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Competitive Strategy and Performance of Quantity Surveying Firms in Malaysia

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Abstract: The competitiveness of the construction industry is affected by the number of new entrants, the strength of rivals, clients' expectations and a firm's own resources. However, the country's economic situation also affects the stability of the industry, and thus its competitive strength. This research focuses on the adoption of competitive strategies within quantity surveying (QS) firms of varying sizes during a period of economic fluctuation in Malaysia. The success of any strategy adopted is determined by the performance of the firm. Through a survey, this study revealed that firm size did not have a major impact on the choice of competitive strategy during this economic situation. The QS firms preferred differentiation strategies, and growth strategies were less preferred. The firms created attractiveness in the services offered by expanding the range of services, improving reputation and securing existing clients. For small- and medium-sized firms, this strategy enabled them to achieve the highest business performance, a satisfactory number of clients, and for large-sized firms, the strategy provided positive improvement in the number of projects in hand.

Keywords: Competitive strategy, Business performance, Quantity surveying firms, Malaysian construction, Economic influence, Firm competitiveness

INTRODUCTION

An exigent construction industry demands all construction firms including Quantity Surveyors to continuously improve their services to create a competitive edge. Employing the right strategy is crucial as rivalry is not limited to existing QS firms but extends to new entrants and foreign firms. An uncertain financial climate has left companies with less opportunities and resources to commission new building projects, but in certain professions, this financial instability has caused a lack of job security. Therefore, the role of the quantity surveyor has increased in importance as they are perceived to be responsible for ensuring that the company meets its financial targets on its projects within the construction industry (Fanous, 2012). Quantity surveyors are traditionally known for their cost estimating services in the construction industry. However, concurrent with escalating demands from clients and pressures from the industry, quantity surveying (QS) firms have diversified their range of services beyond these traditional boundaries. A consultant QS will provide services to their clients from the initial appointment until the project concludes, with a certain amount of professional fees that in turn need to be used to sustain their firms. The survival and eventually the growth of the firms depend on the number or continuity of projects they secure without intermission. QS firms need to respond to new opportunities, new geographical locations and new ways of doing business. They should counter environmental threats, seek project opportunities (Davies, Gilbert and Swartz, 2005), be vigilant and adapt to current market changes by adopting alternative strategies that are guided by decisions to enhance performance.

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The construction industry in Malaysia is highly competitive (Adnan and Jusoff, 2009). The industry is changing due to new technology advancements, research and active collaboration between the government and various professional bodies that promote continuous improvement in the industry. There were a total of 316 registered QS firms under the Board of Quantity Surveyors Malaysia (BQSM) in 2011, which were actively competing in the industry. This number is expected to increase by the year (BQSM, 2011). Apart from competing with local existing QS firms, the open market, globalisation and the fast pace of change in information technology means that competition is no longer localised (DeNisi, Hitt and Jackson, 2003). The role and scope of services that QS firms offer are continuously expanding parallel to the latest demands from clients and the construction industry (Hanid et al., 2007). The existence of small, medium and large QS firms have resulted in a different level of competition for firms with a strong reputation that are well established. Such firms are at a more advantageous position to secure new projects, but new or smaller firms have to struggle to build their reputation and seek new clients. According to Bishop and Megicks (2002), the different sizes of firms places greater emphasis on the role of diverse strategic positions. The QS firms should be cognisant of their strengths and weaknesses to overcome the challenges of increased competition.

Choosing the best-suited competitive strategy is an essential key to success. A clear strategy will direct the firm to identify their competition's capabilities and competitive stance. Porter (1985) has introduced three generic strategies: cost leadership, differentiation and focus strategy. Warszawski (1996) added a growth strategy to this list. This paper focuses on these four types of competitive strategies and their application to QS firms in Malaysia. The study was conducted during a five-year period of economic fluctuation to investigate which strategy the firms preferred when battling economic instability and how well these strategies performed when focused on QS firms in Malaysia. Although the study focused on QS firms in Malaysia, the findings are useful to any service-provider firm as they discuss the suitability of generic competitive strategies in the construction industry and relate them to business performance. The focus of this study on strategies used during economic fluctuation indicates that the firms cannot limit themselves to one type of strategy but need to adjust accordingly to suit the present needs, regardless of the firm size.

