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To cite this article: Mastura Jaafar, Azlan Raofuddin Nuruddin & Syed Putra Syed Abu Bakar (2015): Managerial capabilities of housing developers: building the competitive advantage of a firm, International Journal of Construction Management, DOI: 10.1080/15623599.2015.1117708

To link to this article: http://dx.doi.org/10.1080/15623599.2015.1117708

Published online: 21 Dec 2015.
Managerial capabilities of housing developers: building the competitive advantage of a firm

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This paper investigates the internal factors, specifically the managerial capabilities, of Malaysian housing developers. Issues of strategic management in housing development have received limited attention from real estate industry commentators. In this qualitative study, 10 semi-structured snowball interviews were performed for the purposes of data collection. Categories of housing developer capabilities include business planning and strategy, marketing, project management, financial management, and networking. These interviews shed light on the capabilities of real estate practitioners. Given the small number of interviewees, the results of this study must be treated with caution, but should provide ample basis for future in-depth studies in this area. This study expands upon the current real estate literature, arguing that the intangible resources of a firm must be used in concert to sustain superior performance, and elucidates the effects of housing developers’ managerial capabilities on the success of their business.

Keywords: managerial capabilities; housing developer; competitive advantage; qualitative approach; semi-structured interview

Introduction

A housing developer is an entrepreneur who initiates housing development projects (Abdul-Aziz et al. 2007). The Housing Development Act (Control and Licensing) 1966 Act 118 (Amendment 2007) governs the Malaysian housing industry. Housing developers are located at the top of the supply chain and provide jobs to other professions, such as consultants, material suppliers, and building contractors. Housing developers are responsible for significant changes to the physical, economic, and social environment of a community. Nonetheless, such developments occur within a regulatory framework defined by a system comprising of the public, the developer, and the planning authority.

Previous studies have investigated the growth of construction companies (Edum-Fotwe & McCaffer 2000; Gao & Low 2013), but the expansion of housing companies has received limited attention. Despite this, housing development activities are of paramount importance to the real estate industry and comprise the largest segment of the property market (Gibb & Hoesli 2003; Abu-Jarad et al. 2010). The activity of private housing developers in Malaysia is similar to that in the United Kingdom (Soetanto & Pan 2009), Australia (Costello & Preller 2010), Hong Kong (Hui et al. 2006), and New Zealand (McDonagh 2010), wherein private developers shoulder the burdens of development, including design, construction, and financing. Moreover, the developer is expected to provide the internal infrastructure, social and public amenities for residents, and houses for various income groups (Gibb & Hoesli 2003; Yusof et al. 2012).

Abdul-Aziz et al. (2007) argue that the Malaysian housing development industry has undergone significant changes since the independence of the country in 1957. Since the early 1970s, the government of Malaysia has relied on the private sector to provide housing for a diversity of income groups (Abdul-Aziz et al. 2006; Jaafar et al. 2010). Abu-Jarad et al. (2010) observe private housing developers as the largest providers of medium- and high-cost housing in Malaysia. For example, as reported in the Ninth Malaysia Plan, 77.6% of houses built between 2001 and 2005 were provided by the private sector (Economic Planning Unit 2006). The increased demand for housing has encouraged several companies to venture into the Malaysian housing development industry, intensifying competition in the market (Abdul-Aziz et al. 2006).

According to the resource-based view (RBV) theory, a firm is a fully integrated bundle of resources (Wernerfelt 1984). Possessing valuable resources enables firms to exploit opportunities and to neutralize threats in the market (Barney 1991). Nonetheless, the RBV theory is not without its limitations, many of which are addressed by dynamic capabilities theory (Teece et al. 1997), which itself has evolved out of RBV theory. Consistent with dynamic capabilities theory, managerial capability is an intrinsically intangible information-based firm-specific process, the result of a range of complex interactions between the various resources of a firm (Amit & Schoemaker 1993; Galbreath 2005). These processes comprise the firm’s intermediate goods, generated by the firm to improve the productivity of its resources and to provide strategic flexibility and protection for its final products or services (Amit & Schoemaker 1993). Therefore, managerial capabilities are difficult to duplicate because of their high levels of causal ambiguity (Galbreath 2005).

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Building a career as a housing developer is not as easy as careers in other sectors. The housing development business requires a significant investment of finance and time without a guaranteed return (Buttimer et al. 2008; Jaafar et al. 2010). These investments are subject to market value, prone to fluctuate in line with changing economic conditions, customer preferences, competition levels, and the availability of financial resources (Ball 1999; Buttimer et al. 2008).

