DECLARATION

I hereby declare that the project is based on my original work except for quotations and citations which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted for any other degree at USM or any other institutions.

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SMALL MEDIUM CONTRACTOR ENTERPRISES (SMCEs) IN MALAYSIA: INVESTIGATING THE IMPACT OF CORE COMPETENCIES AND FINANCIAL SUPPORT ON PROJECT SUCCESS

BY

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ABSTRACT

The purpose of this study is to investigate the relationship of core competencies which is entrepreneurial competence, technical competence, evaluative competence and relational competence and financial support on success of the project among small and medium contractor enterprises (SMCEs) in Malaysia. The method used in this study is survey method which has been held on contractors in Penang, Malaysia. The data managed to collect from 81 small and medium contractor enterprises. The result of this study indicates that technical competence is the most significant variable to firm success among small and medium contractor enterprises in Malaysia. This indicated that in order for contractor in Penang to success, the entrepreneurs must have technical competence and enhance the technical ability continuously. SMCEs contribute a major effect to the economic growth and also provide job opportunities.

ABSTRAK

Tujuan kajian ini dikendalikan adalah untuk mengkaji hubungan di antara kompetensi utama usahawan iaitu kompetensi keusahawan, kompetensi teknikal, kompetensi penilaian dan kompetensi hubungan serta bantuan kewangan ke atas kejayaan projek di untuk kontraktor kecil dan sederhana di Malaysia. Kajian ini menggunakan kaedah tinjauan ke atas kontraktor berdaftar di Negeri Pulau Pinang, Malaysia dan data telah dikumpulkan dari 81 orang kontraktor yang terlibat dalam bidang pembinaan ini. Hasil kajian mendapati kpmpetensi teknikal adalah yang paling berkesan dan berkait rapat dengan kejayaan projek yang dilaksanakan di Malaysia. Ini menunjukkan bahawa kontraktor perlu memiliki keupayaan teknikal dan meningkatkan lagi kemahiran tersebut secara berterusan supaya Berjaya dalam setiap projek yang dilaksanakan. Kontraktor kecil dan sederhana juga memainkan peranan yang penting dalam perkembangan ekonomi Negara dan juga menyediakan peluang pekerjaan kepada penduduk setempat.

CHAPTER 1

INTRODUCTION

1.0 Introduction

Small and medium enterprises (SMEs) are play an important roles to the development and sustainability of Malaysia economy as they create new jobs, increase trade, and consequently Gross Development Product (GDP) of the country (Rose, Kumar, & Yen, 2006). In Malaysian‟s business establishment, SMEs account about 99.2 per cent of total business and represent about 65 per cent of the total employment in the labour market (Bank Negara Malaysia, 2006). The construction industry, which contributes to some extent to the overall SMEs compositions, constitutes an important factor of the Malaysia economy by providing strength and capabilities to a Malaysian‟s economic sectors and also benefiting the development of the social infrastructure as its going better and better. Construction industry is one of the most important industries in Malaysia economy contributing approximately 5.8% percent of gross domestic product (GDP) in 2009. This positive growth is resulted from Economic Stimulation Packages amounting RM37.45 Billion which has been launched by government in order to overcome economic recession and world financial crisis in early 2009. The people have been encourage There are several motivating factors that encourage people to become entrepreneurs. The factors are included family encouragement, education, peers‟ advice and cultural value.

The report published by Bank Negara (2011) has shown a sustainable growth in construction industry (refer Table 1 below). Similarly the contribution of construction sector to the country‟s gross development product (GDP) has demonstrated remarkable improvement (refer to Table 2).

Table 1 : Sustainable Growth in Construction Industry

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Real GDP	0.3	4.1	5.3	7.1	5.2	5.9	6.3	4.6	-1.7	7.2
Manufacturing	-5.8	4.0	8.2	8.8	5.1	7.8	3.1	1.3	-0.3	11.7
Services	5.8	4.1	4.1	6.7	6.5	6.4	9.6	7.3	2.6	6.9
Agriculture	-0.9	3.0	5.5	5.0	2.5	6.4	2.2	3.8	0.4	1.9
Mining	-0.8	3.7	4.8	4.1	-0.8	-0.9	4.2	-0.8	-3.8	0.2
Construction	2.1	2.3	1.9	- 1.9	-1.6	-0.5	5.5	2.1	5.7	5.3