FIRM COMPETITIVENESS AND ECONOMIC INFLUENCE

Competitiveness in the context of a construction firm can be defined as the capabilities of the construction firm to design, engineer, construct, finance, operate, maintain and/or manage any or all of the above activities better than its competitors (Ambastha and Momaya, 2004; Banwet, Momaya and Shee, 2003). Healthy competition between firms encourages effective changes in strategies and cultures (Yisa, Ndekugri and Ambrose, 1996) with emphasis on the "survival of the fittest" attitude (Elmualim et al., 2006). Construction firms are affected by the economic situation in both national and international arenas (Kazaz and Ulubeyli, 2009). The economic situation is an external factor beyond the control of individual firms. Nevertheless, changes in the economic situation have strong implications on

the survival of firms. In any economic situation, firms have to strategise and manage their resources effectively.

The Malaysian construction industry is productive and generates wealth for the country by addressing social and economic needs through the provision of infrastructures and buildings that constantly contribute to the growth of the economy (Hamid and Kamar, 2010). As in most countries, the Malaysian economy is also susceptible to changes in the economy of its trading partners such as the United States, Japan and European countries (Construction Industry Development Board [CIDB], 2008). In 2008, a global financial meltdown was felt throughout the world, with stock markets falling and large institutions collapsing or being acquired by other corporations. The global financial crisis was depressing economic activities worldwide. Malaysia was no exception as Malaysian companies were facing increasingly tough competition, locally and internationally, even before the crisis (Seah and Yasoa', 2010). Based on Table 1, the growth rate of the gross domestic product (GDP) of Malaysia dropped 27.27% from the third quarter of 2008 and declined to 0.1 in the fourth quarter of the same year. Its first negative growth rate was recorded in the first quarter of 2009 (Abidin and Rasiah, 2009). Since the global economic crisis in 1998, the Malaysian government has taken drastic measures to prevent the economy from spiralling downward (Italia, 2012). As a result, in 2008 and 2009, two rescue packages with attractive fiscal stimuli totalling RM 67 billion (USD 18.1 billion) were introduced by the government. These were intended to absorb the retrenchment and destabilisation shocks faced by the public and to accelerate development expenditures to offset a drop in aggregate demand because of significantly reduced exports (Abidin and Rasiah, 2009).

Table 1. GDP, Selected Economies, 2007 to 2009 (% Annual Change)

Country	2007				2008				2009	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
United States	1.2	3.2	3.6	2.1	–0.7	1.5	–2.7	–5.4	–6.4	–1.0
United Kingdom	2.4	2.6	2.7	2.4	2.5	1.8	0.5	–1.8	–4.9	–5.6
Germany	3.7	2.5	2.5	1.6	2.9	2.0	0.8	–1.8	–6.7	–5.9
Japan	3.4	2.2	1.9	1.9	1.3	0.6	–0.3	–4.3	–8.7	–6.4
Hong Kong	5.6	6.1	6.8	6.9	7.3	4.1	1.5	–2.6	–7.8	–3.8
Malaysia	5.4	5.6	6.5	7.2	7.4	6.6	4.8	0.1	–6.2	–3.9
Singapore	7.6	8.6	9.5	5.5	6.7	2.5	n.a.	–4.2	–9.5	–3.5
Republic of Korea	4.5	5.3	4.9	5.7	5.5	4.3	3.1	–3.4	–4.2	–2.5
Taiwan, Province of China	3.8	5.5	7.0	6.4	6.3	4.6	–1.1	–8.6	–10.1	–7.5
Indonesia	6.0	6.6	6.6	5.9	6.3	6.4	6.4	5.2	4.4	4.0
Thailand	4.4	4.4	5.1	5.7	6.0	5.3	3.9	–4.2	–7.1	–4.9
The Philippines	7.0	8.3	6.8	6.3	3.9	4.2	4.6	2.9	0.4	1.5