A plethora of real estate studies exist, the majority focus on either the housing process (Costello & Preller 2010) or housing market (Gibb & Hoesli 2003). While previous studies have examined the housing industry and the performance of housing development companies (Abu-Jarad et al. 2010; Jaafar et al. 2010), specific aspects of managerial capabilities contributing to the success of private housing developers remains under-investigated. The present study addresses this paucity by filling the research gap.

The underpinning theories

Resource acquisition techniques are similar in terms of utilizing organizational resources effectively. These resources can be broadly categorized into physical (e.g. production techniques that are protected by patents or trade secrets) and intangible resources (e.g. brand equity or operating routines) (Bontis 2001). According to Wernerfelt (1984), the RBV of a firm focuses on internal, firm-specific factors and its effect on company performance, whereas pragmatic implementation (aided by management and organizational process, skills, information, and knowledge) maintains the competitive advantage of a firm.

In the early 2000s, dynamic capabilities supported RBV by transforming the theory’s static viewpoint into a dynamic concept of ideas (Barney 2001). Capabilities refer to intangible bundles of skills and accumulated capacities exercised through organizational routines to coordinate the deployment of resources (Amit & Schoemaker 1993). This allows the firm to achieve superior performance, sustain its competitive advantage over competitors (Barney 1991), and attain long-term success (Galbreath 2005). Dynamic capabilities refer to ‘the capacity to renew competencies so as to achieve congruence with the changing business environment’ by ‘adapting, integrating and reconfiguring internal and external organizational skills, resources and functional competencies’ (Teece et al. 1997, p. 515). These capabilities integrate and reconfigure resources, as well as allowing the firm to acquire and release resources by harnessing new technologies and markets (Eisenhardt & Martin 2000). Capabilities emphasize the processes by which the management of the firm creates mechanisms and processes that generate a fit between a changing, turbulent external environment and the firm’s market-product portfolio (Grant 1996; Eisenhardt & Martin 2000). Dynamic capabilities, moreover, highlight the manipulation of potential knowledge resources (Grant 1996; Teece et al. 1997).

Managerial capabilities and competitive advantage

Housing development generally involves large-scale production. Nonetheless, a housing project, whether small or large, requires several years to be completed. The housing development process involves the surveying of the land, securing approval for the development, managing the design, construction, and completing the project, as well as marketing, promotion, and eventual sale of the completed units. Different parties are implicated throughout the various development phases and managing these relationship requires intangible skills if the project is to be successful. Strategic management studies from different sectors identify several aspects of managerial capabilities, described below.

Planning and business strategy

Planning is the central function of management, involving the acquisition of skills and performing tasks necessary for business operations (DuBrin 2009). Strategic planning involves the identification of the organization’s mission, long-term objectives, opportunities, and threats, as well as devising and implementing alternative strategies to achieve the company’s objectives (David 1999). Previous studies suggest a positive relationship between strategic planning and the success of an organization (Kara et al. 2005; Korgaonkar & O’Leary 2006).

Porter (1996) defines strategy as the process of creating a unique position for a firm, necessary for preventing other firms from duplicating its resources and benefits (Barney 1991). Strategy focuses on the efforts that help firms outperform their competitors (Gibcus & Kemp 2003) by transforming opportunities into profitable outcomes (Stokes 2006). Abu-Bakar et al. (2010) identify business strategy implementation as the most important determinant of an organization’s competitiveness and profitability.
**Marketing policies**

Marketing is a key element in the success of a business and is positively related to business performance (Julien & Ramangalahy 2003). Marketing strategies are developed to identify customer needs and help organizations respond to those needs (Swiercz & Lydon 2002). Tustin (2003) describes several marketing activities, including market research and analysis, understanding the needs of the market, devising a marketing strategy and plan, identifying the essence and target of a marketing strategy, and developing strategies to outperform competitors. Creating a brand is one important marketing strategy. A brand is an intangible asset that can be represented by a name, term, or symbol that differentiates a product from other products in the market (de Chernatony & McDonald 2003). Nonetheless, Davison et al. (2006) claim that a successful brand should afford a company a sustainable competitive advantage. Jalali et al. (2014) argue that organizations influence their customers and generate profit by utilizing branding. Abdul-Aziz et al. (2006) and Wai et al. (2012) emphasize the importance of branding in shaping the success and competitive advantage of housing developers in Malaysia. In housing development, favourable project qualities create a favourable brand for a company because branding is normally associated with the quality of a project.

**Project management**

Project management capabilities are the result of combining knowledge acquired through training programmes with the skills developed through experience. Project management also involves the application of acquired knowledge (Edum-Fotwe & McCaffer 2000) for professional assessment, development, and certification (Crawford 2005). The success of project management is gauged according to three criteria: completing a project within budget, within the specified time, and within the scope of specifications (Abu-Bakar et al. 2010; Wai et al. 2012).

