

Growing Pains at ABCC Construction Pvt Ltd.: Managing Vendors, Quality, and Organizational Growth in Multan

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Abstract

The teaching case is about Abdullah Bhatti Construction Company (Private) Limited (ABCC), a rapidly expanding construction company based in Multan, Pakistan that has been involved in undertaking residential, commercial and small infrastructure development projects. Although the company has been enjoying the advantage of high demand and growth of business for the last 15 years, it has also experienced severe organizational challenges. The major causes of these challenges include poor management practices towards the vendors, lack of formal quality control systems as well as record-keeping mechanisms. Even when the operations of the organization got complex, the organization still used informal channels of communication, manual documentation, and the use of personal contacts with suppliers. Consequently, ABCC had high rates of material delays, quality flaws, cost increases, rework, stress among employees and customer dissatisfaction. The case brings to the fore the importance of organizational growth without corresponding development of systems, processes and people which may hurt performance. It underlines the applicability of organizational development interventions like process redesign, planned change management, and quality circles in ensuring sustainable development in construction companies that are in the developing economies.

Keywords: Organizational growth, Quality Management, Vendor Management

Subject: Management

Difficulty level: Intermediate

Level: Undergraduate

Introduction / Background

ABCC Construction Company is a family-owned small construction company that has been set up in Multan and is mainly involved in residential housing developments. During the initial years of operation, the company had a modest number of staff members and depended to a larger extent on the direct management of the owner-manager. Decision-making was centralized, documentation was low and most operations were organized by personal contact and building trust relations with the vendors and subcontractors. These informal plans enabled the company to work effectively on a small scale.

The intense urbanization of Multan and growth in government as well as individuals' investment in the city resulted in the fact that construction companies had enormous growth opportunities in the long run. ABCC used these opportunities to venture into commercial buildings, plazas, and limited projects of the government. The amount of labor force, subcontractors, and the project sites that were going on simultaneously rose significantly. Although this has grown, the inner organizational framework and practices within ABCC did not change much. The procurement choices were still made by telephone and using the messaging application, but the documentation of the records was done on the site using the manual registers and were stored separately at every project site.

With the escalation in the complexity of the projects, communication between the head office and the supervisors in the sites was becoming more complex. Delays, incomplete or inconsistency in information on material requirements, quality concerns and project spending were numerous. These loopholes exposed ABCC to operational weaknesses and pointed out the widening gap between the growth of the business and the maturity of the organization.

Key Issue: Lack of Organizational Systems to Support Growth

The issue of the absence of formal organization structures is the core problem that ABCC faces, which may promote its fast growth. On the one hand, the company managed to purchase new projects and increase its market share; however, it did not institutionalize the standardized procedures related to the vendor management, quality control, and documentation. The practices, which worked in modest operations, also started to become dysfunctional in a multi-project environment.

There was a recurring concern about vendor-related problems. There were also frequent delays with the material deliveries and inconsistency of quality because of the absence of specifications and evaluation criteria. Concurrently, without systematic record-keeping, the management could not easily monitor material utilization, check against vendor invoices, and estimate project costs precisely. All these contributed to the project delays, cost overruns, and negative relations with clients.

Moreover, employees, especially long-term workers, showed resistance to any efforts to impose formal systems or digital tools. The resistance also made the management efforts of enhancing the efficiency and control in an organization more complicated.

Challenges and Strategic Errors

Lack of a formal vendor management system was also one of the biggest problems of ABCC. The selection of vendors was mainly done on personal basis and previous relationships and not on objective performance indicators like delivery reliability, quality consistency. This created inefficiency in terms of cost and mistrust as vendors charged different prices on similar materials across different projects.

Another great challenge was quality control. The organization did not have standardized quality standards, inspection checklists and documentation process. Supervisors on the sites used their own judgment and experience which led to the variation of the quality standards in the different projects. The quality defects were mostly discovered when the construction was already done, and the corrective measure was not only expensive but time-consuming.

Lack of record-keeping also increased the problems of operations. The manuals kept manually at project sites were mostly not complete or accurate. Lacking receipts, unregistered materials used, and unequal labor attendance records generated gaps when auditing the projects and reviewing finances. These small breakdowns in documentation became big strategic blinds of the management.

Organizational development is an aspect that ABCC underestimated at the stage of its growth. The management was more interested in acquiring new contracts at the expense of investing in training of the employees, standardization of processes and integrating the systems. This lack of balance led to stress among employees, blame game attitude, and poor communication between levels of the organization.

Outcome and Lessons

Under these challenges, ABCC was able to maintain its operations because the company was technically competent and had a high demand in the local construction market. Nevertheless, the management slowly realized that further growth without restructuring an organization would be a big threat to its long-term sustainability and reputation.

The case shows that the growing organization should be supported with the simultaneous growth of systems, processes and people. The operational control can be enhanced by implementation of process redesign programs like standardized procurement processes and consolidated documentation. To solve employee resistance, it is necessary to implement planned management strategies to develop acceptance of new systems. Besides, participative interventions like quality circles could be used to increase employee participation, quality performance, and a culture of continuous improvement.

All in all, the case of ABCC gives lessons to the construction companies operating in developing economies where the growth usually comes in before the maturity of the system. The case states that to ensure sustainable performance is not limited to technical knowledge but effective organizational development practices.