or direction for the company existed:

> "Not in terms of having it formalized, or having a formal process. I mean there were seminars from time to time. But it was not a process of discovery, of analysis, of argument, to test if it was valid or not. It was project driven. Many of successes were developed by the old regime, so you can't condemn its lack of formality."

Bramalea during this period stood for growth and increased profits. Creativity and imagination were not part of the process. The company's emphasis on financial results had overshadowed the initial 'vision' of the company in 1957 -- the vision of building a new town. The use of the housing operations to provide the equity component for income property development had refocused the reason for Bramalea's existence -- from creating a new town to raising money for development. This would not constitute a vision as defined in the analytical framework.

Survival Period: 1990 to 1993

The obligations of the five year business plan have focused the energies of Bramalea on short term survival. The nature of the short term problems, remembering that they emerged from court protection on March 22, 1993, serves to focus the majority of the attention of top management on the day-to-day operations of the company. A clearly defined long term vision does not seem to be a priority; Bramalea believes it must survive before it can contemplate future direction.

Gwyn Williams sees a "vision" as something which is developed over time and not necessarily outlined from the beginning. He states:

> "We've got a vision we are building up to, rather than the grand statements people make which are all meaningless. I mean I've seen a lot of corporate statements and missions and they mean nothing -- (i.e.: We want to be the best in the business and achieve above average rates of return for the satisfaction of creating shareholder value.) It doesn't mean a thing. So if we build from our strengths...This is seen more as a pragmatic well focused strategy which is built upon the company's strengths."

Frank Graham, the current CFO is aware of the necessity for a long term "vision". Graham, expressed these thoughts:

"The issue we have here is obviously to grow the company. Our view would be to grow it and enhance shareholder value, and that is the key, in my mind the vision of all companies."

However, his immediate focus is on the short term financial situation.

"[Right now] It's sort of back to the survival mode. It's like the human need states. When you are at the bottom of the human needs curve you are not thinking of buying a Jaguar."

This "vision" according to Williams would be based on strategies for the future. An interesting occurrence in the strategic planning process is the refusal of Marvin Marshall to express a "vision" of what Bramalea will stand for in the future. Williams describes this lack of action as a way of preventing boundaries on the creative ideas of people within the organization.

Reinforcing the difficulties encountered by Bramalea during this time Harry Rannala, a Canadian real estate analyst for McLean McCarthy of Toronto, states:

"If there is no strategy, there is no sense in keeping the company alive. So you have to pretend that you do have some vision out there, because without it there is no logic to proceeding. So the reality is that they are working day-to-day, just to meet the terms of the restructuring. How do you have the time, the equity to contemplate something further out?"

One can draw several conclusions from the above statements. For Bramalea a "vision" is not seen as an orientation point that guides the company's movement in a specific direction. The struggle to find the time to define this vision becomes apparent. How is it possible to have a vision if no one has had the time to develop one? During the time period surrounding the restructuring, management concentrate their efforts on the short term needs. They have little time to develop a "vision" for a future that may be non-existent. A vision does not seem to be a priority for Bramalea at this point. There is no evidence of a "vision" as per the definition of the framework.

			Buccaneer Period		**Survival Period**
			1980 - 1990		1990 - 1993
1.	**Direction and Vision**				
	* clear vision	* *	initial 'vision' overshadowed financial objectives replaced vision.	* * *	no clear and consistent vision. not critical for short term. vision seen as pragmatic well focused strategies.

1b. Strategic Thinking

Strategic thinking has a profound effect on the quality of strategy developed by a company. The ability to disassemble the basic elements of analysis such as the factors and issues which may have an effect on the business, and to re-assemble them in the most favorable manner distinguishes the process of strategic thinking.

Buccaneer Period: 1980 to 1990

The period of the 1980s was synonymous with big profits for real estate developers. The same held true for Bramalea, one of the industries top performers and one of North America's largest real estate companies. It could be described as a very dynamic, project driven real estate developer that was financially successful . As Gwyn Williams, a consultant of Bramalea, described:

> "The strategic decision making process was all project driven. The company approved projects, they did not approve strategy."

Assumptions were rarely questioned, the balance sheet of Bramalea was highly leveraged, and the environment was characterized by lack of participation, secrecy, and political infighting. These qualities contradict the principles of strategic thinking as defined in the analytical framework. One can safely assume that there was very little evidence of strategic thinking capability within the company. The absence of strategic thinking in the process of strategy formation can be seen as a missed opportunity to gain an advantage over other competitors within the industry. This also contributed to the fact that Bramalea did not see the downturn in the cycle. The lack of imaginative solutions renders the actions of the company predictable, and thus easier for competition to deal with.

Survival Period

Marvin Marshall describes strategies for growth over the long term as the missing element in the puzzle for establishing corporate direction. Notwithstanding the uncertainty of the present and the restrictions placed on the company by the five year re-structuring plan, Bramalea made the decision to proceed with the development of a strategy for the future. They initiated what they call consulting sessions in January 1993, to deal with issues related to the future. The "experts" found in senior management and operating groups of the company are involved in these sessions. It is seen as a process of discovery for both the industry and the abilities of Bramalea. Williams describes it as a process that produces creative answers to questions which concern the development of strategy. Examples of questions include:

> "This is your company and in view of what we've been through, what are the opportunities that you see for our development in the future? If you could start again and reconstruct Bramalea, what would you emphasize?"

One of the problems associated with this process is described by Williams:

> "Some people have been uncomfortable with this process, because they are not quite sure what they can say. So what I have to do is force them to say anything to get some bizarre ideas so they get some concept that there are no boundaries. It's tough for people to be creative when you've been through such a process of duress as we've been through on the business plan. It was, 'Your financial targets are clear for this month, this year and if you don't meet them the CFO will give you a hard time about them.' It's hard to set that mind set aside for a moment and think of something more creative and wide open which we're not required to validate at this moment."

Involving the key managers of the organization in the process of strategy formation has the potential of introducing new and creative ideas into the process. Their familiarity with the markets and the company on the operational level may result in unexpected strategies. This development is a positive step forward for Bramalea. However, this process must be seen as more than just a one time occurrence. It has to be carried out on a more systematic basis to ensure that the process evolves and makes a positive contribution to strategic thinking, and does not become a time wasting ritual with no meaning. The potential for strategic thinking as defined in the framework is emerging, but it is still in the initial stages.

			Buccaneer Period 1980 - 1990		Survival Period 1990 - 1993
1.	**Direction and Vision**				
	* clear vision	* *	initial 'vision' overshadowed financial objectives have replaced vision.	* * *	no clear and consistent vision. not critical for short term. vision seen as pragmatic well focused strategies.
	* strategic thinking	*	little evidence, probably none.	*	beginning of process is apparent.

1.3 Leadership Responsibility

It is the responsibility of top management to bring corporate philosophy, objectives, and strategy to the attention of individuals both inside and outside the organization. The CEO assumes the leadership responsibility as the originator of the strategic planning process. These are two of the key features of leadership responsibility as defined in the framework.

Buccaneer Period: 1980 to 1990

At first glance the leadership structure of Bramalea appeared to be comparable to that of many hierarchical structures. The tremendous financial performance of the company masked the issues related to management quality and to leadership of the organization. Executive leadership within this period had some very unorthodox traditions. There was no dedicated chief financial officer, the responsibility was shared among three or four executive vice presidents. Another unusual aspect of the organization concerned the responsibility of the CEO. At any one time, he had between 16-19 people reporting to him. The reporting lines were very confused, arbitrary and personality driven. For a period there two CEOs that existed simultaneously.