Green (1988) argues that during volatile economic situations the quality of a property is of paramount importance to a company. Maintaining excellence in quality demands that project managers and contractors devise an exhaustive list of criteria highlighting the importance of time, budgeting, and project specifications. Strict observance of these criteria are crucial, not only during economic malaise, but at all times. Aside from quality issues, innovation is also widely recognized as a key factor in the success of housing developers, especially in terms of improving organizational performance (Yusof et al. 2012).

**Financial management**

Financial management abilities allow firms to monitor and control their resources to maintain their financial performance (Ayotte 2007). Financial management involves various fiscal practices, such as accounting principles, budgeting, costing, financial reporting, credit and cashflow management, and inventory control (Perks & Struwig 2005; Botha 2006). Effective financial management is essential to the success and survival of a business (Abdullah et al. 2009; Agyei-Mensah 2011), with comparatively good financial management driving business performance toward value creation, and bad financial supervision leading the firm toward destruction. Consequently, it is important periodically to monitor the ability of the owner-manager and their designated staff to handle the financial management of the company in order to improve performance.

**Networking**

Interaction with customers is critical in business operations (Medlin 2004). The networking process ensures the success and competitive advantage of an organization (Powers & Reagan 2007; Gil-Saura et al. 2009). With regard to entrepreneurial growth, Johannisson (2000) asserts that networking focuses on creating and maintaining long-term relationships within a locality or community. Social networks are rich sources of information (Burt 1998) that are crucial to the entrepreneurial process and help entrepreneurs achieve their goals, such as business survival and development, growth, profit making, or outperforming competitors (Li 2008). Several academics provide general support for the significant role of social networks in business survival (e.g. Huggins 2000), growth (e.g. Johannisson 2000), and success (e.g. Ayadurai & Ahmad 2006; Abdullah et al. 2009). The housing development process requires developers to work with a number of government agencies in obtaining land and building plan approvals, developer licences, and Certificates of Fitness for building completion (Jaafar & Wan-Daud 2014). The land and building plan approval process can take several years before development approval is granted. Maintaining a good working relationship with local authorities can certainly facilitate this approval process.
Research methodology

Methodology and profile of participants

In this qualitative study, we relied on the use of semi-structured interviews for data collection. We adopt this approach in order to identify the intangible capacities important to the success of Malaysian housing developers. Morse and Richards (2002) argue that the qualitative method facilitates direct learning from participants regarding their experiences and interpretations of the subject matter. Moreover, according to Snell and Lau (1994), ‘the practical advantage of qualitative research is that it can avoid the dangers of imposing inappropriate “solutions” borrowed from larger organizations in the West’ (p. 4).

We conducted face-to-face semi-structured interviews with housing developers, considered successful, in Peninsular Malaysia to analyse the factors contributing to their business success with a focus on managerial capabilities. Among the main interview questions were:

- Does your company utilize any marketing strategies? Please share any specific strategies that have been implemented.
- How do you manage your company finances? What specific rules do you apply?
- How does management and planning contribute toward your business success?

Table 1 outlines the profiles of the 10 housing developers from Peninsular Malaysia who participated in the interviews. Farrington (2012) defines business success as a measure of venture achievement, an expression of profitability and financial security as indicated by turnover, profit, and the number of employees. With respect to this study, our definition of entrepreneurial business success involved: (1) being in operation for at least 10 years, and (2) experiencing steady financial growth following initial establishment. We sampled our respondents, who were directors in their respective organizations, from throughout Peninsular Malaysia, based on their capacity to contribute to the findings of this study. Our inclusion criterion for respondents was as follows:

1. individuals who started their own business;
2. individuals who are actively participating in the management of the business;
3. the business must have at least a 10-year history in the housing development industry;
4. the business must show sustained financial growth from the year of inception and maintain profitable operations;
5. the business must have a minimum of five permanent employees; and
6. the business had experienced a term of economic downturn and survived despite the adverse economic climate.

We prepared an interview protocol in advance of the arrival of interviewees. This interview protocol introduces the research project, outlines interview themes, lists the semi-structured interview questions, and requests interviewee contact details for follow-up. Interviews were open-ended, conducted on-site, and lasted one to two hours. We terminated the interview process upon achieving data saturation in terms of classifications and conclusions. Three criteria needed to be fulfilled for our data to be considered saturated: ‘(a) no new or relevant data seem to emerge regarding a category, (b) the category is well developed in terms of its properties and dimensions demonstrating variation, and (c) the relationships among categories are well established and validated’ (Strauss & Corbin 1998, p. 212).