Source: Bank Negara Yearly Report (2011)

Table 2 : Gross Development Product of Construction Industry

Year	Total Projects Value (RM mil)	GDP (%)
2002	48,312.55	2.3
2003	49,559.88	1.9
2004	52,694.36	-1.9
2005	54,277.08	-1.6
2006	60,926.99	-0.5
2007	94,416.83	5.5
2008	85,837.08	2.1
2009	73,413.55	5.8
2010	58,346.28	5.3

Source: CIDB Quarterly Statistical Bulletin

Source: CIBD Quarterly Statistical Bulletin

It is also well noted that the government is extremely committed towards its Vision 2020 in making Malaysia a developed and industrialised nation by year 2020. Malaysia Entrepreneur Development Centre (MEDEC) release their statement mentioned that the improvement of Malay entrepreneurship scenario in Malaysia have improved significantly over time. The reasons behind this achievements because of the political stability situation and good economic growth which have been encouraging factors for more Malays to become entrepreneurs in various sectors. Nowadays, many Malay entrepreneurs involving in unconventional businesses in construction related industry not only in the construction itself but also in specific engineering works such as electrical and mechanical and also telecommunication (Buang & Yusof, 2006). In conclusion, the construction industry is important to Malaysia as it creates and acts as multiplier effect to other industries including financial services, manufacturing and other type of businesses. For the job opportunities, it provides for approximately 800,000 people and the involving of the small and medium contractor enterprises (SMCEs) on the economy for Malaysia can be seen as a tool to improve the income of the people, to grow the economic status and to modified an economic structure.

Based on Contractor Service Centre (PKK) web site, as April 2, 2010, there are 45,277 registered contractors which can be divided into two categories as follows:-

i. 41,919 civil contractor and 76.70% (32,151) with Bumiputra status
ii. 3,358 electrical contractor and 73.70% (2,475) with Bumiputra status.

For the state of Penang there are about 1,222 registered contractors under F class, E class 88 firms and D Class 188 contractors with a total 1,498 registered contractors under small and medium contractor enterprises (Contractor Service Centre Website).

Noting the potential for SMCEs growth in Malaysia, this study aims at identifying ways in which the performance (in terms of project success) can be further galvanised to ensure the sustainability of construction industry. This thesis, therefore, specifically delved into understanding the key competencies that should be equipped by the SMCEs owners/entrepreneurs to achieve the above said objective. An objective of the thesis study is to define entrepreneurial competencies as "underlying characteristics such as generic and specific knowledge, motives, traits, self images, social roles and skills which result in venture birth, survival and/or growth" (Bird, 1995) maybe the key to improve a firm success, even though it will not applies to all situation and to answer the question of why in the similarity situations some entrepreneurs fail while others succeed.

So that, the main aim of this study is to examine the relationship between entrepreneurial competencies, technical competencies, evaluative competencies and relational competencies on SMCEs project success. This is in line with the Theory of Entrepreneurial competencies proposed by Bird"s (1995) theory which had stated that entrepreneurial competencies as a mechanism whereby the likelihood of achieving business success and performance.

1.1 Research Background

Generally, an entrepreneur is a person who willing to take risk by using of a new enterprise, venturing in unpromising profits or having an idea in how to make money from their knowledge and capability and is accountable for the outcome. Therefore, entrepreneurship means to undertake, to attempt, to try in hand, to contract for, or, to adventure (Brinckmann, 2007). Similarly, in construction related company, the owner-contractor has to display criteria of entrepreneurship not only to secure contracts but also complete the project in specific time given by the customers. In construction business, there are others business

involved the process of completing their project such as in financial services, materials, manufacturing and professional services in following process and work stages which the construction sector act as catalyst to other industries. In conjunction with the construction industry, these other businesses related to the industry will provides an job opportunity to the people ranging from top management level to the general labor. It will create an additional income to the resident that willing to grab the opportunities and increase the economic growth to the area. Since the industry offers job creation to the market, it is very crucial to ensure that the SMCEs sustain in the longer term. In doing so, the SMCEs owner-entrepreneur plays a crucial role in mapping the direction and ensuring the performance of their contractor enterprises.