However, in a Globe and Mail article friends, associates and competitors credit part of the enormous success of the company during the period of the eighties to the fact that the

Shiff, Field, Swirsky trio worked well. They were all very different men who were described as follows:

> "Mr. Shiff is remembered as an old fashioned corporate lawyer known for being smart, tough and notoriously tight fisted. Mr. Field, who everybody calls Kenny, was young and energetic, loud and friendly. Mr. Swirsky, who became an officer and large shareholder in 1976, is described by people as bright as they come, with a great head for numbers, an incredible ego and an awful lot to prove."

The level of leadership was dependent on the strength of the personality of the partners. The trio symbolized Bramalea. Some of the deals they made were legendary. During the later part of the decade, when only one of the original partners remained, it was a company where conflicts between people and operating groups determined the approval and decision making process. Decisions within the company were made on an ad hoc basis. There was not much corporate and financial discipline within the organization. In a speech given at the University of Toronto, Marvin Marshall the present CEO, expressed these thoughts:

> "Coming across personality and turf wars in a major corporation is not that unusual, especially after a period of unbridled growth. Having said that...nor is it acceptable to the long-term health of a corporation."

<u>Survival Period: 1990 to 1993</u>

In an attempt to reorganize and revive Bramalea, fundamental changes were implemented once Marvin Marshall was appointed CEO in middle of 1990. One of the Marshall's first tasks involved redefining responsibilities for the executive leadership of Bramalea. A team of seven senior executives consisting of the CEO, CFO, COO, and the four senior executives that lead each of the operating groups was formed. Strategic planning is the specific responsibility of the CEO. The CFO is responsible for the financial management, discipline and integrity of the entire organization. The COO ensures that each of the operating groups have access to the corporate resources needed to generate cash flow and profits. The seven senior executives have ultimate responsible for the decision making process the future direction of the company. They also establish the corporate direction of Bramalea. Marshall defines corporate direction as:

> "Our corporate direction is to be aware that we are a public company and that our only challenge, our overriding challenge is to develop shareholder value. That has to be constantly in the back of our mind. I think there was a time when this company forgot all about that. Most public companies do."

Marshall instituted a very solid management team and in the process has begun to change the corporate culture by replacing six of the seven top executives within the organization. The style of management that Marshall practices throughout the company is one with open communication, integrity and accountability. Strong leadership has been apparent during the financial restructuring of Bramalea. The success achieved in getting over 90 creditors and 2500 debenture holders to agree to the five year business plan is an example of the leadership. There is evidence that leadership responsibility of this period conforms to the definition outlined in the framework.

			Buccaneer Period		Survival Period
			1980 - 1990		1990 - 1993
1.	**Direction and Vision**				
	* clear vision	* *	initial 'vision' overshadowed financial objectives have replaced vision.	* * *	no clear and consistent vision. not critical for short term. vision seen as pragmatic well focused strategies.
	* strategic thinking	*	little evidence, probably none.	*	beginning of process is apparent.
	* leadership responsibility	* *	dependent on strength of personalities. committed to projects, not strategy or vision.	* *	refocused responsibilities. strong leadership with solid reputation.

2. INTELLIGENCE AND DIAGNOSIS

2a. Internal Elements

The use of problem solving teams and the involvement of middle management in the analysis of external data is a characteristic of a strategically managed company.

Buccaneer Period: 1980 to 1990

Historically, developers have always been an "optimistic" group, and Bramalea was no exception. Both the CEO and the leader of Bramalea's residential group firmly believed Bramalea's future was in luxury condos. They saw this as an almost unlimited opportunity. Between 1988-1990 the company spent close to $1 billion for land in and around Toronto. Any executive who argued against this did not get much voice. In an interview Marshall described this situation:

> "Bramalea moved too aggressively in buying sites in the downtown Toronto area. It got swept up in the boom euphoria and was among those caught by the unexpected timing of the market downturn."

Research that had been prepared by outside sources formed the basis for the decision to proceed with the land acquisition. Gwyn Williams stated that Bramalea's managers were involved in simply reviewing the research documentation prepared. There was very little input on their part. As long a report reinforced the opinion of the CEO, there was no need for questioning or review by the "experts" employed by Bramalea. The possibility of disregarding a view of the marketplace which may be accurate, but which challenges the ideas of what the decision makers of the company want to believe, is a disadvantage of this process. Providing internal input, either by reinforcing or contradicting the ideas presented, is a means of verifying the data or the source of the data. This objective opinion has the potential for improving the quality of the analysis used by the company.

<u>Survival Period: 1990 to 1993</u>

The analysis required for the strategic planning process at Bramalea is a process that started only a few months ago. They are engaging the senior talent within the company to create the strategic plan. There are no experts or consultants brought in from outside the company to help in this planning process. The process makes extensive use of the expertise of the company, as Williams puts it:

> "If we're going to build a strategy for growth for this company, we have to use the 200 experts in senior management and the operating groups of the company. These are experts in all fields; development, municipal relations, leasing, marketing...If I need an expert opinions I'm going to our operating people, they are our experts."

Economic and demographic research studies are developed by the task force. The basic components of the study are commissioned from external sources. It is the responsibility of the task force to assemble the data into reports. Williams elaborates on the process:

> "Instead of buying a study off the shelf, we tell them [external research consultants] what we want, how we want it and why we want it. The advantage of having the task force involved and analyzing the information is that you ensure that Bramalea takes control of the function, rather than having the consultants have control of it. Therefore, you learn more from this process and you share more within the company."

The consulting sessions and the task force are a means of involving the middle management in the analysis of the environment. With respect to the consulting sessions, this can be viewed in both a positive and negative manner. The use of the available talent within the company, is a strength. On the other hand, the absence of any new input from external sources is a drawback. The possibility exists that the managers will repeat thoughts and actions that contributed to Bramalea's downfall. The use of external resources for research and the subsequent review and analysis by the task force, combine to give Bramalea a more objective and thourough understanding of data. This process ensures that Bramalea will no longer solely rely on external research to form the basis of their decisions.

			Buccaneer Period 1980 - 1990		Survival Period 1990 - 1993
2.	**Intelligence and Diagnosis**				
	* internal elements	* *	limited input of managers. only as a means for reviewing external research.	* *	use of internal people for analysis. external sources for data gathering.

2b. Techniques and Analysis Tools

The definition presented in the framework highlights the fact that techniques and analysis tools should supplement the strategic planning process. They must not be looked at as a substitute for the process.

<u>Buccaneer Period: 1980 to 1990</u>

Research and diagnosis were project driven not market driven. Market and feasibility studies were commissioned from external consultants. This period was characterized by an abundance of forecasts for the real estate industry. As Marvin Marshall said:

> "It's like being in a candy store, you can pick out the ones that are the sweetest. That's part of the problem. Developers only wanted to hear good news about continuing growth. They ignored reports that told them that the party was coming to an end."