Source: Bank Negara Malaysia (2009)

From Table 2, the total value of a given project increased from 2006 to 2007. In 2008, the total project value was at 13.4% and decreased to 8.9% in 2009. The value began to improve in 2010 and 2011 in line with the increase of the GDP. The performance of the Malaysian construction industry in 2010 was largely affected by a delay in launching new projects due to the economic recession but regained growth occurred when the non-residential sub-sector increased in 2011 with on-going construction in commercial properties and also private projects in the five growth corridors such as Johor Premium Outlet, Lido Boulevard and others (Malaysia-German Chamber of Commerce, 2011).

Table 2. Numbers and Value of Projects Awarded by Category from 2006 to 2011

Project Category	Total Number of Projects	Total Project Value (RM million)
2006	5,854	60,926.99
2007	7,358	93,294.20
2008	6,522	85,837.07
2009	6,989	74,057.93
2010	6,344	87,917.05
2011	6,655	87,457.43

Source: CIDB Malaysia (2011)

Changes in a country's economic situation also influences job opportunities in local markets. To compete in an economic downturn, firms have to strategically plan their actions and decide whether to compete locally or to start venturing into foreign markets. During the period of 2006–2011, many Malaysian construction professionals and firms moved or shifted their operations overseas, particularly to the Middle East and India. This was the result of the downturn in the Malaysian economy and emerging interest in tapping into foreign markets that were in the midst of developing their infrastructure (Malaysia Productivity Corporation, 2011). However, for the majority of construction professionals who stayed to compete at the local level, the economic downturn created a situation of intense competition among a smaller pool of job opportunities.

COMPETITIVE STRATEGIES FOR QS FIRMS

Adoption of suitable strategies will enable construction firms to compete well with their rivals (Isik et al., 2009). The QS firms can shape their strategies to meet the demands of competitive environments and develop capabilities according to these needs (Chew, Yan and Cheah, 2008). There are many ways of competing and most can be rationalised into one of three generic strategies as suggested by Porter (1985) i.e., cost leadership, differentiation and focus. These strategies have been widely expanded, used and applied in different types of settings including healthcare, finance and service-based firms (Kale and Arditi, 2002). Scholars have applied and amended Porter's work to suit their application to construction firms

(Betts and Ofori, 1992; Winch and Schneider, 1993; Jennings and Betts, 1996; Huovinen, 2001; Langford and Male, 2001; Kale and Arditi, 2002). From analysing Porter's strategies, Warszawski (1996) later introduced another strategy suitable for the construction industry, i.e., growth strategy. These four strategies are illustrated in Figure 1.

Cost Leadership Strategy

The cost leadership strategy focuses on the reduction of cost in productivity or administration to offer a lower price to customers. In QS firms, this strategy refers to how the firm can offer their services at lower fees than others through the ability to control the cost of the firm's administration while increasing productivity. It is most effective in predictable and stable environments (Miller, 1987; Warszawski, 1996). QS firms may choose this strategy to strengthen their in-house resources such as training of personnel, technological advancements, etc. (Warszawski, 1996). Cost leadership is mostly suitable for a smaller size firm with faithful clients. This strategy focuses on three elements as shown in Figure 1: human resources, overhead costs and technological usage. The company that seeks leadership in cost has to focus the entire organisation's resources to achieve this objective by forming a low cost culture, working constantly to reduce any overhead costs and staying constantly observant to the cost positions of its opponents (Shimizu, Carvalho and Laurindo, 2006).