Noting the importance of competencies to entrepreneurs, this study follows the argument set forth by Ahmad et al. (2010) that entrepreneurial competency is the "silver bullet" for a firm success, be it in any sector. According to McGregor and Tweed (2001), the competencies of owner-managers in smaller firms can be equated with firm competencies, therefore allowed researcher to focus on individual entrepreneurs as the unit of analysis. However in larger firm, the firm competencies are dependent of various business units within the firms, so, firm competencies should be measured at firm level. As highlighted earlier, it cannot be denied that SMCEs in Malaysia also depends heavily on the government support. Government has allocated billions of ringgit to support the SMCEs via government funding, training, grants and projects. In conclusion, SMCEs are highly dependence on government support especially monetary and project to sustain their businesses. As such, the present study seeks to examine the relationship between core competencies of SMCEs and project success, as well as to test the moderating impact of financial support on the said relationship

1.2 Problem Statement

The importance of small and medium enterprises (SMEs) in Malaysia is crucial as the government of Malaysia wants to enhance the pace of industrialization in meeting future objective of being a developed country in 2020. However, currently SMEs in Malaysia facing some developmental issues needed to be taken seriously by the government such as low level of technology and innovation, low research and development capability, lack of working capital to over dependence on domestic market (Abdullah, Hamali, Deen, Saban, & Abg Abdurahman, 2009). In Malaysia construction industry was first mentioned in the third Malaysia Plan (1976-1980). Revealed from a study by Jaafar (2004) of 172 small medium construction enterprises throughout Peninsular Malaysia found that the critical issue was debt capital which has significant relationship with their project success. It can be concluded that in construction companies the debt capital is the most crucial capital source and it was aligned with the study of McMahon (2001) who stated that an external finance contributes major effect to the business growth outcomes and better business performance.

With the huge considerable government support and assistance that are available to SMCEs, many small contractors still fail (Star). The failure of SMCEs to continue operates and stay in business could result in an adverse multiplier effect to the country‟s economy given that construction industry creates a lot of employment opportunities. It is a worrying phenomenon because the failure rate of the SMCEs remains high even though billions of ringgit has been allocated to support the SMCEs via government funding, training, grants and projects. It can be concluded that the highly dependence on government support especially monetary and project may be the factor to reduce strength and the competitive of the entrepreneur„s ability to manage their business and project success. Over dependence to government support has reduce the firm‟s competitiveness as they have protected and pampered by the government and they are no longer interested looking for success externally,

contextual factors rather than internal competence variables.

Others researcher may focus on the internal factors especially related to the "people issues" such as skills and abilities of entrepreneurs themselves may improve business success while the external factors such as economic conditions and government policies. In management aspects, there are several factors that contribute to the inappropriate business issues such as the failure to create mission and vision of the organisation clearly, failure to develop effective strategies, ignore to business changes, failure to forecast and plan the business properly, wrong decision making and failure to have a clear understanding of the business in the sector and specific industry.

In sum, the central thesis of this study is that SMCEs successes could presumably be accounted by entrepreneurial competencies given the importance of the owner"s skill, abilities and knowledge to ensure the direction and subsequently success of the organisation.

1.3 Research Questions

The research objective for the study is to attempts to answer the following research questions:-

1. To what extent do the core competencies of SMCEs owner-entrepreneur (i.e., entrepreneurial competencies, technical competencies, evaluative competencies and relational competencies) affect the project success?
2. To what extent does financial support moderates the relationship between the core competencies of SMCEs owner-entrepreneur and the project success?

1.4 Research Objectives

The principal objective of this research is to examine the effect of core competencies on the project success of the small and medium construction enterprises (SMCEs) by also taking

into consideration on the role if financial support as the moderating variable. For the purpose of this study, we have formulated their objectives as follows:-

1. To examine the relationship between the core competencies stated in the study that is entrepreneurial competencies, technical competencies, evaluative competencies and relational competencies and project success of small and medium contractors enterprises (SMCEs) in Malaysia.
2. To examine the moderating effect of financial support on the relationship between the core competencies (i.e., entrepreneurial competencies, technical competencies, evaluative competencies and relational competencies) and project success of small and medium contractors enterprises (SMCEs) in Malaysia

1.5 Significance of the Study

The study of this topic and it findings will be significance to the small medium contractor enterprises (SMCEs) in Malaysia to realise which are the areas of the competencies they are weaken and need to develop. This research will be benefited to the growth of the construction firms, construction industry as well as the future development economic growth of the country. The study suggested the critical success factors contributing to SMCEs success should be competencies of the key players.