A project was justified on a financial basis and "sold" to one of a number of people who had authority to allocate resources at corporate headquarters. An example of where Bramalea ignored basic research was the luxury condo market. Marshall described the thoughts of developers in general, but the comments apply equally well to the Bramalea situation:

> "Instead of examining the needs of the customers and what they were willing to pay, developers totaled their costs, added in a profit margin and came up with a rental rate. But the numbers didn't make sense. So inflation was factored into the equation like a magic potent that would heal all budget errors over time."

The market research prepared by external consultants formed the basis of the decision making process for project development. It was not seen as a supplement to the decision making process, but rather as a means of justification for what the developer wanted to do. In the event where the study did not support what the developer wanted to hear, alternate studies would be found to justify the project. The techniques and analysis tools used during this period can be viewed more as a ritual instead of a means to help the decision process. It was a necessary process to justify any actions of developers. The optimism and confidence of developers during this time fostered ideas that they were invincible.

Survival Period: 1990 to 1993

The research for the future direction of Bramalea is now done using internal and external sources. This decision was made in response to two factors. Firstly, there is some skepticism regarding the market and financial forecast prepared by other sources. Too often that research recycled conventional wisdom plagiarized from other sources instead of presenting original sources. The second is with regards to Bramalea's desire to utilize their own "experts" within the company. The belief is that the experience and knowledge of the people can make a positive contribution to the development of techniques and analysis tools. Williams commented:

> "The company possess as much knowledge and talent about real estate as any organization, so why would we be paying consultants when we have the experts inside. The experts are the ones who would be making sure the research studies are accurate because they have to build the strategy."

Bramalea is focusing attention on "demand side" market research. Understanding demographics and the driving forces behind markets are notions that may be very difficult to grasp. In response to the situation, Bramalea has started the development of a research model that is to be used as an analysis tool. The model will use statistical data to forecast future trends and resulting demand for housing. This model will form the basis for the decision making process with regards to housing markets. Marshall described the model:

> "The model would be looking at the long term future growth of a market and if there are sustainable development opportunities there. It would also look at whether there markets further down the road that have the potential for generating other opportunities in the other disciplines as far as development is concerned."

Williams view of the model:

> "This model is based on simple notions, and those notions all add up giving us the demand side of the market place."

The potential growth opportunities that the model forecasts will be reviewed by the senior executives. Decisions will be made regarding which options to pursue, and if additional in-depth market research is required.

Positive signals appear in this process. There is no longer a reliance on external models or on research reports for justifying the actions of the management. Although the internally developed model forecasts potential markets and opportunities, there are additional steps in the decision making process; the senior management and the board of directors provide input before the final approval. The involvement of internal personnel in the formation of the tools provides a source of checks and balances within the system. The danger of any analytical tool is that the output reflects the data which was used as the input; i.e., garbage in, garbage out. Great care must be taken to ensure that the sources and quality of data are acceptable and realistic. Any discrepancies must be questioned and further analyzed. Bramalea is showing progress towards being strategically managed in this respect.

			Buccaneer Period 1980 - 1990		Survival Period 1990 - 1993
2.	**Intelligence and Diagnosis**				
	* internal elements	* *	limited input of managers. only as a means for reviewing external research.	* *	use of internal people for analysis. external resources for data gathering.
	* techniques and analysis tools	* *	force of habit, ritual. necessary process used to justify any actions.	*	taking some steps to becoming strategically managed in this respect.

3. RELATIONSHIPS AND RESOURCES

3a. Communication

Communication plays an important role in a strategically managed company. It permits sharing of information, and knowledge between different units and managers. It is a requirement that is necessary if the strategic planning process and the implementation of strategies are to succeed.

Buccaneer Period: 1980 to 1990

There was a serious lack of communication within many levels of the organization. This was manifested in the confusion created within the reporting lines of the company, in the random approval process for projects, and in the shroud of secrecy which covered financial decisions of the projects. Each of the operating units was permitted to function as an independent unit and without very much corporate or financial discipline.

Conflicts existed throughout many different levels of the organization. At different times throughout the decade of the eighties, there existed some degree of animosity between Trizec, the major shareholder and Bramalea. There was a belief on Bramalea's part that Trizec interfered in the decision making process and the operations of the company. On another level there was very little communication between various operating groups of the company. The operating groups were unaware how their demands and activities affected the company's overall financial well being. Finally, the confused reporting lines within the company were the result of personal animosities between employees of the organization. One employee suggested:

> "The conflicts do two things; it creates turf wars and creates an atmosphere where there is no team. You do not have a team that is focused because not everyone is involved and it creates a serious lack of communication. But on the other hand it didn't particularly matter much because the performance was phenomenal."

There is little evidence that communication within Bramalea conformed to the definition proposed in the framework. Communication between the different groups was fragmented and almost non existent. It was occurred out of necessity more than the desire to build a solid communication network that would benefit the company in the long run.

Survival Period: 1990 to 1993

One of Marshall's first tasks of was to strengthen and clarify the management structure at Bramalea. A new organizational structure was put in place and people's roles within the organization were clearly defined. In the process open communication and clear reporting lines were being established between individuals and operating units. The demands placed on Bramalea during the financial restructuring phase may have contributed to the development of open communication. Open communication can help create a positive climate in the company even under the most negative of circumstances. Marshall claims that considerable interaction presently exists within the organization:

> "You've got to have open and honest communication. We've eliminated any of the empires or fiefdoms within this company. There is honest, open sharing of information and I would say my view is there is very little petty political situation here."

The management of Bramalea firmly believes in establishing strong communication channels within the company. The involvement of managers in the consulting sessions and the sharing of information from research material prepared internally is a way of addressing this issue. This is seen as a necessary step towards moving the organization from its current state to its future state.

			Buccaneer Period 1980 - 1990		Survival Period 1990 - 1993
3.	**Relationships and Resources**				
	* Communication	*	fragmented, non-existent.	*	communication viewed as key factor in future of company.

3b. Human and Financial Resource Management

The effectiveness of under used resources must be maximized. Opportunities that make the best use of the available assets have to be created.

<u>Buccaneer Period: 1980 to 1990</u>

The approval of financial resources was carried out in the following manner. The operational leaders submitted a project to corporate headquarters for approval. Once approval was received, the person in charge of the corporate finance department would arrange all of the financing for your project. Williams elaborated upon this process:

> "What happened was Bramalea took on its own growth momentum, they started to believe in themselves. Budgets were not as important because it didn't matter if you were over budget, inflation would look after it anyway."

The operational leaders were often not involved in the process and as a result were never sure of what was arranged for them. The corporate finance department would simply take care of all the financing and distribute it among the operating units as required. There was never an attempt to distribute the funds according to which project had the most merit or potential. At one time the resources of Bramalea seemed endless so they went as far as financing projects of other developers. Rannala summarized this:

> "These developers would piggy back off the financial strength of Bramalea [Bramalea would finance their project], and then Bramalea would ultimately take a piece of the profits. These developers could not finance this themselves."

The belief that Bramalea's resources were unlimited created a situation that resources were used to finance almost any project. There seemed to be no effort to use their access to capital for more conservative or optimal investments. The strategy went much further than allocating funds to units of the organization by providing the financial requirements for other developers. This entire process worked for the tremendous growth period through the 1980s, because huge profits masked the ineffective use of resources. These actions contradict what Gluck (1982) would describe as actions of a strategically managed company.

