

# [Key players in the construction industry management essay](https://assignbuster.com/key-players-in-the-construction-industry-management-essay/)

Quantity Surveyor is widely known for their role as one of the key players in the construction industry that provide consultancy and manage financial-related issues for their clients. However to keep up with an accelerating of competitiveness, Quantity Surveyors have diversified their services beyond traditional boundaries concurrent with the escalating demands by clients and the pressures in the industry. The first Quantity Surveying (QS) firm that was established in Malaysia was during 1972 (Bizcovering, 2010) and since then the numbers have grow to 316 firms on 2011 as updated by the Board of Quantity Surveyors Malaysia (BQSM).

Competitive environments are culminating in a high level of uncertainty. This growing uncertainty result a higher customer expectations, the dilution of borders between competitive environments and the move towards global competition (Feurer and Chaharbaghi, 1996). There are many QS firms in the industry and each is competing with one another to sustain in the industry. This is exacerbated with the increment in the number of new companies entering the market on yearly basis (Isik, Dikmen and Birgunol, 2009). QS firms also need to look for project opportunities instead of waiting for project to come to them (Davies, Gilbert and Swartz, 2005). They need to respond to environmental threats and opportunities by adopting alternative strategic choices guided by the decisions to enhance performance (Child, 1972) and to meet the needs of markets and clients expectations.

With the increasing demanding client, QS firms must outperform the other to be the ‘ chosen one’. QS practitioners who wished to survive in the construction industry or enter into the emerging market in the region needed to successfully deploy effective strategies to seize upcoming opportunities (Ogunlana, Promkuntong and Jearkjirm, 1996; Tam, 1999; Teerajatul and Charoenngam, 2006; Warooonkun, T., and Stewart, R. A., 2007). They must realize that their services, regardless of how good these are, simply do not sell automatically as they can no longer wait for clients to come by (Pheng and Ming, 1997) and demand for their services as only the prowess firm may achieve competitive position. Thus, firms must compete in a complex and challenging context that is being transformed by many factors from globalization to the growing use of information technologies (DeNisi, Hitt and Jackson, 2003), empowering innovation, and being able to overcome the challenges.

QS firms can shape their strategies in response to the demands of competitive environments and, in the process, develop capabilities that suit the competitive environment (Chew, Yan and Cheah, 2008). Since there are many ways of competing, adoption of a clear strategy is vital for a firm to accomplish huge success and remain for a long-term in industry. Proper understanding on adopting the right strategy in every QS firm is the essential key to success as it helps the firm to reshape the style of competing, identify their competitor’s strength and drive them to strengthen the competitive stance. The selection of an appropriate strategy is influenced by the strengths and weaknesses of each firm as compared with its competitors. How firms compete and what strategies they choose are important and will help to explain individual firms’ competitive moves and positions and further the understanding of the causes of better and worse performance (Ormanidhi and Stringa, 2008).

Therefore, this chapter will further highlight on the importance that drives this research on the application of competitive strategies in QS firms to be carried out. In this first chapter, the issues and problems, which lead to this study, will be discussed and the aim and objectives that needs to be achieved at the end of the study will also be highlighted. Next the significance of the research will be explained in the attempt to confirm, enrich and further develop the findings of this study. The end of this chapter showed the organization on how the study was carried out.

## Problem Statements

It is hard to predict the turbulence and unpredictable changes in the economy. When Malaysia underwent economy recession, it was felt by QS practitioners, as there were fewer projects in hands due to the decreasing output of Gross Domestic Product (GDP). Given these scenarios, there are large numbers of factors that needs to be taken consideration for firm owners who is about to enter the volatile construction industry or for those who has been operating its firms in the industry. They should be fear of the ups and downs of the economy situation, numbers of new firms that enter the market, number of projects being offered and other factors, which contribute to a higher competition, as it will reduce their chances to stay in the long run and to make profits.

The construction sector is an important part of a national economy as it contributes significantly toward Malaysian GDP. Construction firms in Malaysia had experienced inconsistent growth during the period from 2005 to 2011. As shown in Table 1. 1, the construction sector contributed 9. 10% towards the nation’s total GDP in 2006, and it is expected to continue contributing 13. 8% for year 2007 and 13. 4% for year 2008. However, our GDP is declining to 8. 9% during 2009 till it recovers back by slowly peaking up to 10. 4% on 2010. In 2011, it shows that our economy has slows down as the construction GDP’s is 8. 80%. It was clear that GDP plays a vital role in determining the success or failure of QS firm as it influenced the number and value of projects that will be awarded. When GDP is increasing, numbers of projects that has been awarded is also increased. However, when GDP is declining, this may bring a great impact on the QS firms, as competition is definitely higher due to limited number of projects. The performance of the sub-sector in the first half of 2010 was affected by the delay in launching new projects during the economic downturn in 2009 when developers were more cautious. However, following the economic recovery, coupled with attractive, financing packages and affordable interest rates, housing starts recorded an increase of 3. 2% in the second quarter of 2010 compared with the preceding quarter. In addition, the take-up rate of newly launched residential units improved to 19. 5% (January-June 2009: 12. 3%). It is also undeniable that the environmental forces in the market in which firms operate have a great influence on the firms’ strategic planning decisions (Korkmak and Messner, 2008).