Differentiation Strategy

The differentiation strategy promotes creativity in offering services, i.e., diversification. For a firm, diversification includes applied services, new knowledge, new technology application, marketing, innovation and much more. A differentiation strategy would be suitable for large firm size (Jenning and Betts, 1996) as it would require strong financial resources (Cheah, Kang and Chew, 2007), good credibility, high reputation and the ability to make high risk moves (Isik et al., 2009; Warszawski, 1996). This strategy focuses on five elements as shown in Figure 1: marketing, reputation, branding, relationship and innovation. The elements focus on offering services that assist the client in optimising the economic value of the project rather than offering the client a lower cost but a restricted service.

Focus Strategy

The focus strategy addresses a specific market niche, location/geographical area and/or customers. It is suitable for specialised, boutique or small size firms because it focuses on maintaining a faithful group of clients by providing good services and encouraging personal relationships (Warszawski, 1996). This strategy is also realistic for small firm sizes as they require limited resources and entry barriers to small market segments may be fairly low. This strategy requires a smaller number of staff who have essential skills and a wide breadth of knowledge, are able to handle multiple tasks and are well trained (Jennings and Betts, 1996). This strategy focuses on three elements as shown in Figure 1: strong networking, IT, and specific projects. Firms that adopt a focus strategy have to be selective in choosing the market

segments that they wish to enter. The QS firms that adopt this strategy will focus their services on the same geographical area where they have already established themselves and where they have a good relationship with the clients and other professionals.

Growth Strategy

The main objective of this strategy is the expansion of business. By branching out, either locally or internationally, they would have a wider market and more opportunities that could lead to a strengthened position in the industry. Langford and Male (2001) stated that firms may decide to expand their business into a new market or geographic place because of stagnant existing markets, booming markets in a new geographic location and the competitive use of resources. Before applying a growth strategy, firms should be aware of the potential new challenges: the need to enhance skills and resources and the need to understand new cultures, competitiveness, societal needs and business environments (Warszawski, 1996). This strategy focuses on three elements as shown in Figure 1: internationalisation, expanding firms/services and diversification. The QS firms may pursue this strategy if they intend begin a new business with strategic alliances that would offer new services to clients, tap into foreign markets or branch out into different locations within the country. The growth strategy is vital to expand the roles of QS firms and to safeguard the future of the QS professions as it is now threatened by a number of challenges (Hanid et al., 2007).