Survival Period: 1990 to 1993

As a result of the changes implemented by Marshall, Bramalea is beginning to emerge as a company that wants to effectively use the human resources within the company. Marshall sees people as the key to management. Involving key managers in the consulting sessions in order to establish opportunities and obstacles for growth is a manner by which Bramalea is using the human resources, their knowledge, talent and experience to potentially enhance the future of the company. Marshall elaborates on his actions:

> "In the past there were a lot of human resources underutilized, human resources at the middle management that were not allowed to surface. A handful or more executives would take their ideas as their own and not allow the people to express themselves. We have taken away those barriers and discovered some real strengths at the middle management level of people that have been buried down there for years."

The establishment of clearer reporting lines and well defined roles for individuals within the organization is an attempt to mitigate internal barriers such as class or functional attitudes which can stifle the process. In addition the perception of the company changed from a corporate company who controls the operating people to an operations company. According to Marshall corporate services, which include legal, treasury, accounting, human resources and technology exist to support operations.

Bramalea finds itself in an extremely constrained financial situation. The financial commitments and restrictions imposed on the company by the business plan make it difficult for Bramalea to contemplate future strategies for growth. This can present a problem since the strategies developed may not be in tune with the resources available to the company.

For Bramalea, the involvement and contribution of human resources is an important consideration. A strong sense of committment results when people feel involved and valued. Bramalea's attempt to match individuals' abilities and knowledge to the functional needs of the firm, and to minimize the ineffective utilization of resources within the company conform to the practices of strategic management. However, the requirements of financial management are more difficult to achieve only because of the constraints imposed in the short term.

			Buccaneer Period 1980 - 1990		**Survival Period** 1990 - 1993
3.	**Relationships and Resources**				
	* Communication	*	fragmented, non-existent.	* *	communication viewed as key factor in future of company. conforms to definition
	* human and financial resource management	* *	ineffective use of resources repressed human resources	* *	sense of commitment. minimize ineffective utilization.

4. PLANNING

4a. Flexibility

A company must be aware of the changing opportunities in the environment and develop a planning process that can anticipate these changes. It must also possess the ability to remove obstacles to change within the company.

Buccaneer Period: 1980 to 1990

Bramalea during the period of the 1980s was driven by unbounded optimism. The company was making money "hand over fist" and was slow to heed to the warning signals of what was about to materialize. Even as the American property market was starting to crumble, Bramalea continued to pour money into undeveloped lands. There was no sense that the market conditions were rapidly changing. They were totally unaware of the changing opportunities and had no planning process that could anticipate these changes. According to Harry Rannala, of McLean McCarthy in Toronto:

> "The plan at Bramalea was to 'buy, buy, buy' because the economic cycle was going to continue. You keep buying land and building homes because you generate tremendous cash flow and where do you put it? You put it into new income property developments."

He added:

> "They surpassed the point of conducting business in a logical fashion. They went way over that and the industry recognized it. Everyone I spoke to wondered what these people were doing. It had not sunk in that they had gone overboard."

This is in direct contrast to the beliefs of the many investors and customers of Bramalea. As a Globe and Mail (1992) article described:

> "Investors and customers who handed over money to Bramalea and its parent companies were under the assumption that these people were better, smarter, quicker and more prescient that the average speculator and builder."

During this period, the real estate industry as a whole, including Bramalea, was unprepared for the recession. In a speech given to the Urban Land Institute (ULI),Marvin Marshall, the present CEO of Bramalea, had these thoughts:

> "Many developers were not prepared for the bad news because they simply didn't want to hear about it when their competitors were still busy building."

Bramalea was too caught up in the momentum of building and could not stop or change to respond to what was about to occur. They misjudged the market, thus were unaware of the changing opportunities and circumstances within the environment. The capacity to change was non existent. There was no process or tool in place that could warn and prepare Bramalea for what was about to transpire. The leadership during the last years of the 1980s only wanted to hear good news about continuing growth and ignored reports that the cycle was coming to an end. This prevented the company from instituting plans that would enable Bramalea to change and adapt to the new environment. Bramalea was slow to recognize that changes in the company were required and as a result did not act soon enough to prevent the liquidity crisis it faced in 1992.

Survival Period: 1990 to 1993

Towards the end of 1989, the real estate markets slowed down. The soft markets combined with the huge debt that Bramalea incurred for its land purchases, triggered dramatic changes within the company. In the middle of 1990, Marvin Marshall was brought in to replace Ben Swirsky as CEO. New management was brought in to address the multitude of problems and to ensure the future survival of the company. The changes imposed on Bramalea can be seen as being a reaction to the environment. The period of 1990-1993, Bramalea implemented changes in the management, organizational and financial disciplines in an attempt to restructure and reposition the company. Frank Graham the current CFO described the financial strategy:

> "Initially, what we were trying to do, is issue more equity and to look to sell assets and really do a quiet restructuring in the sense of paying our debt and looking for some recovery, particularly in housing."

Attempts to quietly restructure continued until Bramalea defaulted on a major bond issue which came due in the summer of 1992. Harry Rannala of McLean McCarthy commented:

> "There is no magic step that all of a sudden cleans up this mess. There is no magic solution to excess leverage, you've got to work through it. They [Bramalea] talked about reducing their debt by selling assets, and you know what? The debt didn't go down. Once it gets to a threshold level, it eats you alive. Interest payments on $5 billion of debt. It's like Olympia and York, it got eaten alive by its debt."

This eventually forced Bramalea into negotiations with its ninety two lenders and over 2500 debenture holders. In March of 1993, the company's creditors approved a debt restructuring plan which calls for the sale of a total of $2 billion of a total $6.2 billion in assets and a reduction of the company' $4.9 billion of debt by 50%.

Although it was accomplished involuntarily, this is clearly an example of adapting the plan to fit the circumstances, as opposed to anticipating the problems and acting accordingly. There were too few changes and they came too late in the process to avoid the financial restrucuring imposed by the creditors. Bramalea did not have the flexibility to anticipate and react to the problems earlier. To avoid liquidation, Bramalea must strictly conform to the restrictions imposed on it by the Business plan approved by the creditors.

			Buccaneer Period 1980 - 1990		Survival Period 1990 - 1993
4.	**Planning**				
	* Flexibility	* *	too much momentum to even worry about flexibility. too late to change	* *	too little, too late creditors impose changes necessary for survival

4b. Managerial Responsibility

The role of the top management is to define the objectives, supervise the planning process and ensure that important issues are not overlooked. The planning responsibility is pushed down into the organization.

<u>Buccaneer Period: 1980 to 1990</u>

Although the top management appeared to act in a manner comparable to that of any hierarchical organization, it functioned quite differently. Roles and responsibilities for the various levels of the organization were not clearly defined. Management was project driven and only concerned with growth and profits. These were their top priorities and as long as the financial objectives were met, no attention was paid to other managerial issues. Bramalea was structured in a way that Marshall defined:

> "They allowed the operating groups to operate as sort of independent contractors and not with much corporate or financial discipline. Some of these areas had the ability to use Bramalea's corporate credit independently and without much oversight."

There was no actual formal or informal planning process in place. In the past the planning process consisted of the heads of the operating groups drawing up budgets every year, and subsequently sending them to corporate headquarters where they would be mysteriously approved. They were never discussed, reviewed or challenged. It was an organization where conflicts between people and operating groups determined the approval and decision making process. Decisions within the company were made on a very ad hoc basis. There was no formal process for approval of projects. Within Bramalea a there existed an atmosphere that encouraged people to seek project approval from any source who had the authority to endorse the project and allocate the necessary resources for it .