From a more practical business perspective, it is useful to identify the basic strategies for how firms can proactively respond to changing circumstances in order for them to achieve more sustainable growth in challenging international construction (Han, 2010). Studies proved that a three-year period is considered to be long enough to assess the implications of any change and to show its effects on company’s performance (Snow and Hambrick, 1980; Snow and Hrebiniak, 1980). However, based on research by Korkmaz and Messner (2008), changes in the firms over a 5-year period of time were performed to understand the long-term continuity of their positions in international markets. A 5-year period to study the changes of strategy within the firm is more suitable to be used or else any improvements or the application of strategy within the firm would not be seen explicitly.

QS firms must equip themselves with the right competitive strategy to stand out from the crowd. However, there is still lacking of concerns on the importance of adopting competitive strategy among the Malaysian firms’ practitioners. Quantity surveyors believed that they will continue to do well without the need for a proper planning but they have to realize that to be a market driven is to be a client-driven (Pheng and Ming, 1997; Crane, 1993). Implementing the right strategy means it is all about how firm’s management intends to grow the business, how it will build a loyal clientele and outcompete rivals, how its management will be operated and how the firm’s performance can be boosted (Thompson, Strickland and Gamble, 2009). QS firm must identify and understand its firms’ objectives and identify its characteristics and global characteristics of its surrounding environment in order to formulate an appropriate competitive strategy. The right competitive strategy applied will lead to better business performances. Relevant studies in construction industry were carried out on how competitive strategies are developed (Betts and Ofori, 1992; Warszawski, 1996). Over the years, most of the researches regarding competitive strategies mainly focused on the product-based company or service-based firm such as construction firms. Jeninngs and Betts (1996) argued that QS as professional service firms in construction are different from those who followed contractors from its natures of services, the form client-customer relations and thus the style of competition. However, there are only limited numbers of studies within QS field literature regarding the competitive strategies area of study.

The choice of competitive strategy to be adopted in firms depends on its activity areas, its characteristics and strengths and weaknesses. There is a huge debate whether different size of firm may influence the choice of competitive strategy to compete in the market. One of the fundamental that affect the choice of strategy is the size of firm although there is an opinion that this theory is not applicable in many service industries (Helms, Gauthir and Campion, 1992). This is somehow conflicting with other researchers that found firm size actually could influence their competitive alternatives and performance implications for the service industry (Kale and Arditi, 1998; Bishop and Megicks; 2002, Siskina, Juodis and Apanaviciene, 2009). According to Jennings and Betts (1996), differentiation strategy is said to be suitable for large firm while cost leadership and focus strategy are better suited for small size firms. Growth strategy is more appropriate for firms with intention to expand their business, regardless of their size. It shows that every type of firm size will influence different type of competitive strategy.

## Research Aim and Objectives

The overall aim of this research is to investigate the application of competitive strategies in QS firm by studying the strategies used within the QS firms in the duration of 5 years ago (2006-2010) and 2011. The effectiveness of the strategy used will be investigated by evaluating the business performances of the firms. To address this aim, the following objectives are planned:

Objective 1: To identify the competitive strategies applied in QS firm based on 3 different sizes: small, medium and large firms.

Objective 2: To compare the changes in strategy adopted within 5-year period.

Objective 3: To investigate the business performances of QS firm.

## Significance of research

This study help QS firm practitioners to realize the available choice of competitive strategy and to understand how each competitive strategy could be approach to the best interest of the firm. QS practitioners who wished to survive in the construction industry or enter into the emerging market in the region needed to successfully deploy effective strategies to seize upcoming opportunities (Ogunlana et al., 1996; Tam, 1999; Teerajatul and Charoenngam, 2006; Warooonkun, T., and Stewart, R. A., 2007). The result of the study provides valuable information for the QS firm practitioners in Malaysia. This study also highlights how different firm size can apply different type of competitive strategy. Gaining and sustaining competitive advantage is the most important strategic issue to QS firm practitioners business development. Practitioners should be able to decide which competitive strategy that is obtainable to them and select them. Business performance of QS firm is being assessed in order to measure the effectiveness of the strategy. The findings may provide evidence to boost confidence of QS firms practitioners in selecting the right strategy to remain in the industry. In the long run, this research will be constructive for all sizes or types of Quantity Surveying firms to understand their current approach of competitive strategy and their present strategic position, and may help them identify opportunities that can be explored in the immediate future.