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Years of operation in the industry</th>
<th>Respondent’s designation</th>
<th>Years of experience in managing business</th>
<th>Level of education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developer A</td>
<td>26 years</td>
<td>Managing Director</td>
<td>29 years</td>
<td>University</td>
</tr>
<tr>
<td>Developer B</td>
<td>15 years</td>
<td>Managing Director</td>
<td>24 years</td>
<td>University</td>
</tr>
<tr>
<td>Developer C</td>
<td>22 years</td>
<td>Managing Director</td>
<td>27 years</td>
<td>University</td>
</tr>
<tr>
<td>Developer D</td>
<td>20 years</td>
<td>Managing Director</td>
<td>21 years</td>
<td>Secondary school</td>
</tr>
<tr>
<td>Developer E</td>
<td>29 years</td>
<td>Managing Director</td>
<td>31 years</td>
<td>University</td>
</tr>
<tr>
<td>Developer F</td>
<td>30 years</td>
<td>Founder and Director</td>
<td>42 years</td>
<td>Primary school</td>
</tr>
<tr>
<td>Developer G</td>
<td>22 years</td>
<td>Managing Director</td>
<td>22 years</td>
<td>University</td>
</tr>
<tr>
<td>Developer H</td>
<td>10 years</td>
<td>Managing Director</td>
<td>18 years</td>
<td>Secondary school</td>
</tr>
<tr>
<td>Developer I</td>
<td>38 years</td>
<td>Executive Director</td>
<td>14 years</td>
<td>University</td>
</tr>
<tr>
<td>Developer J</td>
<td>22 years</td>
<td>Founder and Director</td>
<td>45 years</td>
<td>Primary school</td>
</tr>
</tbody>
</table>
As the primary investigators, we conducted the interviews ourselves and tape-recorded participants’ responses with their consent. Guided by prepared interview themes, questions began on a general note before pursuing specific queries based on the participant’s responses. Most of the interviews were conducted in the Malay language, although interviewees periodically spoke some English or used English terms to clarify their points. Only one developer, Developer C, used Malaysian English throughout the interview session. At the conclusion of the interviewing process, we transcribed the audio-taped interviews in their original language. During the transcription process, reference was made to the field notes to ensure accuracy. Once we were satisfied that we had a faithful transcription of the Malay language interviews, we translated the interviews into English as faithfully as possible. Any subsequent language idiosyncrasies and grammatical errors in the translation were, therefore, of our own doing, the exception being the English language transcription of the Developer C interview. Upon completion of this transcription and translation process, we scrutinized the translated transcripts for responses matching the questionnaire survey, extracting these responses for later analysis. We then verified the completed transcripts against the audio recordings and made corrections as appropriate.

For data analysis, we used content analysis to highlight the themes emerging out of the interviews, encoding these themes via the thematic coding method. The following themes emerged during the coding procedure: (1) planning and business strategy, (2) marketing, (3) project management, (4) financial management, and (5) social networking.

Research findings

Planning and business strategy

Business owner-managers devised their own plans and strategies to survive and expand their businesses in the market. To this end, the interviews revealed two important internal managerial and site or location strategies used by housing developers.

Successful developers consider a range of exogenous managerial factors before arriving at ethical decisions. For instance, Developer G said, ‘Along with careful planning, observing exceptional management tenets from the beginning eventually became crucial to the success of the firm’. At this point, administrative approaches, such as maintaining comprehensive and accessible records or promoting effective communication among the staff should be implemented to create an efficient working environment. Developer E, a founder of a housing development company, stated that,

the company was initiated by planning properly and forecasting accurately. Financial planning is very important; hence, the need to propose annual projections, especially in terms of finance … [T]he goals need to be exact and follow provided guidelines. Weekly and monthly meetings were organized to monitor progress.

Indeed, the strategy must be circulated, not only internally within the firm, but should transcend to different areas of the project’s management. Another respondent preferred to develop small-scale projects, rather than larger or mega projects, as smaller projects were easily to monitor. Developer D stated,

In Malacca, the focus was more on a small piece of land. We are thus not apprehensive of a market slowdown because the development encompassed only 100 units per project. We stay clear of large-scale projects (i.e., a few hundred acres) because of Malacca’s relatively small population.