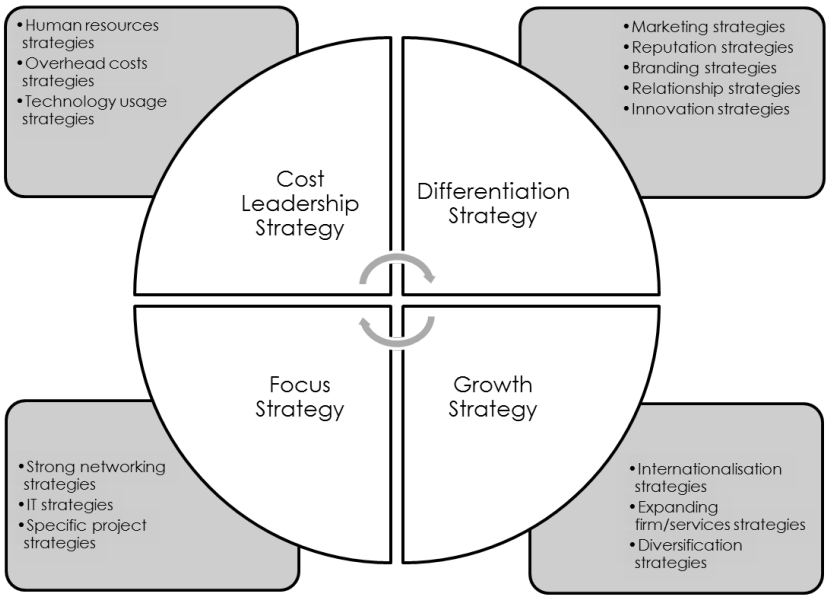

Figure 1. Competitive Strategies for QS Firms

BUSINESS PERFORMANCE IN QS FIRMS

Construction is a risky business, and thus firms should continuously monitor and compare their current and past business performance to determine where improvement is needed. The business performance of firms should also be evaluated to gauge the position of the company in the industry (Betts and Ofori, 1992; Dikmen and Birgonul, 2003; Warszawski, 1996). In QS firms, business performance can be evaluated through the number of contracts awarded, the number of projects in hand, profits, project turnover, the number of firms, the number of employees, new clients, existing clients and the expansion of services. By evaluating the performance of the firm, one can justify the suitability or non-suitability of the adopted competitive strategy. Firm performance can be evaluated using financial indicators such as profit and project turnover. Profit indicates the measure of success of a firm. Kale and Arditi (2002) noted that growth in the number of contracts awarded is related to the choices a firm makes vis-à-vis competitive strategies to provide a better understanding of and stabilise firms' positioning in the construction industry. The number of employees is also another indicator of firm performance. An increasing number of employees over the years indicates positive growth for the company. It also indicates that the firm may have expanded the scope of their services or have a broader range of skills and expertise (Ling and Chan, 2008). A high level of motivation among employees can be translated into high organisational performance. Clients are the most important assets of a firm. An increase in the number of new clients and the ability to maintain existing clients contribute to a firms' business success. Rosenberg and Czepiel (1984) concluded that the cost of winning new clients is usually higher than maintaining an existing client. Kujala and Ahola (2005) explained that firms that are more competent in delivering value to customers could survive in a highly competitive environment where client's satisfaction has significant effects on a firms' financial performance. Customer satisfaction and trust will promote loyalty from existing clients, and reputation built from that will secure more new clients (Low and Tan, 2002). The number of firms is another indicator to measure the business performance of a QS firm. Establishing business branches either in new demographic areas or other countries indicates the ability of the firm to grow (Ling and Chan, 2008). The indicators of business performance are listed in Table 3.

Table 3. Business Performances in Firms

Business Performances	**Sources**
Number of contract awards	Kale and Arditi, 1998; Yongtao, Shen and Langston, 2012
Number of projects in hand	Lu, Shen and Yam, 2008
Total costs of projects	El-Mashaleh, Minchin and O'Brien, 2007; Lu, Shen and Yam, 2008
Profits	Lu, Shen and Yam, 2008
Project turnover	Jusoh, 2010; Morgan, Strong and McGuinness, 2003
Number of firms	Jennings and Betts, 1996
Number of employees	El-Mashaleh, Minchin and O'Brien, 2007
New clients	Yisa and Edwards, 2002
Existing clients seeking services	Yisa and Edwards, 2002
Expanding services	Zamberi and Kitchen, 2008

RESEARCH METHODOLOGY

This study aims to investigate the application of competitive strategies in QS firms within the period of five years (2006–2010), in which Malaysia was experiencing economic fluctuations. Through a quantitative approach, a survey questionnaire was prepared for data collection. A survey questionnaire was used for this study as the research is descriptive in nature. A descriptive study is appropriate for portraying an accurate profile or describing the characteristics of persons, events or situations (Robson, 2002). Such factors include the number of respondents to be surveyed, the geographical spread of the respondents, the limitation of time frame, the limitation of financial resources, the efficiency of communications and transportation systems and the cultural attitudes toward each of the approaches and their effect on response bias and response rate (Berdie and Anderson, 1974). The respondents were from the top management of QS firms located in Selangor and Kuala Lumpur. According to the Department of Statistics Malaysia (2011), the construction activities concentrated in the central region (Kuala Lumpur and Selangor) had the highest gross output in Malaysia. There are 101 registered QS firms in Kuala Lumpur and another 94 firms in Selangor, comprising up to two-thirds (2/3) of the total of QS firms in Malaysia (BQSM, 2011).