## Scope of the Research

Different sizes of firm regardless of their size such as small, medium and large firms have to outperform each other to win over projects to stay endure in the industry. Some researchers stressed that size of a firm attributes to the choice of strategy used on the positioning of the firm in the industry (Dikmen and Birgonul 2003; Papulova and Papulova, 2006; Kale and Arditi, 2003). Small firms would face challenges to contend with larger firms and with the resource disadvantages of their size (Manley, 2008) and as new firms are entering the market this will create a tight competition between them as most of the firm ignored the importance of applying and performing the right strategy on their ad hoc basis.

Despite their different sizes, the ability to think ‘ outside of the box’ among practitioners have become more discerning as it will be a step stone for them to move forward by applying the right strategy to succeed. Competitive strategy has been widely known in management field as it is geared towards large business retail that produces which is unique in the industry (Porter, 1980). However, as more research QS firms have to formulate competitive strategies as their weapons from time to time and being able to identify current competitive strategies available to their practise development in the future. There are four types of generic strategies that can be applied to QS firm such as Cost Leadership, Focus, Differentiation and Growth Strategy. By building an adoption of the ‘ right competitive strategy’ culture, every firm can move a step ahead from their competitors. Although aware on the need of adopting competitive strategy, firm owners need to evaluate the effectiveness of the strategy that they applied in order to know how competitive they are. There is a huge debate whether different sizes of firm may influence the adoption of different types of competitive strategy to compete in the market. There is a huge debate whether different size of firm may influence the choice of competitive strategy to compete in the market. One of the fundamental that affect the choice of strategy is the size of firm although there is an opinion that this theory is not applicable in many service industries (Helms et al., 1992).

## Research Methodology

Methodology can be defined as organized, documented set of procedures and guidelines that includes the frameworks, techniques, methods, patterns and procedures used to accomplish a set of goals and objectives. Qualitative and quantitative approaches are applied in this research, as well as inducted and deductive reasoning. For the fieldwork, qualitative approach will be adopted. The study was conducted mainly through few methods in collecting data. A few stages of work need to be carried out in order to achieve the stated objectives. Implementation of the stages of work is arranged to ensure the research can easily be done and impressive. This approach is to ensure that all relevant information can be collected and precisely analyzed. The process involved in this stage is survey that needs to be carried out to identify area of study, for example the study in the aspect of competitive strategy among Quantity Surveying firms and all the relevant information. Detail discussion with supervisor can assist to find out ideas about the areas of study that needs to be done. Next process is to determine the research topics and objectives. The literature reviews provide useful guidelines and information on competitive strategy adopted by QS firms. Those literature reviews were also used to guide the process of extracting the ideas and relevant issues and to easily prepare the research process. Data needs to be identified are the primary data and secondary data to fulfill the research objectives. This process is the most important process in this research. All the data collected is arranged into a form that can be studied easily. Data collection for this research can be divided to two types: Compilation and review in all various ways which are relevant such as official documents, databases, academic literature, books, journals, paper news, magazines, articles, and on-line sources from internet. Literature review is the key to identify the main focus and scope of this study and contribute information to the findings. Primary data is raw data obtained through first hand research. In this research, primary data will be obtained through survey. QS firms in Kuala Lumpur and Selangor area will be approached for the postal survey to understand their method of competitive study in detail.

## Guide to the thesis

Chapter 1 presents the background of this research, the objectives to be achieved, the scope and significance of the study. Regarding the background, the problems existing in the construction industry of Malaysia.

Chapter 2 presents the literature review on the basic theories of strategic management, including the industrial organization, resource-based view and Porter’s three generic competitive strategies. This comprehensive literature review leads to the formulation of conceptual model of competitive strategy for QS firm. This theoretical framework provides the framework of the research and its implications in the QS firm are also discussed in this chapter.

Chapter 3 introduces the research methodology to be used in this study. Questionnaire survey is the major methodology adopted in the study. This survey enables deep understanding and analysis of the adoption of competitive strategies in QS firm.

Chapter 4 conducts the survey to validate the conceptual model of competitive strategy for construction business. The results help QS firm owners to understand the effectiveness of the strategy they have adopted and the relationship between competitive strategy and firm performance.

Chapter 5 concludes the key findings of the study, and also highlights the limitations of this study. The recommendations for further research based on this study are also addressed.