Selecting the right location is an essential component of the housing development process. Respondents were unanimous in identifying location as a key concern of customers when choosing and buying houses. Developer D emphasized, ‘the location of the project is inherently vital … as housing developers, we need to choose the best location for sustaining growth’. Consequently, it is imperative that consideration is given to the accessibility and marketability of houses based on their location. Developer I, from Kuantan, Pahang, reiterated that the nature of a project is a function of the project’s location, stating,

We are currently developing near the airport … [W]e noticed that the present market can only accommodate houses with prices below US$60,000. Therefore, we developed terrace houses with prices ranging between US$55,000 to US$60,000. People will definitely buy houses that are located near their workplaces to save transportation expenses (e.g., petrol and fares). Before anything else, we must first identify the project location.

Setting an appropriate selling price serves as the benchmark for the success of a project and may affect the performance of a firm. Developer B remarked, ‘after determining the location, the proposed selling prices of the project’s units must be determined next’. Housing developers must consider a range of factors before establishing the selling price of a project; these factors include the current economic condition, the demographic profiles of homebuyers, etc. Developer G
emphasized the importance of comparing prices offered by the firm with those offered by competitors, observing, ‘competitive pricing must be leveraged to attract buyers. We need to know the prices of our competitors before we come up with our selling prices … [W]e must keep regularly updated with them’. Thus, despite the profit orientation of housing developers, business success is the result of ensuring that prices are realistic and accessible.

**Marketing**

Marketing is an important consideration in any business. Housing developers employ a diversity of marketing tools in promoting their products and company brand. For example, Developer A stated, ‘We market our product through newspapers, the Internet (www.mudah.my), billboards, brochures, and booths in shopping complexes or hypermarkets. In my opinion, placing signboards on the project site also plays a significant role in promoting our project’. These methods were similar to those used by Developers B, G, and J. Another marketing tool commonly used by the housing developers is physical viewing, involving showroom displays, site visits, or house inspections. Developer C stated, 

> Given that some buyers prefer to view the houses physically by visiting our offices (showrooms) or the project site … we usually complete one row of terrace houses and units along the road to turn them into show houses where potential buyers can have a real feel of the setting and environment.’

Therefore, marketing staff on site or in showrooms should be briefed on the expectations of both homebuyers and developers.

Several respondents noted the contribution of reputation and branding to their success. Developers A, B, and H opined that having a favourable reputation with an untarnished track record was crucial for success in the housing industry. Developer D, in describing how having a good reputation facilitated his business, stated, ‘by developing a favourable reputation, our projects can easily secure bank loans’. Both reputation and branding are essential in today’s business environment as they are regarded as being the essential ingredients for superior performance. Developer G also affirmed,

> Success is when your project is sold out and you are able to sustain the business, not only for one project. Your products must be well-received by the public, which provides you to a certain extent with the necessary reputation in the field.

Therefore, these two features of reputation and branding coalesce to boost the sale of products.

**Project management**

In housing development, project management refers to the management of resources used for producing houses. Respondents agreed on the need to control for product quality and innovation. Product quality is achieved through the monitoring of work performed on the construction site. Developer H stated,

> people bought my houses because of their exceptional quality, design, and suitable concept. I closely supervise the progress of my projects and safeguard the quality of materials that are being used … I would not hesitate to replace damaged or unsuitable products.

In general, quality products are viewed more favourably by the public and contribute towards the good name of the homebuilder, this positive reputation then follows the homebuilder through to future projects. Developer G remarked,

> the quality of the houses should be impeccable, with no complaints from the buyers, in order to attract potential future purchasers. Reputation follows a favourable track record. Therefore, timely delivery and exceptional quality of products are very important in the housing industry.

Other respondents expressed similar thoughts. Quality and innovation are two indispensable features of the housing development industry. Virtually all respondents shared positive views of the effects of innovation on their products, with Developer C regarding innovation as the main factor for success in business. Developer G, however, expressed a neutral view toward innovation:

> We implement product innovation to attract buyers … I understand that innovation provides our products with a competitive edge, but I believe in simplicity … [W]e have to adhere to the needs of our buyers, who are keen toward buying products considered value for money. Purchasers are also very choosy and can be critical about the design or structure of the building … [M]ost dislike buildings that are overdesigned or structures that are prone to damages or leakages.
Nonetheless, in this era of modernization, buyers have become increasingly selective, driving housing developers to think outside of the box. Two respondents confessed that they had replicated designs from overseas projects (e.g. Australia, Singapore, and Hong Kong) and had simply incorporated a few features thought to be compatible with local tastes. For example, Developer D remarked, ‘some designs were copied from others. I was in Australia recently and noticed a hugely attractive design which was then integrated to my products. However, the design was modified to accommodate Malaysian culture and environment’. On the other hand, some respondents, like Developer I, devised novel ideas for their projects and businesses, stressing, ‘We must be very innovative … for example, the zero-lot design is new in Kuantan. We are among the pioneer builders of four-bedroom terrace houses, as I foresaw that buyers would have a huge preference to purchase or invest in houses with more rooms.