The existence of different sizes of QS firms has resulted in a stronger competition among them as firms with a good reputation among clients will win more projects. Scholars have debated whether the size of a firm influences the choice of competitive strategy for competing in service industries (Kale and Arditi, 1998; Bishop and Megicks, 2002; Siskina, Juodis and Apanaviciene, 2009). This research looks at three different firm sizes to investigate what type of competitive strategies they have adopted and whether it has had an effect on their business performance. Firm sizes can be classified into three categories: small, medium and large firms. Researchers of QS-related issues in Malaysia have classified QS firms as small-sized firms when there are less than 10 members of the workforce (including all administrative staff, Quantity Surveyors and Associates) in a firm. Medium firms consist of a workforce of 11 to 30 members, and large firms comprise more than 30 members of the workforce (Fadhlin, 2005; Hasnanywati, 2010).

Out of 195 QS firms under the listing of BQSM, only 174 have valid contact details. They were approached for the survey, and 84 completed questionnaires were returned for analysis. The response rate was 48%. The responses are divided into three categories according the firm size, which is based on the total workforce in the firms. There are 37 (44.1%) respondents representing small firms, 39 (46.4%) respondents representing medium firms and only eight (9.5%) respondents representing large firms. This is proportionate to the percentages of the corresponding QS firms sizes in the industry reported by Abdullah and Haron (2007). They stated that only 9.6% of the firms in Malaysia are large QS firms and that the majority of the firms are medium (50%) or small-sized (40.4%) firms. All of the firms were established prior to 2006 and remained active in 2006–2010. The data collected were analysed using computer programmes such as SPSS and Excel.

THE SURVEY

Competitive Strategy in QS Firms

There are four types of competitive strategies that apply to QS firms: cost leadership, differentiation, focus and growth strategy. Each strategy has several elements of concentration, which are unique according to the needs of the firms. Each respondent rated the degree to which each strategy has dominated their competitive style to determine the strategies they have adopted. The findings are tabulated in Table 4.

Table 4. Competitive Strategy Applied in QS Firms within the Period of 2006–2010

Strategy \ Firm Size	Small Firms	Medium Firms	Large Firms
Cost Leadership Strategy	*3.65*	*3.70*	*4.00*
Human resources	3.69	3.70	4.16
Overhead cost	3.55	3.71	3.80
Technology usage	3.71	3.69	4.04
Differentiation Strategy	*3.95*	*3.88*	*4.26*
Marketing	4.07	3.99	4.19
Reputation	4.09	4.13	4.25
Branding	4.15	4.18	4.44
Relationship	3.89	4.00	4.44
Innovation	3.54	3.10	4.00
Focus Strategy	*3.28*	*3.41*	*3.71*
Strong networking	3.72	3.71	4.32
Information technology	3.14	3.18	3.76
Focus	3.00	3.34	3.07
Growth Strategy	*2.67*	*2.74*	*3.28*
Internationalisation	3.64	2.63	2.94
Expanding firms/ services	2.57	2.69	3.55
Diversification	2.81	2.90	2.84

Table 4 divides the findings according to the firm's size and the four types of competitive strategy. The scale is within the range of 1 (lowest) to 5 (highest). At varying levels, each firm applied all elements of the competitive strategies. However some elements are emphasised more than the others, and this determines which competitive strategy the firm prefers. Table 4 indicates that the differentiation strategy is the most applied strategy among all firm sizes, followed by the cost leadership strategy. The rates for the differentiation strategy are 3.95 (small firms), 3.88 (medium firms) and 4.26 (large firms). This is followed by the cost

leadership strategy at 3.65, 3.70 and 4.00 in similar order. The growth strategy was not favoured during the period for any of the firm size categories.