Secondly the study objectives to develop a viable multi-dimensional entrepreneurial competencies construct through a systematic process of empirical validation using the data of SMCEs. As of the theoretical perspective the study will add a new knowledge to the entrepreneurship especially the important of entrepreneurial competencies while in practical aspects the findings of the study may be useful to entrepreneurs in SMCEs by highlighting the focus of training.

Finally the findings of this study aimed to fill the gaps between the competencies of the SMCEs and the growth of their businesses. The findings of this study may be useful to the entrepreneurs in SMCEs by highlighting the important of training to improve their effectiveness.

1.6 Limitation of the Study

For the study, the limitation is to the registered that registered in Penang, Malaysia with the Construction Industrial Development Board (CIDB) and Contractor Service Centre (PKK) which is under Ministry of Public Works Malaysia. Only firm registration under grade G01 to G04 for CIDB and class F to D for PKK are considered in this study because of the following reasons:-

1. Grade G01 to G04 considered as small and medium contractor enterprises with the limitation project value below RM3 million per project.
2. Class F, E and D representing about 70% of the total contractor enterprises in Malaysia.
3. This group of contractors need to polish their core competencies in order to survive in construction industries.
4. Only contractor enterprises registered in Penang are taken into consideration for this study.

1.7 Organization of the Chapters

For the purpose of the organization of the chapters, the study is organised as follows:-

1. The Chapter 2 will focused on literature review of the topic to understand the concept of dependent and independent variables with is a based line for the present study. It also helps to develop the theoretical frameworks and hypotheses.

2. The Chapter 3 will illustrate the methodology used in the present study which provides the sample and unit analysis, data collection method, measurements and statistical methods.
3. The Chapter 4 will discussed and examine the study hypotheses.
4. The Chapter 5 will have the discussion and implication of the study as well as the final conclusion.

1.8 Conclusion

In summary, this study focuses on core competencies including entrepreneur, technical, evaluative and relational competencies and their relationship to project success and firm performance in SMCEs. This study also investigates financial support as moderating factor in the project success and business performance. The influences of entrepreneurial, technical, evaluative and relational competencies will provide better understanding of the predictions of SMCEs success.

For the practical implications, this study will assist entrepreneurs to understand what is required to be successful contractors in doing their businesses. Contractors will benefited from the study by improving skills in weaknesses area and at the same time maintain the strongest competencies in order to survive and success in the construction industry.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

Generally the studies of business success in SMEs can be categorised into two major groups. The function of the external factors in determining success such as government policies and stability of economic and political in the country, where as the second emphasises the internal factors of SMEs itself specifically the organisational variable and characteristics of the entrepreneur (Ahmad, Ramayah, Wilson, & Kummerow, 2010). An entrepreneur is a person who willing to take calculated risks by starting a new business venture using their capabilities in entrepreneurial, management, technical and relationship. They study and locate the opportunities and then used their ability to develop those opportunities into profit making business (Naser, Mohammed, & Nuseibeh, 2009).

2.1 Overview of Small and Medium Contractor Enterprises (SMCEs)

The role of small and medium sized contractor enterprises has become increasingly important to the country because of their ability to respond the transition in economies to the systemic shock rapidly their potential to grab the opportunities and generate jobs and income at the time when the large firm sector was undergoing a rapid decline (Hashi & Krasniqi, 2010). Construction industry plays a significance function in development of social development. They plays a pivotal rule in contribution of the industry stands such as in the industrial, domestic, commercial and public sectors which is determines the size of construction industry. In order to complete their task on the project they have generated catalyst to other

businesses to gwoth such as in financial, profesionnalism services, suplliers and other related to the construction industry. Normally, it provides housing scheme, infrastructure and utilities to the customers especially in government sectors . However, the demand in the construction industries become more and more complexes with the growing of new technology, needs of the customers and more complex in social order. So that, the player in the construction industry must be innovative and fast moving in order to adapt and find solutions to social needs (Ndlovu & Wellington).