Hence, the dynamic capability of housing developers to capitalize on design innovations and to deliver high-quality houses is imperative for business survival.

Financial management

Financial management is a crucial aspect of business administration. The housing business deals with an inherently expensive product. Developers require considerable capital with which to start businesses and fund project developments. Developer G remarked, ‘the viability and financing of a project must be emphasized before the project can begin’. Moreover, housing developers must be assertive in managing finances and consistently make wise decisions in every aspect of their business. Developer J noted, ‘To ensure that the project has strong, solid financial ability, the funding and capital computations need to be meticulous. The project accounts must be developed based on the current situation. If accounts need to be consolidated, then such an approach will be adopted, otherwise separate accounts will be created. I prefer to employ the ‘one project, one account’ principle … as aimless consolidation will be difficult to control and monitor.’

In a similar vein, a number of respondents considered that it would be better if housing developers could consult with industry professionals, such as consultants and accountants, before making any major decisions that may affect the flow of business. Almost all respondents concurred with the notion that development firms should institute strong cashflow policies and stressed the importance of managing finances properly. To ensure the effectiveness of financial reporting, Developer H suggested, ‘We organize monthly meetings to monitor our accounts, where financial reports are highlighted, observing the present cashflow and budget … we are thus kept updated about the company’s current financial status. Our company uses a ‘current [checking] account’ facility … which carries no interest. Before commencing on a new project, my staff will provide a breakdown of the accounts to target a ‘projected profit’ … [T]he detailed cost implications and gross income will be made apparent to me. Profit projections are scrutinized through meticulous estimation and comprehensive calculation.

Consequently, other developers should consider emulating such procedures in order to avoid mismanagement and project abandonment.

Networking

The ‘localized’ essence of the housing industry encourages firms to establish a network of local contractors, suppliers, and authorities as a necessity for achieving superior performance. Having a good network of relationships with local authorities is important for housing developers. Seventy per cent of the respondents acknowledged that establishing a local network could expedite their business transactions. Developer E contended, ‘Given that the sector is very “localized”, we need to familiarize ourselves with the local authorities … to maintain our focus on the area. We established a local network … to know the area inside and out’. Housing development requires negotiating a number of rules and regulations as established by local and state authorities. Developer H explained his ability to create networks with local authorities: ‘I know many people in my hometown area, especially the local authorities … I deal with these officials for the sub-division, licensing and other development issues’. Ties and connections with local authorities and communities institute a mutual sense of trust that is necessary for business enhancement.
Respondents unanimously agreed that flexibility and embracing change were vital business strategies for their firms’ management and administration. By adapting upcoming changes, either internally or externally, respondents hoped that their business would endure, surviving any circumstances. Suffice to say, the capability to apply dynamism should exist in tandem with the aforementioned competencies of business planning and strategy, marketing, project management, financial management, and social networking.

**Discussion of findings**

Penrose (1959) emphasizes the importance of managerial capabilities for the growth of a firm. This study highlights the importance of managerial capabilities among housing developers for thriving in the market. Other commentators, such as Hui et al. (2006) and Jaafar et al. (2010), suggest that lack of proper management skills and expertise leads to the failure of small businesses, including home-building companies. In this section, we describe how the managerial capabilities of the Malaysian housing developers we interviewed affect their competitive advantage. The results of this study are consistent with those of Ball (1999) and Hui et al. (2006), who find a positive relationship between strategic planning and success.

Perhaps, the most significant strategy among the respondents was the phase-by-phase building of houses via small-scale projects. According to Developer A,

> We follow the ‘build then sell’ principle. Prior to this, claims were made on an interim basis based on the project’s progress, but we now sell the houses upon full completion of our projects. We start by building 10 houses, which are then sold. This will be followed with the construction of another 10 units after the previous 10 units have been disposed to avoid the potential liability of unsold units during this period.

Choosing the right location is crucial to the success of a business, especially so for those in the property sector. When asked about the most important factor for the success of Malaysian housing developers, Developer B responded with the famous mantra, ‘location, location, location’. Other real estate theorists (e.g. Abdul-Aziz et al. 2006; McDonagh 2010; Alias et al. 2011) also endorse this idea. Nearly all the respondents identified project location as the most important factor that could influence the success of their business. Location is also related to the accessibility and quality of the neighbourhood (Wang & Li 2006; Yusuf & Resosudarmo 2009), which potential buyers always consider when purchasing houses. Developer F emphasized the importance of accessibility and location, stating:

> Developers must carefully examine the location of their projects … especially the demographic information of the local residents. We want to identify our target buyers and market … [W]e need also to identify the majority group, whether youngsters or the elders. In our project, located nearby a hospital, we made the fair assumption that elderly residents will be attracted due to the proximity of medical services.