Comparing the actions of the management to the those defined in the framework of the previous chapter, it is apparent that little managerial responsibility and accountability was in place. Gwyn Williams described a possible explanation for the problem as follows:

> "There was no need for rules and procedures in those days because money was easy to make."

Survival Period

The process of strategic planning was initiated for the first time in the history of Bramalea in the beginning of 1993. The top executives participate and support the entire planning process. Their role during the consulting sessions is described by Williams:

> "The three top executives and the four operating heads are in these sessions and they're just participants, they're just another voice. There is no rank."

In terms of the CEO's responsibility, Marshall describes his tasks:

> "My role is the one of discipline to keep the people within the parameters, to help establish the parameters and to monitor the performance once it is established."

He goes on to state that:

> "Responsibility within each of the levels of the organization is clearly defined by top management. People understand what their jobs are, and they are free to do their jobs. A considerable amount of the confusion that previously existed, as well as the 'political pettiness' between individuals has been eliminated."

The planning responsibility has been pushed down into the organization. Bramalea has created a situation where it encourages strategies, financial planning, and budgeting to be done in a 'bottom up' fashion. The ideas come from the operating management, who Bramalea considers to be experts in their disciplines.

Managerial responsibility is an area which has seen dramatic improvement over the last period. Management has taken an active role in the strategic planning issues as well as the day-to-day operations of the company. Their involvement and supervision is a crucial aspect of the restructuring process. It is important to continue the same level of involvement in the management of the company once Bramalea emerges from the grasp of the five year business plan. The consulting sessions are a means developing strategies from the operational level, thus can also be seen as passing the planning responsibility down into the organization.

			Buccaneer Period		Survival Period
			1980 - 1990		1990 - 1993
4.	**Planning**				
	* Flexibility	* *	too much momentum to even worry about flexibility. too late to change	* *	too little, too late creditors impose changes necessary for survival
	* managerial responsibility	*	little if any	* *	Dramatic improvement visible and responsible

4c. Involvement and Education

Involvement and education can be characterized by a willingness to listen to concerns and objectives of all parties involved. This facilitates participation and commitment of all levels in the organization.

Buccaneer Period: 1980 to 1990

The data from this period describes a situation with very little involvement and participation from people who were not part of the top management, or who had not developed special alliances with executives in the corporate office. A willingness to listen, and the ability to enlist participation and buy in throughout the organization did not exist.

Planning can be described as a project-driven process. Objectives were established by the top management with the ideas and suggestions of others disregarded. An example of this behavior is discussed by Williams:

> "The person who headed up the housing group in Canada firmly believed sincerely and fanatically that the future was in luxury condos. He believed that and the CEO was lead to believe that. They were both committed and convinced they were on the right track. Any executive who argued against that did not get much voice."

The actions of the management are contrary to what one would expect from a strategically managed company. The inability of top management to listen to concerns of other parties and the lack of participation in the planning process can possibly result from the euphoria that had engulfed the management of Bramalea. The unprecedented growth over the decade caused them to develop the belief that they were invincible and could do no wrong.

Survival Period: 1990 to 1993

For Marvin Marshall, the current CEO of Bramalea, one resource that is critical in a real estate company is the people it employs. Their involvement and their input to the planning process contributes as a source of new and fresh ideas. The idea behind engaging the talent at Bramalea in the planning process from the start, is to familiarize them with what is transpiring and to give them the feeling that they are an integral part of the plan. Consulting sessions were held to engage the talent within the company to think in a creative and open manner with regards to the future of Bramalea. Williams expressed his enthusiasm concerning the results:

> "From that [consulting session], we have got a huge report that collects all of their wisdom and ideas. It's quite powerful what they've come up with. They have the background the knowledge and the enthusiasm to stretch their imagination and see beyond what we are now and what we do now. What we now have is a reservoir of ideas that come from a positive attitude. This is a creative process."

In a speech given by Marvin Marshall the element of education plays a critical role in the process of strategic planning. Marshall says:

> "We need to be extremely analytical in studying how we can win in tomorrow's economy. Like everything else we have done lately, we have to get back to the

basics. We have to challenge conventional wisdom. We want to avoid being lulled into a false future as happened four years ago."

The consulting sessions which have taken place are a major reason Bramalea is exhibiting certain elements of a strategically managed company. Their willingness to involve people from different levels in the organization in the planning process for future growth strategies is a positive step. The constraints placed on Bramalea by the covenants of the Business plan reinforce the need to create an environment with participation and commitment of all levels of the organization.

			Buccaneer Period 1980 - 1990		**Survival Period** 1990 - 1993
4.	**Planning**				
	* Flexibility	* *	too much momentum to even worry about flexibility. too late to change	* *	too little, too late creditors impose changes necessary for survival
	* managerial responsibility	*	little if any	* *	Dramatic improvement visible and responsible
	* involvement and education	*	overshadowed by sense of success	*	co-operative

5. IMPLEMENTATION AND ACTION

5a. Leadership

Planning and good communication have to be supported by the actions of senior managers. Top management is required to lead by example. Their actions can be emulated by other managers in the organization.

Buccaneer Period

The data from this period describes a situation where the driving force behind strategy was increased profits. The autonomous nature of the operating groups resulted in an environment where they were operated independently without much corporate control. As long as these units were meeting their financial objectives there was very little input from the leadership of Bramalea. Rannala described the situation:

> "I would say they [operating units] were autonomous. Their performance would be based on the results down there. They [top management] fed them a fair bit of rope and let them go to it."

The leadership of Bramalea was caught up in the inflationary period that was occurring in the real estate markets. Efforts to implement the previous leadership's financial growth strategies pushed Bramalea into the position they presently find themselves. Rannala speculated on what occurred during these times:

> "I think the various divisional managers were given a mandate to go out there and buy whatever they could. It's not easy to buy a lot of real estate quickly. You've got to work on it, you've got to get a lot of people involved. You just don't have one decision maker looking at each deal. Everybody goes crazy."

As long as they were successful no one could argue with their methods; implementation of strategies was not an issue.

<u>Survival Period</u>

The present strategy of Bramalea is survival. Changes which have been instigated in the executive leadership within Bramalea have contributed to creating an open, collaborative and consultative environment. Implementation of the requirements of the business plan is the top priority for Bramalea at this time. The efforts of top management are focused on this process. It is their responsibility to ensure that conditions set out within the plan are not breached. Monthly meetings between the three senior executives and the leaders of the four operating groups ensure that the top management is informed as to what is going on in the entire company through this process. The survival of Bramalea should be enough of an incentive for other managers to maintain an interest in the strategic planning process. The involvement and the leadership of the top management provides further inspiration.

Leadership is an important aspect in the link between the formation and the implementation of strategy. The proactive role taken by the executive leadership of Bramalea represents a step forward towards reaching the qualities apparent in a strategically managed organization.

			Buccaneer Period		**Survival Period**
			1980 - 1990		1990 - 1993
5.	**Implementation and Action**				
	* leadership	*	little or none	*	strong and focused

5b. Teamwork

The collaboration between operating units is required for the successful implementation of strategy.