For the Malaysian context, the construction industry is generally separated into two main categories. The first category is general construction, which is comprises of residential construction, non residential construction and civil engineering construction. The second category is special trade works, which comprises of activities in specialised work such as metal works, electrical works, plumbing, sewerage and sanitary work, refrigeration and air-conditioning work, painting work, carpentry, tiling and flooring work, and glass work (Ibrahim, Roy, Ahmed, & Imtiaz, 2010). For the past two decades in particular, growth of SMCEs have received considerable attention from researcher and policy maker around the world because SMCEs play increasingly important role in a country‟s economy and have been considered the engine of the economic growth by virtue of their sheer number and significant economic (Asian Development Bank, 2002; and BNM 2007).

In Malaysia, the last decade the construction industry has produced many Malaysian players play in international construction industry with international standards in terms of capabilities, experience and expertise. The successfully completed project in Malaysia and internationally by these players includes infrastructure and buildings, ports, airports, water supplies, power plants, telecommunication and mass rapid transport systems. The construction industry plays a pivotal element for Malaysian economy of about 2.5% of gross

domestic product (GDP) in 2007. The construction industry plays and acts as an important role to increase the national wealth to become developed country in 2020 and has significant effects to the economy growth. At the same time, it is also enable other industry to grow simultaneously by the construction industry such as services, financial services, professional services and others. Recently the performance of Malaysian construction industry need to work toward strengthening it foundation to face the future challenge as it is has been labelled as “dawn industry” due to stiffed completion and no more mega project in Malaysia.

The role of the Construction Industry Development Board (CIDB) and Building Industry President Council (BIPC) jointly organised the Presidents and Chief Executive Officers (CEOs) to improve the Malaysian construction industry in the future by involving major construction and property development companies together with professional institutes and building industry associations. They identified and recommended 10th working group (WGs) includes:-

- Technology, Knowledge and Research and Development (R&D)
- Local and Foreign Projects
- Human Resources
- Productivity and Quality
- Industrialised Building Systems (IBS)
- Building Materials
- Payment
- Finance

Each Working Group has its own identifications and terms relating to their specified areas and proposed recommendations plan to overcome the future challenges. The proposal of 10th WGs by CIDB and BIPC produced first draft of the Malaysian Master Plan 2005-2015. A 10-year Master Plan for the construction industry that spans from 2006 – 2015 was enhanced by CIDB while the CIMP outlines the 10-year strategic road map for the Malaysian construction industry to develop into a world class, innovative and knowledgeable global solution provider.

2.2 The Role of Malaysian Construction Industry

The role of Malaysian construction industry plays a very important role in generating wealth and improving quality of life for Malaysian through the translation of government‟s socio-economic polices into social and economic infrastructure and buildings especially to small and medium contractor enterprises (SMCEs). The construction industry provides job opportunity and plays as catalyst effects to the other industries such as suppliers, manufacturing, financial services and professional services. The demand for construction labour usage varies as the project progresses from structural work (including basement construction), architectural and finishing work and mechanical and electrical (M&E) work (Kadir, Lee, Jaafar, Sapuan, & Ali, 2006). Furthermore, the different skills required to accomplish the project by using the proportion foreign to local workers which is differ considerably through these stages. Normally, the foreign workers such as from Indonesia, Myanmar or Bangladesh focused on the structural and architectural works which is not many Malaysian interested in due labor intensive and required energy. However, Malaysian workers more interested in the finishing work and mechanical and electrical work which required skills and knowledge.

Comparing to the others sectors in Malaysia, the construction industry‟s output is relatively small which contribute account 1.8 percent in the first quarter 2006 and 2.9 per cent in 2004 to GDP (Malaysian Economic Report 1999 – 2004). Over the past five years, the construction industry has endured lacklustre performance and the gross development product (GDP) grew at average rate of 5.46% from 2000 to 2007. The construction industry recording an average growth of 0.7% over the same period and the output hovered around the RM7 billion marks. It steadily shrank its share in GDP from 3.3% in 2000 to only in 2.5% in 2007. This sector is the smallest contribution sector to the economy of Malaysia by contributing an average of 3% to the total GDP (CIDB, 2011).

