Guest editorial

Psychosocial and organisational–cultural influences on construction stakeholders' financial performance

Welcome to the *Journal of Financial Management of Property and Construction*, Volume 23, Issue 1. This Special Issue provides a unique set of seven papers addressing issues allied to the subject of psychosocial and organisational–cultural influences, on construction stakeholders' financial performance.

Unlike many other economic sectors, the construction sector frequently has to endure low margins and unpredictable profitability, where – and to some extent resultantly – the rate of business failure is comparatively higher than that for other sectors (Holt, 2013). The transient nature of a construction business portfolio tends to comprise a series of concurrent, overlapping, one-off projects that utilise heterogeneous human capital. Large business cycle fluctuations and weak financial positions of many of those organisations involved often make the final project outcome financially unpredictable, exposing construction stakeholders (predominantly clients, contractors, sub-contractors and others in the supply chain) to risk.

Over recent decades, there has been much debate among commentators regarding the "panacea" for success of construction organisations. Many have focused on the dichotomous relationship between "financial" and "non-financial" measures and their respective contribution (or otherwise!) to organisational success. There is, however, consensus among many of these commentators that financial measures alone are no longer the superlative criteria for measuring, assessing and managing success. Other criteria (being mindful that profit and similar financial metrics are parts of success and in practical terms remain an overriding goal) are therefore taking on new importance and issues such as "How can these non-financial measures represent success?" are challenging strategists confronted with growing organisational complexities and increased global market competition.

To this end, one solution lies among those measures that reflect what organisations should do to achieve positive financial performance, which *inter alia* include psychosocial factors and working conditions driven by a strong organisational–culture and structure. This is so, because dimensions of culture consistently observed to be related to financial performance are strongly psychosocial in nature. These include stakeholder participation/involvement (Rowlinson and Cheung, 2008); empowerment (Nesan and Holt, 1999), adaptability (Ramón and Koller, 2016) and strategic direction/mission (Oyewobi *et al.*, 2015). Additionally, organisational structure should continually adapt to evolving (business) environmental dynamism (Holt, 2015) in striving for superior performance.

Psychosocial and organisational–cultural dimensions can motivate that most precious resource, people, by positively affecting their attitude and making them valuable contributors to efficiency and effectiveness. They enable people to obtain information, use knowledge and respond to situations and problems more effectively – thus improving organisational growth. Much literature has confirmed that organisations with an embedded "people" culture have achieved more improved financial performance and growth, than their counterparts with weaker people cultures. However, some organisations that have implemented the above kinds of dimensions wonder why they have not yet experienced anticipated improved performance and become confused as to *how* these dimensions enable performance improvement. Such organisations need to consider if they have handled those dimensions in a balanced way, and, in appropriate measure(s).

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For instance, an organisation's resource of high "employee capability" without adopting empowerment, suggests that organisation does not entrust capable employees with decision-making that could positively affect their work. In turn, skills of capable employees are not fully utilised. Conversely, too much empowerment among less-capable employees suggests that people in the organisation are encouraged to make decisions that they are not capable of making. Similarly, attributes contributing to "adaptability" and other dimensions like "strategic direction" including change management, customer orientation, learning, goals, objectives and vision need to be applied in appropriate measure (and context) so that a state of equilibrium is maintained. These kinds of psychosocial and organisational–culture are critical in striving to effectively achieve organisational growth and financial performance: but imbalance among them can be counterproductive.

There does not exist an optimal set of organisational-culture and structures applicable to or common, across all forms of organisation. Equally, this is the case for instance, among different geographical regions and especially between developed and developing economies. The implications of this mean handling psychosocial dimensions differently, that is, to suit each individual organisational setting. In all cases however, it is important that organisational structure is aligned to strategy and business environment, for performance improvement to be realised. Structures among "high-involvement organisations", "boundary-less organisations" and "virtual organisations" are extremely lean and flexible and enable them to respond rapidly to change. The social processes of these organisations consider psychosocial dimensions and related attributes as key ingredients in this regard. They tend to use high degrees of empowerment along with other suitable psychosocial dimensions to minimise both organisational stressors and task stressors. If the latter are not prevented, productivity suffers from symptoms of job stress, low job satisfaction, low morale, frustration and anxiety.