Buccaneer Period: 1980 to 1990

The evidence from this time paints a picture of a company filled with opportunistic individuals. The company was structured to support the idea of an individual. There was an absence of teamwork within the company as a whole. There was no need to implement any strategy since there the planning process was project or deal driven. As a result it teamwork did not play any role in the implementation of strategy.

Survival Period

Bramalea is involving many of the senior talent in the process of creating a strategic plan. It is the responsibility of these people to implement any plan at the operational level. It is important for them to have strong convictions and beliefs about what is being proposed. One way of accomplishing this is by involving the managers in the process from the beginning. Through participation and interaction they will feel that they've contributed to the plan thus will feel more comfortable when it comes to implementing it. It then becomes an operational responsibility. Involving members in the process establishes a link between the strategic planning and operational levels. As Williams puts it:

> "The more they feel it is their plan, the better."

In the present situation, the degree of teamwork apparent in the operations of Bramalea is sufficient for them to conform to the definition as per the framework.

			Buccaneer Period		**Survival Period**
			1980 - 1990		1990 - 1993
5.	**Implementation and Action**				
	* leadership	*	little or none	*	strong and focused
	* teamwork	*	little or none	*	strongly emphasized

6. MONITORING AND REVIEW

6a. Differentiated Review System

Monitoring can be seen as a way of motivating performance. It also is an analytical process used to understand the reasons why the plan failed to work. From this perspective it provides the company with the opportunity to learn and eventually decrease its response time when adapting to new situations.

Buccaneer Period: 1980 to 1990

The herd instinct which had affected the entire real estate industry during the decade of the 1980s contributed greatly towards making monitoring and review a secondary or even tertiary concern for most developers. The reliance on inflation to correct any oversights in projects made developers complacent when it came to reviewing project results. The system in place for monitoring and review of the situation was based on financial results. Gwyn Williams, a consultant to Bramalea, described the lack of a review system:

> "I think you have to honestly say there wasn't [a review system] because if there was you would find out that budgets were being blown all over the place. No one was responsible for the money they were spending."

There was no review system; the company missed an opportunity to learn. Motivation was not a factor during this period since inflation almost guaranteed the success of many projects.

Survival Period: 1990 to 1993

The company is presently constrained because of the business plan. They are in a position where they must perform in terms of cash flow requirements and objectives. There is a very clear understanding in everyone's mind as to what their goals are in 1993. They are financial goals at this time because the company is driven by financial needs. One person commented:

"To get through this year or next is really to have blinders on. It's important to the survival."

Meetings are scheduled each month with the senior management and middle management of each of the operating groups. These meetings not only review the targets of the business plan, but they also are used to review the operations. Bramalea's goals and all of its strategies have to be geared towards survival and achieving its plan. A strong review system is important for ensuring that all objectives are being met. Frank Graham, the current CFO had these thoughts:

"The plan is a viable plan, so therefore the challenge is to ensure that the plan is met. That is a question of daily and hourly reinforcement with the operating groups reviewing the goals of their plan and their requirements of the plan."

Although there is a significant review system in place, it can be seen more as a monitoring process to ensure the goals of the plan are met. Bramalea does not have the flexibility nor the luxury of making mistakes in order to learn. Mistakes at this time, can prove to be fatal. The opportunity to learn and thus adapt to situations quicker is something that can only be accomplished after the terms of the business plan have been satisfied.

			Buccaneer Period		**Survival Period**
			1980 - 1990		1990 - 1993
6.	**Monitoring and Review**				
	* differentiated review system	*	no one was accountable for being over budget	*	strict, close monitoring of financial and operating objectives

6b. Motivational Systems and Management Values

Motivational systems encourage employee involvement in the company affairs by establishing incentive payments relative to performance.

<u>Buccaneer Period</u>

During this period there was no process for measuring performance, other than the ability to persuade. People within the company received their bonuses more on a whim than on analysis and performance. According to Williams:

> "There was no accountability, no one knew who was accountable for anything. Money was made and it was divided up according to who was involved in the process."

As well, there existed inconsistencies in salaries and compensation between people who were supposed to be in comparable levels in different parts of the company.

The nature of the motivational systems in place was arbitrary, with no real discipline behind the decision making process.

<u>Survival Period</u>

Marvin Marshall implemented a performance management system that defined clear objectives, and clear incentive programs below the middle management level on an individual basis. Depending on level of the organization, a certain percentage of the person's compensation is based on meeting their objectives. Objectives have been separated into corporate objectives and individual objectives. The objectives are measurable. Marshall describes the process:

"Maybe it's increasing their educational skills, of accomplishing certain goals within a certain time frame. It's clearly spelled out, and they understand in advance that if they meet those objectives then they will earn their bonuses."

Management is also compensated according to the business plan. According to Frank Graham:

"They are very well compensated if they achieve their goals. And that is a key obviously, because it tends to focus people very quickly. They will understand their goals, and there is absolutely no uncertainty in anyone's mind what our 1993 targets are. I' ll guarantee you that through the many layers of management everyone will know succinctly and precisely what their goal is."

There is a precise performance based reward system in place. This ensures that the everyone's attention is focused on the survival in the short term.

			Buccaneer Period		Survival Period
			1980 - 1990		1990 - 1993
6.	**Monitoring and Review**				
	* differentiated review system	*	no one was accountable for being over budget	*	strict, close monitoring of financial and operating objectives
	* motivational systems and management values	*	arbitrary system	*	precise performance based reward system

A complete matrix, (Figure 3.), is presented on the following page. The next chapter presents a summary and analysis of strategy at Bramalea. A number of general conclusion relating to the real estate industry are drawn.

Figure 3: Matrix of Case Study Analysis

			Buccaneer Period 1980 - 1990		Survival Period 1990 - 1993
1.	**Direction and Vision**				
	* clear vision	* *	initial 'vision' overshadowed financial objectives have replaced vision.	* * *	no clear and consistent vision. not critical for short term. vision seen as pragmatic well focused strategies.
	* strategic thinking	*	little evidence.	* *	beginning of process is apparent. potential exists in future.
	* leadership responsibility	* *	dependent on strength of personalities. committed to projects, not strategy or vision.	* *	refocused responsibilities. strong leadership with solid reputation.
2.	**Intelligence and Diagnosis**				
	* internal elements	* *	limited input of managers. only as a means for reviewing external research.	* *	use of internal people for analysis. external resources for data gathering.
	* techniques and analysis tools	* *	force of habit, ritual. necessary process used to justify any actions.	*	taking the proper steps to becoming strategically managed in this respect.
3.	**Relationships and Resources**				
	* Communication	*	fragmented, non-existent.	* *	communication viewed as key factor in future of company. conforms to definition
	* human and financial resource management	* *	ineffective use of resources repressed human resources	*	both yes and no
4.	**Planning**				
	* Flexibility	* *	too much momentum to even worry about flexibility. to late to change	* *	too little, too late creditors impose changes necessary for survival
	* managerial responsibility	*	little if any	* *	Dramatic improvement visible and responsible
	* involvement and education	*	overshadowed by sense of superiority	*	positive outlook
5.	**Implementation and Action**				
	* leadership	*	little or none	*	strong and focused
	* teamwork	*	little or none	*	cannot be overemphasized
6.	**Monitoring and Review**				
	* differentiated review system	*	no one was accountable for being over budget	*	strict, close monitoring of financial and operating objectives
	* motivational systems and management values	*	arbitrary system	*	precise performance based reward system

CHAPTER 4 - CONCLUSIONS

What follows is a summary and analysis of strategy at Bramalea. Subsequently, more generalized conclusions are formulated. They relate to future strategic management in real estate companies and propose that two factors, vision and leadership, are required for successful development and implementation of strategies.