However, the multipliers effects generated by the construction activities cannot be undermined because this industry contributes to the growth other industries as it plays it roles as a user to manufacturing goods such as building and construction material, steel and iron, specialised tools and heavy machine and financial services. The construction industry provides growth for other industries through its role as a fundamental building block of the nation‟s socio-economic development. All the essential elements of a healthy, functioning economy, need to be built and maintained by the construction industry such as education institutions, government, transportation infrastructure, housing and commercial property.

As Malaysian government vision to be a developed country in 2020, the construction industry will playing a pivotal role due to the function that it plays as a major indicator and determinant of domestic performance in the economy. Furthermore, Malaysian government also forecast to be a high technology industrialisation, so that, the construction industry provides the economic and social infrastructure for industrial production and reproduction. The government also realised the importance of building up the construction sector to benefit other sectors along the way.

2.3 The Function of Malaysian Construction Industry

Howenstine (1996) in Wong (1999) stated that the function of construction industry in the economic as, "*construction provides the sinews that an economy requires to create new jobs for its growing labour force, to maintain and strengthen its positioning the international market and to meet the growing domestic market demands for better living conditions*". One gauge of nation economic standing is by looking at how its construction industry performs (Sharma & Gadenne, 2002). So that, the construction industry plays a strong polar role in national development process as it is in the forefront of building the necessary physical infrastructures to stimulate growth such as public works, bridges and highways and real estate constructions.

This type of industry contributes to the economic development in Malaysia and that is a responsible for the creation of infrastructures in the development phases. The construction industry is responsible for setting up all necessary resources required and delivering the desired facility or structure. Its responsibilities also included coordination and supervision of the entire construction process. This construction sector as well as it has sub-sectors that are vital entities in effective responding to the needs of the project owner. They are materials, equipments, human resources and finance. Each of these sub-sectors plays a critical role for any construction industry.

2.4 The Construction Industry's Characteristics

Construction industries are have their own characteristics and different from other industries due to its unique characteristic of this industry (Fryer, 1990, Low & Yeo, 1998). It characteristics also differ from one location to the others, however the general characteristics of the construction industry are as follows:-

1. Product physical form
2. **T**he structure of the industry and the organisation of the construction process
3. Requirement factors
4. Method of pricing

The product produced by this industry is heavy, expensive and big also requires a big geographical area. Every unit of the product is built for different individuals for different purposes. Most of the components of products of construction industry are manufactured by other industries.

Contractor is the one who is responsible to materialise the design into the final product, i.e. a project. In Malaysian construction industry, contractors are divided into categories and classes according to their specialities, and they are:-

1. Building contractors
2. Civil engineering contractors
3. Mechanical and electrical engineering contractors

All contractors in Malaysia are required to register with the Construction Industry Development Board (CIDB) and Contractor Service Centre (PKK) which is fall under Ministry of Public Work and be classified according to job specification and the maximum value of project can be taken.

2.5 The Aim of Malaysian Construction Industry in Economic and its Performance

Turin (1969) measures the place of construction industry in economic using two combinations; these are the contribution to the Gross Domestic Product (GDP) and the contribution made by the construction industry towards fixed capital formation. The construction industry is considered as an industry that provides constructions services to other industries. Construction activities provide support especially to the housing and development

sector, utilities and others related construction.

The construction industry contributes 3.3% to 5.4% to the Malaysian gross domestic product (GDP) for the last 20 years (1980 – 2002), and these contributions seem stable and consistent over the years. Table 2.1 demonstrates on the contribution of construction industry to the Malaysian GDP and performance of the industry in terms of domestic growth.