Construction organisations function with heterogeneous human capital, so are often likely to be unstable in the absence of a catalyst that binds everyone in the organisation to resolve problems (often among their relationships with others). That catalyst comprises "balanced psychosocial dimensions" of an organisation that additionally supports individuals with high levels of emotional intelligence. Construction organisations must assume these characteristics to improve their financial performance given the sector's transient nature, low profit, competition for work, fluctuating market conditions and sometimes, prolonged negotiations with stakeholders. This means that the social process of construction organisations, as deemed necessary by their culture, methods, models and strategies applied to psychosocial dimensions (within the larger framework of the social process), yield a collective impact on financial performance. More attention to these aspects therefore, will help construction organisations to perform financially, even in difficult times.

The papers in this Special Issue start with an open-access EPSRC-funded research contribution from Grove, Dainty, Thomson and Thorpe. Their study emphasises intra-organisational relational dynamics among highways' infrastructure maintenance and renewal services in the UK. The authors present a unique assessment of contemporary rhetoric of collaboration and integrated working, to reveal an acute need for sustained collaborative effort once collaborative working has been normalised – or extents of integration and seamlessness of service can diminish. The authors' results suggest that normative notions of what defines collaborative working in projects may need reframing, as an "ongoing accomplishment of the actors involved".

Nguyen and Hadikusumo provide paper two. They assess the impact of human resource-related factors – particularly, human resource development (HRD) and human resource competency (HRC) – on engineering, procurement and construction (EPC) project success.

Based on data accrued from survey of 800 participants involved in EPC projects throughout Vietnam, structural equation modelling tests three key hypotheses. Findings show that HRD and HRC have a direct impact on project success. Further, that HRD directly influences HRC and thus additionally affects project success via an indirect route.

Paper three is by Enshassi, Al-Swaity, Abdulaziz and Choudhry who focus on coping behaviours to deal with stress and stressor consequences among construction professionals. From a survey of 320 professionals, they apply relative importance methods and principal component analysis to explore "problem-focused" and "emotion-focused" behaviours. Problem-focused behaviours relate to three underlying factors (constructive review problem-solving, social support and confronted coping mechanism), while emotion-focused coping behaviour rely on accepting responsibility, avoidance and emotional support. Given the increasing pressures evident among many construction professions, many will probably welcome the authors' suggestion, that their findings will help companies pursuing human resource improvements.

Amadi and Higham provide paper four. They concentrate on highway projects to study the "trickle-down effect" of psychosocial constructs and knowledge deficiencies, as barriers to cost performance. It is pleasing to see their multi-methods approach that used case study, longitudinal documentary and archival data for 61 highway projects. The authors provide empirical insight on cost overruns owing to human and organizational environment "trickle-down", as well as workers' knowledge or skill deficiencies.

In paper five, Potter, Egbelakin, Phipps and Balaei blend the themes of emotional intelligence and transformational leadership behaviours relating to construction project managers. The authors find that transformational leadership style is prevalent among those project managers studied and significant positive relationships were found between their emotional intelligence and likelihood of adopting a transformational leadership style. The study suggests that results provide a benchmark against which individuals with high emotional intelligence (and hence are prime for project management leadership), can be identified and trained.

Goulding, Ezcan and Sutrisna address the subject of psychosocial diffusion within paper six. The authors consider many facets, including organizational social factors, employer/employee relationships, psychological functioning and employee well-being. They present a psychosocial diffusion model that emphasises diffusion uptake in terms of capability (responsiveness), capability (Flexibility) and capability (competence). Perhaps worthy of particular note for future research in the subject of this Special Issue, Goulding *et al.*, conclude (inter-alia) that their human subjects of study were "[. . .] aware of the need to embed psychosocial factors into organisational systems and processes [. . .] [but were] unaware of specific mechanisms for doing so".

This Special Issue concludes with a contribution from Oladimeji and Aina. Their paper concentrates on financial performance of locally owned Nigerian construction firms (LOCOFs), while suggesting that lack of such performance and profitability can lead to what they describe as "precarious" (workers') job conditions (characterised by limited social benefits or statutory entitlement, job insecurity, low wages and high risk of occupational injuries and diseases). This in turn gives rise to worker apathy, low productivity and low profitability – and so the circle continues *ad infinitum*. Their resulting call for increased private sector and government funding of infrastructural developmental projects along with "[. . .] better patronage of LOCOFs" will hopefully encourage debate!

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