For the elements related to the cost leadership strategy, small firms emphasise technology usage (3.71), followed by human resources (3.69). This is the opposite in large firms. Technology usage is about adapting to new technologies, the awareness of changes in technological advancement and having qualified staff to operate this technology. The human resources strategy focuses on skill and knowledge development and the optimal use of human resources. For medium-sized firms, attention was given equally to all elements. Among these, the overhead cost element, which mainly aims to reduce the costs and expenses of the firm, received slightly more attention.

For the differentiation strategy, the branding element had the highest average for all firm sizes. Branding is about establishing a good image and producing high quality services to create brand loyalty. For small and medium firms, reputation is the second most important element. Reputation is about providing a broader range of services to the clients and upholding honesty, quality and responsibility. For large firms, the relationship element is equally important as the branding element. The relationship element focuses on identifying client's requirements and maintaining a good relationship with them. For the elements of the focus strategy, the strong networking element received the highest rating for all firm sizes. This suggests that the need to maintain and secure projects from existing clients is regarded to be very important among all firms. Creating a network is also crucial to attracting new clients. Finally, for the growth strategy, internationalisation was the key element for small firms with the highest mean of 3.64. Diversification had the highest mean of 2.90 for medium-sized firms. Large firms rated expanding firms/services as the most important element in relation to the growth strategy.

Dikmen and Birgonul (2003) and Papulova and Papulova (2006) stated that the size of a firm would influence the choice of strategy used in the firm. In general, there was no difference between the strategies applied by the firms of different sizes. It suggests that for Malaysian QS firms, the size of the firm did not influence the choice of competitive strategy. This is supported by the studies of Helms, Gauthier and Campion (1992), which stated that this theory is not applicable in many service industries.

Business Performance in QS Firms

Business performance in QS firms was evaluated to investigate the level of the firms' performance. It is investigated using several criteria, such as the number of contracts awarded, the number of projects in hand, the total costs of projects, profits, project turnover, the number of firms, the number of employees, the number of clients, the existing clients who seek services and the expansion of services. Tables 5 and Table 6 presented the data of the findings in the form of frequencies and the mean.

In Table 5, 21 QS firms show a 41%–60% increase in the number of projects in hand and another 21 QS firms show a 61%–80% increase in the number of projects in hand. It shows that 19 out of all the QS firms showed an increase of 21%–40% in the number of projects in hand. This is supported by the growth in the non-residential sub-sector that is driven by primarily on-going construction

commercial properties, particularly newly built offices (Malaysia-German Chamber of Commerce, 2011). Within this period, the majority of total costs of projects the firms were involved with increased 21%–40%.

Table 5. Business Performances in QS Firms

	+81%–100%	**+61%–80%**	**+41%–60%**	**+21%–40%**	**+1%–20%**	**0 (Stagnant)**	**–1%–20%**	**–21%–40%**	**–41%–60%**	**–61%–80%**	**–81%–100%**
Small Firms											
Number of contract awards	0	7	4	12	8	1	2	1	2	0	0
Number of projects in hand	0	9	7	9	6	2	1	1	2	0	0
Total costs of projects	0	8	1	12	8	5	0	0	2	0	0
Profits	0	8	7	13	4	1	1	0	2	1	0
Project turnover	0	6	9	6	5	6	0	2	3	0	0
Number of firms	0	4	2	1	2	26	0	2	0	0	0
Number of employees	0	2	7	5	3	13	5	0	2	0	0
Number of clients	0	4	6	12	9	1	2	1	2	0	0
Existing clients seeking services	2	5	6	14	5	3	0	0	2	0	0
Expand services	1	4	5	5	8	12	0	2	0	0	0
Medium Firms											
Number of contract awards	10	0	10	10	6	0	1	0	2	0	0
Number of projects in hand	0	9	14	8	4	1	1	1	1	0	0
Total costs of projects	1	4	12	9	8	0	1	4	1	0	0
Profits	1	1	9	9	10	6	1	1	1	0	0
Project turnover	1	9	9	10	6	1	1	1	1	0	0
Number of firms	0	7	4	7	6	13	1	0	1	0	0
Number of employees	0	7	4	7	6	13	1	0	1	0	0
Number of clients	0	6	11	7	10	2	2	0	1	0	0
Existing clients seeking services	1	13	7	5	10	1	1	0	1	0	0
Expand services	1	9	5	8	8	7	1	0	0	0	0