Table 2.1: Contribution of Construction Industry to GDP and Its Growth

Year	**'80**	**'81**	**'82**	**'83**	**'84**	**'85**	**'86**	**'87**	**'88**
GDP (%)	4.6	5.0	5.0	5.4	5.2	4.8	4.0	3.5	3.1
Growth (%)	17	15	10	10	4	9	-14	-12	3
Year	„89	„90	„91	„92	„93	„94	„95	„96	„97
GDP (%)	3.3	3.5	3.8	3.8	3.8	4.0	4.4	4.7	4.8
Growth (%)	12	19	15	12	11	15	21	16	11

Year	**'98**	**'99**	**'00**	**'01**	**'02**
GDP (%)	4.0	3.6	3.3	3.4	3.3
Growth (%)	-24	-4	1	2	2

Source: Bank Negara Malaysia (1980 – 2002) in CIDB Report 2002

From the above table, the Malaysian construction industry had experience two phases of economic convulsion in 1986 and 1998 respectively. However it is clear that the construction industry had the potential to grow despite that it had been affected by the world economic downswing.

2.6 The Scenario of the Malaysian Contractors

The contractors translate the projects from drawings stage to reality. There are various types of contractors usually involved in the construction projects, namely:-

1. Main contractors – contractor who specialises either in building or civil engineering work or mechanical and electrical contractors that enter into contract to execute and complete a construction contract with clients.
2. Specialist contractors or nominated sub-contractors (NSC) – specialist contractors nominated by the clients or consultants to execute certain sub-contract works. Normally telecommunication, electrical and mechanical also falls in this category.
3. Labour sub-contractors – execute a minor nature of certain trades in the construction projects. Sub contractors are hired by main contractor to work under their supervision and pay roll.

All contractors in Malaysia are required to register their companies with two government agencies under Ministry of Public Work which is responsible to monitor contractor that is:-

1. Contractor Service Centre (PKK)
2. Construction Industry Development Board of Malaysia (CIDB)

The registration of contractors under CIDB is classified into seven grades. For the small and medium contractor enterprises (SMCEs) are categorised under the grade of G1 to G4 with the maximum value of the per project basis not exceeding RM4 million. Whist the grade G5 and above are considered as big contractor which have resources and capability to undertake to bid big project from the client nationally or internationally. Table 2.2 shows the grade classification of contractors and the maximum value of project can be undertaken.

Table 2.2: Classification of Contractors under CIDB

Grade	Value of Projects (RM)
G01	Not exceeding 0.2 million
G02	Not exceeding 0.5 million
G03	Not exceeding 1 million
G04	Not exceeding 3 million
G05	Not exceeding 5 million
G06	Not exceeding 10 million
G07	No limit

Source: CIDB

On the other hand the registration of contractors under PKK is classified into six classes. PKK monitor the registration and produced certificate of work under Bumiputra status and Non-Bumiputra. For the small and medium contractor enterprises (SMCEs) are categorised under the class F to class D with the maximum value of the per project basis not exceeding RM3 million and class F is only for Bumiputra. Table 2.3 shows the class classification of contractors and the maximum value of project can be undertaken.

Table 2.3: Classification of Contractors under CIDB

Class	Value of Projects (RM)
F	Up to RM200,00.00
E	Ranging from RM200,001.00 to RM500,000.00
D	Ranging from RM500,001.00 to

	RM2,000,000.00
C	Ranging from RM2,000,001.00 to RM5,000,000.00
B	Ranging from RM5,000,001.00 to RM10,000,000.00
A	More than RM10 million

Source : Contractor Service Centre

The current situation in construction industry is the contractors need for better, cheaper and safer solution in doing their businesses. Client today are more demanding compared to few year back with demand the better price, fast and not to mention satisfactory result of the project. In order to fulfilled the demanding situation by the customers the contractors need to be more knowledgeable, technology advancement adaptable to the changes.

2.7 Underpinning Theories

Blanchflower and Oswald (1994) stated that financial reason is the one of the main reasons can stop a person from involving in entrepreneurship. Humpreys and McClung (1981) explained that the main reasons of business failure are the entrepreneurs have lack of financial knowledge as in previous experience and also lack of self confident to present business plans (Mansor). The small and medium contractor enterprises do not have ability to plan their financial activities because they do not have the experience to do monitoring of their financial and manage the financial issues. This might due to the poor planning of the business plan of their business and poor budgeting.

To be an entrepreneurial, the person must involve in the process of policies, structures and frameworks which may facilitate or inhibit entrepreneurship. For example the contextual

setting will differ in terms of previous economic development, regional policies and local mechanisms. Whilst, the individual contextual factors includes family history and tradition of entrepreneurship, cultural influences relating to family and friends, family commitment and opportunities and educational opportunities (Brindley, 2005).