The obvious reality of offering reasonable and affordable prices to potential purchasers must dawn upon Malaysian developers in order to maintain a competitive edge and sustain market share. Developer C, from Malacca, posited: ‘We are constructing affordable houses selling less than US$60,000. While the market continues to expand and improve, the majority of Malaysians earn between US$300 and US$900 every month, and can only afford houses that cost below US$60,000.’ The selling price, as determined by the housing developers, relies heavily on the basic principles of supply and demand. Theoretically, when buyers outnumber sellers, the price of houses increases and vice versa (Ong 2013). There is an urgent need for private housing developers to focus on the overall pricing strategy because the price itself produces significant effects on the marketing signal, marketing mix, product strategy, distribution of strategy, perception of buyers, and competition (Mar-Iman 2002). These prices are a function of the location, design, quality, and other elements of the project, as well as the reputation and public image of the developer.

Kaur (2010) notes that free or subsidized legal fees, stamp duties, and special financial packages are among the three most effective marketing tools employed by Malaysian housing developers to help boost sales. Developers must also investigate the market potential of a parcel of land to predict the success of a development project (Abdul-Aziz et al. 2006). Developer D indicated the need to

> focus on the current choices and needs of the people, such as the market trend, income situation and preferences … questions, such as ‘the favourites of youngsters and the choices of elders’, and ‘which group has more purchasing power’ must be addressed. We build houses that fit the findings.

Demographic information and other growth patterns must thus be properly analysed (Sorenson 1990) to determine the needs of stakeholders (Soetanto & Pan 2009). Abdul-Aziz et al. (2006) emphasize that housing developers must stay ahead
of the current market trend to remain relevant in the industry. On a related note, Jaafar et al. (2010) argue that housing developers must conduct a comprehensive, meticulous investigation before investing in a project. This confirms the hugely important role of market analysis in determining the overall level, trend, and geographic location of demand (Sonawane & Chaudhari 2012).

Reputation and branding are interconnected (Rahadi et al. 2013) and move in parallel to bolster the prestige and image of organizations. Six respondents emphasized the importance of reputation and branding in shaping their success and competitive advantage. Malaysian housing developers who envision becoming household names in the property development industry have to satisfy the needs of their customers and provide the best value option. These developers establish a strong brand presence throughout the country by sustaining a record of accomplishment as well as inculcating a culture premised on innovation and quality.

As it is, quality is paramount in the field of housing development, related to branding and reputation, and while these two components move in tandem, branding takes precedence over quality (Benjamin et al. 2006). A higher brand reputation ensures a quality industrial product (Cretu & Brodie 2007). Previous studies show that the reputation of a company directly and indirectly affects the purchasing intention of customers by forming a quality expectation of the offerings in the business insurance market (Amini et al. 2012). Developer H remarked, ‘Our solid reputation and brand may have attracted the interest of buyers to purchase our houses. Most buyers are our repeat and regular customers’. Martinez (1999) supports this claim, indicating that developers ‘carry’ their reputation only as long as the needs of their customers are catered for.

Product and service quality are crucial factors in the success of construction or production, subsequently contributing to the success of housing projects by steering developers toward competitive advantage and market profit (Chiang & Tang 2003; Zhang et al. 2011). Developer H remarked,

We were the first developer to sell single-storey houses for more than US$30,000 and double-storey houses for more than US$45,000 as well as semi-D houses for more than US$60,000. This decision was taken because of the extremely thin profit margin, if at all. However, the price incremental must be matched with the ability to provide quality houses. I believe that buyers nowadays are prepared to fork out more for enhanced quality.

Quality can be measured in terms of customer satisfaction (Forsythe 2007; Yang & Zhu 2006). Six of the respondents recognized innovation as an important characteristic for housing developers, thereby supporting Suherman (2008), who identifies creativity and innovation as positive features that must be possessed by successful individual entrepreneurs.

When queried about key aspects of financial management, Developer G stressed, ‘The cashflow must be monitored and controlled, without fail’. Other respondents indicated that accounts and estimations must be continuously monitored to maintain a positive cashflow position in housing development. Abdul-Aziz et al. (2006) find that a favourable and positive cashflow management system strengthens the firm; while steady cashflow helps secure bank loans and financing facilities. Jaafar et al. (2010) postulate that housing development businesses operate strictly on good cashflow. Malaysian housing developers must attend to the wise management of project cashflows, given its strategic importance as a valuable resource to exploit opportunities for success and competitiveness.