Initially, Bramalea was driven by financial strategies: to use the income generated from the housing and land side as the equity component for income property development, and to meet the financial objectives of the Edper group of public companies, producing required returns between 12% and 20%. This approach to strategy seemed to work in the inflationary environment of the 1980s. The price of Bramalea stock increased five fold to a high of $30 per share. Towards the end of the decade top management was overly optimistic. This resulted in the decision to acquire close to $1 billion worth of land using debt as the major financing instrument.

The growth of the total assets on the balance sheet was all due to debt leverage. The downturn of the economy starting in the late 1989 created problems for Bramalea. The deflationary environment meant they could no longer rely on inflation to cover up their mistakes. Weaknesses in management started to become apparent.

Major changes in the management were instituted in 1990. Marvin Marshall was brought in as the new CEO. Subsequently over a two year period six of the top seven executives were replaced. During the initial stages of 1990s, Bramalea proceeded with the financial strategy that involved a quiet restructuring of their balance sheet. Bramalea was relying on selling assets, issuing more equity and counting on a recovery in the housing market to raise the needed capital to pay down debt on their balance sheet. The length and depth of the recession was misjudged. Eventually they were unable to service all the interest payments on their debt and defaulted on numerous loans.

The matrix of the framework underlines several possible explanations for the reversal of fortunes at Bramalea. The absence of a cohesive group, striving towards similar goals with a shared purpose or commitment was one of the main problems of the Buccaneer period. This can be seen in different areas of the matrix. The ***lack of direction and vision*** from leadership contributed to ***fragmented communication*** within the company. This eventually lead to an environment where individuals personalities became dominant. The strength of certain personalities and the ***relationships*** between people was partly responsible for the ineffective use of ***human and financial resources.*** The development of over optimistic attitudes within Bramalea produced indifference and disregard for any ***monitoring or review*** process, or a process that questioned the decision making ability of the top management. The company had become too caught up in the momentum of the industry to contemplate any response to the changing environment. ***Flexibility*** was not a concern because they believed that the cycle and the money making machine would continue forever. There was no need for ***planning*** and ***implementation*** of strategy. The philosophy was that no one could argue with the methods being used as long as money was being made. In hindsight, convincing arguments could be made against the style of management in place. The matrix (Figure 3) of the case study analysis is presented on the following page. The shaded areas of the matrix represent components of the framework that contributed to the downfall of Bramalea.

Figure 4: Matrix of Case Study Analysis - Buccaneer Period

			Buccaneer Period 1980 - 1990		Survival Period 1990 - 1993
1.	**Direction and Vision**				
	* clear vision	* *	initial 'vision' overshadowed financial objectives have replaced vision.	* * *	no clear and consistent vision. not critical for short term. vision seen as pragmatic well focused strategies.
	* strategic thinking	*	little evidence.	* *	beginning of process is apparent. potential exists in future.
	* leadership responsibility	* *	dependent on strength of personalities. committed to projects, not strategy or vision.	* *	refocused responsibilities. strong leadership with solid reputation.
2.	**Intelligence and Diagnosis**				
	* internal elements	* *	limited input of managers. only as a means for reviewing external research.	* *	use of internal people for analysis. external resources for data gathering.
	* techniques and analysis tools	* *	force of habit, ritual. necessary process used to justify any actions.	*	taking the proper steps to becoming strategically managed in this respect.
3.	**Relationships and Resources**				
	* Communication	*	fragmented, non-existent.	* *	communication viewed as key factor in future of company. conforms to definition
	* human and financial resource management	* *	ineffective use of resources repressed human resources	*	both yes and no
4.	**Planning**				
	* Flexibility	* *	too much momentum to even worry about flexibility. to late to change	* *	too little, too late creditors impose changes necessary for survival
	* managerial responsibility	*	little if any	* *	Dramatic improvement visible and responsible
	* involvement and education	*	overshadowed by sense of superiority	*	positive outlook
5.	**Implementation and Action**				
	* leadership	*	little or none	*	strong and focused
	* teamwork	*	little or none	*	cannot be overemphasized
6.	**Monitoring and Review**				
	* differentiated review system	*	no one was accountable for being over budget	*	strict, close monitoring of financial and operating objectives
	* motivational systems and management values	*	arbitrary system	*	precise performance based reward system

Bramalea presently finds itself in the survival stage. The current strategy is 'financial control'. There is an emphasis on the short term, and on achieving financial targets. A major drawback of the process is that an orientation towards short term results may distract the company from tackling long term issues which are important for the future development of the company.

The main strength of this style is the tight controls which it imposes. The top executives closely ***monitor and review*** the results of the operating units. The precise ***performance based rewards system*** reward those who meet their objectives accordingly. The downside of the style includes: stifling creativity and experimentation, as well as reducing the flexibility to respond to opportunities and situations. The series of consulting sessions arranged for studying future growth opportunities for Bramalea are a means for addressing these problems. A number of positive results come out of these sessions. They permit people to show initiative and allow them to ***think creatively and strategically***. ***Effective communication*** is also an outcome of this process. Two-way communication allows everyone to be aware of what is happening, why it is happening and how it will affect them. This shows a commitment to improving the ***relationships and human resource*** management. Bramalea has used internal "experts" in the consulting sessions, and involved ***internal forces*** in the review and analysis of external environmental research. This demonstrates confidence in the knowledge, skills and capabilities of people in the company. The sense of ***involvement*** in the affairs and the future of the firm and the ***capacity to adapt and change*** are important aspects to consider for the development of managers and employees of Bramalea. Commitment is gained through ***effective leadership*** which provides guiding values and delegated authority. ***Leadership*** is essential in facilitating action. Presently, Bramalea exhibits certain qualities that are reflected in definition of strategic management. Perhaps there is a greater emphasis on some factors than others, as a response to the unique situation Bramalea finds itself in. However, all factors should be addressed together because of the interrelationships that exixt between them. The matrix (Figure 4) of the case study analysis is presented on the following page. The areas highlighted represent areas of strategic management that are not being addressed. Unshaded areas do not represent components that are strategically managed. Instead they demonstrate areas where the process of strategic management has begun, but is in no way complete. It is important to highlight that Bramalea has started to consider many areas of strategic management, but they cannot yet be considered a real estate development company that is being strategically managed.