To become a successful entrepreneur, contractors need to look every single opportunity around them and have the ability to access all opportunities and implement them for the success of their business. Contractors also need to possess high skills and intensive knowledge to gather and process information at the stage of searching for investment opportunities and the stage of executing the chosen opportunity.

2.8 Resource-Based View Theory

Resource-based view theory stated that the competitive advantages are generated by the firm itself from its unique set of resources (Runyan, Huddleston, & Swinney, 2007). The resource-based view of the firm is recognised as the most influential framework in order to understand the strategic management of an organisation (Barnet et al., 2001; Peng, 2001). The theory is used to describe and operation construct of constructs of competitive advantage that the business has in order to compete with others. Sustained competitive advantages are the firm‟s resources and also the capabilities of the people including management skills, organizational process and skills, information and knowledge (Barney, 1991). In order to maintain the sustainable competitive advantages, a resource must be valuable (worth something), rare (unique), imperfectly mobile (cannot easily sold or traded) and non substitutable (Runyan, Huddleston, & Swinney, 2007).

In this theory also mentioned that financial resources are not considered as one of the factors that provide sustainable competitive advantage since such resources are rare, imitable or trade able. However financial resources which were invested during the development

period can be considered as a source sustainable competitive advantage. Since more financial resources during the period is likely to accumulate a larger stock of strategic assets (Dierickx and Cool, 1989, cited in Lee, Lee & Pennings, 2001).

2.9 Institutional Theory

Institutional theory examines the role and legitimacy of organizations within a given environment (DiMaggio and Powell, 1983). Institutional theory defines legitimacy as the result of evaluations by social actors, who compare an organization‟s practices to institutional norms (Suchman, 1995). When the social values implied by the retailer‟s activities meet the social norms (i.e. act institutionally), the organization is considered to be legitimate by members of society (Scott, 1987). There has been an increasing call for research that makes use of institutional theory to enhance understanding of CSR (Campbell, 2007; Husted and Allen, 2006; Maignan and Ralston, 2002; Rodriguez et al., 2006). As such, the institutional theory explains that organizations can be influenced by their external environment, particularly in this study, the government. Performance of SME ventures is proposed to be influenced by internal (individual) factor and with the availability and use of external support mechanism

2.10 Competency (ies)

The competition among the company in world today are on their core competencies, so they need to be more focused on their strongest core competencies and at the same time try to unbundling their business operations that do not contribute these core competencies (Urban & Naidoo, 2012). In order to success in this stiff competition, the company need to use the competence approach of entrepreneurship by investigating competencies as antecedents of venture success. Referring to Wikipedia dictionary the Latin term for “competentia” is as the

same as of coincidence, legitimacy, appropriateness or adequacy and conveying a notion of fit. In conclusion for the competence term is the degree of fit between ability requirements of a certain task and the corresponding abilities possessed.

Rowley, 2009 also mention about the concept of competence that has many faces and applications, and models of entrepreneurial competencies are grounded in these various approaches to and notions of concept of competences. However, Boyatzis (1982) has different idea of competencies which regarded as a certain abilities or characteristics of the person that enable him to demonstrate actions. Brinckmann, 2007 in the entrepreneurship field and also stated in Man et al. (2002) has understand the meaning and concepts of competencies as a highest level characteristics representing the ability of the entrepreneur to perform a job role successfully. Brinckmann, 2007 also stated about the major variables influence the competence level such as experience, training, education, family background and other demographic factors. Finally, according to Pickett (1998) has referring the competencies as the overall sum we gained and acquired during our lifetime from the experiences and knowledge, skills, values and attitudes which we already practiced in our daily activities. And of course, it comes from different form of experiences either in academic experiences that we learn from school or college or practical experiences where we gathered along our life which have a common distinction refers to the environment that they were obtained in.

2.10.1 Entrepreneurial Competencies

Firstly, from the core competence studied is an entrepreneurial competency which is regarded as a specific group of competencies relevant and compulsory needed in order to be a successful entrepreneurship (Rowley, 2009). Entrepreneurial competencies are general competence by the nature experience based and not closely tied to specific projects.