Comprehensive initial estimations must be undertaken during the project inception and planning stages, in order to capture the full range of costs related to the development, negating the prospect of project abandonment. Projects have failed and been abandoned due to unfeasible estimates, especially when these estimates were not progressively refined up to the implementation stage where the chance of failure becomes more pronounced (Tan 2004). In terms of financial management, other factors, such as the implementation of robust accounting systems and regular review of financial statements, are vital capabilities that must be exercised to ensure the improvement of projects and businesses. Businesses need to improvise certain financial features from time to time, such as instituting cost and value management protocols, strictly managing the total construction cost (Anikeeff & Sriram 2008), as well as handling critical financial and budget time-frames (McDonagh 2010), to outperform their rivals and to ensure their success.

The findings on networking support those of Abdullah et al. (2009), Ayadurai and Ahmad (2006), and Jaafar and Wanda (2014). Respondents indicated that Malaysian housing developers should establish and enhance their networks, especially with local authorities, to achieve success in their businesses. Bridging ties with local authorities can help developers plan and build better and more affordable residences, improve the quality of their housing products, help more people to buy a home, and provide housing support for the disadvantaged. In reciprocation, local authorities can assist housing companies to navigate the complex land and development laws.

Notwithstanding, while the results seem to confirm previous literature, the outcomes of this study are thought to be unique to the housing development industry. Since the economy is becoming increasingly vibrant, with greater fluctuations, Malaysian housing developers need to respond to these changes and adapt or embrace positive changes accordingly.
The necessity of this paradigm shift is not confined to entrepreneurial behaviour, but advocates for changes in the mindsets of the firm’s employees and the firm’s culture (Gao & Low 2013). Consequently, the findings of this study expand upon the current housing research literature through the injection of novel ideas regarding firm capabilities. Moreover, in order to survive in this highly regulated sector, it is imperative that housing developers come to embrace the managerial capabilities described in this study (i.e. business planning and strategy, marketing, project management, financial management, and networking).

Conclusion
Developing a housing project demands years of investment and strategic decision-making. Projects require a detailed market analysis to ensure that the selling capacity, project quality, innovation, and performance are congruent with customer expectations. Furthermore, developers require a favourable network of contacts within and beyond the industry to facilitate the implementation of projects. Prioritizing and maintaining a focus on customer satisfaction helps firms build favourable reputations and vitalizes their branding, both crucial determinants of success. Since most of these elements are interconnected, housing developers should synergize and synchronize the managerial capabilities described in this study to achieve greater levels of success in their business endeavours. For example, marketing research could identify specific niches or trends in the market, providing the company with a renewed focus on untapped potentials, like Small Office, Home Office (SOHO), Small Office, Flexible Office (SOFO), and Small Office, Virtual Office (SOVO) through the recommendations of their retinue of consultants.

This study is noteworthy for having addressed some of the gaps in the literature pertaining to the successes of Malaysian housing developers. However, there were several limitations with this study and its findings. The limited number of respondents prevented us from examining the relationship between the size of a firm and its dynamic capabilities. The innovation strategies of larger companies, specifically focused on urban areas, may differ from those interviewed. Smaller developers significantly contribute to the provision of housing in suburban areas. Exploring the operations of the respondents in terms of organizational size would expand the housing development industry literature. This very localized industry, and the survival of housing developers, depends on an assortment of external factors. The importance of these external factors should be explored in future studies.

In summation, this study explored the effects of managerial capability on the competitive advantage of Malaysian housing developers. The managerial capabilities of 10 Malaysian housing developers were reported in this study, including business planning and strategy, marketing, project management, financial management, and networking. We conducted a qualitative analysis to determine what special capabilities Malaysian housing developers possess that might distinguish them from other entrepreneurs. Despite the limitations of this study, especially in terms of sample size, this work provides a foundation for future studies of the real estate industry. While the exploratory qualitative techniques used in this analysis have successfully uncovered a number of relevant factors, there is a need for a longitudinal assessment of competitive advantage in relation to business development. Therefore, future quantitative studies should examine the relationship between other generic factors of success and entrepreneurial behaviour to substantiate the findings of the present study. Subsequent studies might adopt analytic hierarchy processing (AHP) and other fuzzy logic methods to gain a more in-depth understanding of housing developers’ capabilities, with this study focusing only on the use of a qualitative approach and such quantitative methods having greater extensive computational power.

Acknowledgement
The funding for this project is made possible through the research grant obtained from the Universiti Sains Malaysia (grant number 1001/PPBGN/816202).

Disclosure statement
No potential conflict of interest was reported by the authors.

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