Figure 5: Matrix of Case Study Analysis - Survival Period

			Buccaneer Period 1980 - 1990		Survival Period 1990 - 1993
1.	**Direction and Vision**				
	* clear vision	* *	initial 'vision' overshadowed financial objectives have replaced vision.	* * *	no clear and consistent vision. not critical for short term. vision seen as pragmatic well focused strategies.
	* strategic thinking	*	little evidence.	* *	beginning of process is apparent. potential exists in future.
	* leadership responsibility	* *	dependent on strength of personalities. committed to projects, not strategy or vision.	* *	refocused responsibilities. strong leadership with solid reputation.
2.	**Intelligence and Diagnosis**				
	* internal elements	* *	limited input of managers. only as a means for reviewing external research.	* *	use of internal people for analysis. external resources for data gathering.
	* techniques and analysis tools	* *	force of habit, ritual. necessary process used to justify any actions.	*	taking the proper steps to becoming strategically managed in this respect.
3.	**Relationships and Resources**				
	* Communication	*	fragmented, non-existent.	* *	communication viewed as key factor in future of company. conforms to definition
	* human and financial resource management	* *	ineffective use of resources repressed human resources	*	both yes and no
4.	**Planning**				
	* Flexibility	* *	too much momentum to even worry about flexibility. to late to change	* *	too little, too late creditors impose changes necessary for survival
	* managerial responsibility	*	little if any	* *	Dramatic improvement visible and responsible
	* involvement and education	*	overshadowed by sense of superiority	*	positive outlook
5.	**Implementation and Action**				
	* leadership	*	little or none	*	strong and focused
	* teamwork	*	little or none	*	cannot be overemphasized
6.	**Monitoring and Review**				
	* differentiated review system	*	no one was accountable for being over budget	*	strict, close monitoring of financial and operating objectives
	* motivational systems and management values	*	arbitrary system	*	precise performance based reward system

Several lessons can be drawn from the case of Bramalea. The inevitable market cycle is an important consideration for long term planning of real estate development companies. ***The first lesson: The strategic management of real estate companies must become proactive.*** Project driven companies cannot anticipate changes in the environment quickly enough. Long term efforts to minimize the impact of market shifts on the organization must be reflected in the business organization and strategies. Real estate companies must develop processes and tools for adapting to changes in the market place. They must have the market intelligence and pay attention to it. Companies must adapt if they are to continue to perform and survive in the long run. Strategic management would permit companies to develop the capacity and flexibility for the future.

The ***second lesson*** relates to the challenges confronting real estate companies undergoing financial and organizational restructuring. ***Real estate companies undergoing financial and organizational restructuring must, if they are to prosper in the future, simultaneously deal with the tension between short term demands and long term strategies and opportunities.*** Bramalea's challenge is to focus on the short term survival while concurrently developing a vision, direction, and strategy for the future.

The question facing real estate companies is: How do they go about enhancing shareholder value? There are two possible answers. In both solutions the initial goal of the real estate companies involves survival. Before addressing the question of shareholder value, they must go through the steps of the restructuring and conforming to their short term needs. Once these requirements have been met, shareholder value can be enhanced either by developing projects and creating deals, or by creating a vision, encouraging strategic thinking and implementing the principles of strategic management. The danger of the first alternative is that the company risks repeating the past. The opportunity for learning and responding proactively may be missed.

However, if a company focuses on and practices the principles of strategic management, it can increase their probability of success. Two factors, vision and leadership are necessary to develop and implement long term strategic management within a real estate company. Leadership is required to generate and refine the vision. Leaders must not only conceive the vision, they must act on it by: deploying human and financial resources in an effective manner, encouraging open communication, building flexibility and managerial capability, contributing to the implementation, and developing appropriate review motivational systems.

Frank Graham the current CFO, believes that real estate companies require strategies and plans like those found in other industries. He elaborates:

> "I think real estate companies are opportunistic, and if you think about it are made up of mostly individuals. The Reichmann's and Campeau were individuals. In Coke, as a consumer, you wouldn't know the name of a single person[in management]. In real estate there are all these key entrepreneurial types who are famous or infamous. That is what characterizes this industry beyond all other industries, and I think that's going to change. Quite frankly I think you've seen the last of the individualists. This industry will finally fall into line with other industries. You will have professional managers, with professional strategic plans as opposed to Campeau waking up in the morning and saying "I wonder what I'm going to do next year." This industry will definitely be different."

The industry will only be different in a positive way if real estate companies can learn to be strategically managed in the next cycle. One of the key principles of strategic management is being proactive. The challenge of the next cycle is to be different, and until real estate companies become strategically managed nothing will have changed, and past mistakes will be repeated.

APPENDIX A

Growth Share Matrix

In the period of the late 1960's, BCG was responsible for developing the growth-share matrix as an alternative way of looking at strategic planning activities. Its fundamental premise was based on the experience curve theory that margins were a function of market share, and that a higher market share produced higher margins. This method emphasized the contribution to growth and profitability of individual firms to a portfolio of businesses. It served as a tool for corporations that had diversified into a number of different businesses. The 2x2 matrix was structured so that each of the two axes represented a specific indicator for each business unit. The horizontal axis corresponded to the market share a business had relative to its major competitor, thus indicating the strength of the firm in the industry. Percentage of growth within the market during the past year was a means of monitoring the attractiveness of the industry for this particular business. This was represented on the vertical axis. The advantages of this approach were the following. First, the matrix presented a powerful visual display of the strength of the various business units that made up the portfolio. Second, it permitted the diversified firm to identify the cash generating capacity and cash requirements each of the business units in its portfolio. This helped balance the firm's cash flow. Third, it allowed the firm to determine strategic direction of each business based on the distinct characteristics of each business unit. A number of criticisms have been directed towards this approach. One is with regards to the validity of whether market share determines profitability and whether industry growth explains growth opportunities. The second criticism is related to the inability of the matrix to identify the competitive strengths and the industry attractiveness of each business unit. (Hax, Majluf, 1984)

Industry Attractiveness-Business Strength Matrix

General Electric (GE) became interested in the BCG's growth share matrix in the early seventies. They considered this to be a practical and valuable tool that could help the firm assign priorities to each business unit and could also help determine rational investment and resource allocation decisions. However, there were certain aspects of the matrix that they objected to. One such example was the reliance of the model on a single variable to characterize both axes of the matrix: total market growth rate for industry attractiveness, and relative market share for business strength . GE felt that in order to properly represent their diversified portfolio, a number of additional factors, such as competitive structure, barriers to entry, industry profitability, had to be determined and subsequently assessed by the matrix. The consultants, McKinsey and Company were engaged by GE "to develop what is now a highly popular and powerful portfolio approach, the industry attractiveness-business strength matrix" (Hax, Majluf, 1984, pp. 77). It presently forms the basis for the corporate planning process known as portfolio planning. Unlike the growth-share matrix, two different factors determine the axes. The horizontal axis represents the overall attractiveness of the industry for a particular business unit. It is determined by elements beyond the control of the firm and referred to as external factors. Examples of such factors includes: market size, market growth rate, cyclical nature, competitive structure, barriers to entry, industry profitability, technology, inflation, regulations, manpower availability, social issues, environmental issues, political issues and legal issues. (Hax, Majluf, 1984)

The relative strength of the firm relative to its competitors within the business industry is characterized by what are referred to as internal factors-forces that are controllable by the firm. Examples are identified as: market share, sales force, marketing, customer service, R&D, manufacturing, distribution, financial resources, image, breadth of product line, quality-reliability, and managerial competence. Once assessed these elements form the vertical axis of the matrix. (Hax, Majluf, 1984)

Businesses are then positioned in one of the squares of the nine cell matrix. The cells along each of the axes are categorized as high, medium, or low. Depending on where each of the businesses are placed, a relative strength for industry attractiveness and business strength is determined. There are four different strategic alternatives that a firm can follow. It can either: invest to grow, engage in selective growth, be very selective, or harvest/divest.

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