(*continued on next page*)

Table 5. (*continued*)

	+81%–100%	+61%–80%	+41%–60%	+21%–40%	+1%–20%	0 (Stagnant)	–1%–20%	–21%–40%	–41%–60%	–61%–80%	–81%–100%
Large Firms											
Number of contract awards	0	3	1	2	1	0	0	1	0	0	0
Number of projects in hand	1	3	0	2	1	0	0	1	0	0	0
Total costs of projects	1	3	0	2	1	0	0	2	0	0	0
Profits	0	1	2	0	1	1	2	1	0	0	0
Project turnover	1	0	2	3	0	0	1	1	0	0	0
Number of firms	1	0	1	0	1	3	2	0	0	0	0
Number of employees	1	0	1	0	0	3	2	1	0	0	0
Number of clients	1	0	2	3	2	0	0	1	0	0	0
Existing clients seeking services	2	0	0	2	2	1	1	0	0	0	0
Expand services	2	0	1	1	1	3	0	0	0	0	0

Notes: "–" = Decreasing; "+" = Increasing

Most of the small and medium firms have shown good growth in their profits. For small firms, 13 firms had an increase of 21%–40%, and 10 medium-sized firms had a profit increase of 1%–20%. A total of four small-sized firms experienced a profit decrease within the range of 21%–40%, and three medium-sized firms also showed profit decreases. The number of large firms with increased profits was almost equal to the number with decreased profits. This indicates that large companies may have been more affected by the economic fluctuations than the other two sizes of firms. Perhaps the differentiation strategy that was adopted may not be suitable for some of the large firms in this scenario. The increase in the number of employees, number of firms and expansion of services is related to the growth strategy. From the findings, the majority of the firms maintained their status quo. This is in line with the previous findings, where the growth strategy is less preferred. However, a high number of medium firms also had a service expansion within a range of 61%–80%. The majority of the firms maintained or had recurring services from their existing clients (86% of small firms, 92% of medium firms and 75% of large firms). Rosenberg and Czepiel (1984) explained that the perspective cost of winning new clients is usually higher than the cost of maintaining an existing client. During an economic fluctuation, it is wise to maintain good relationships with the existing clients and aim for a "call-back" for more work. This is related to the branding, reputation and relationship elements of the differentiation strategy, which is preferred by all firm sizes.

The mean scores of the QS firms' business performance are shown in Table 6. The scale is within the range of 1 (lowest) to 11 (highest). The highest business performance achieved by small firms is in the category existing client seeking services (8.03) followed by profit (7.95) and number of projects in hand (7.95). For medium firms, the same pattern as small firms is shown, with existing clients seeking services at the top (8.41) and number of projects in hand (8.36) just below. This indicates that small and medium firms are maintaining good relationship with their clients and are able to secure an adequate number of projects and make a profit during economic fluctuations. In addition, being a small or medium firm has the advantage of lower capital and administrative expenses. Being a small firm also encourages personal relationships, flexibility in catering to clients' specific needs and maintaining a good performance, which creates brand loyalty. The number of firms and the number of employees are the lowest on the list, indicating that these firms are cautious about expansion. This may not be a good move given the current economic scenario. For large firms, the number of projects in hand is the highest (8.50) followed by the number of clients (8.38). For large firms, their financial capability and their higher company expenditure may require them to go beyond maintaining existing clients and secure more new clients or new businesses to stay in the market. However, it seems that the larger firms are at least showing an improvement in the number of employees (6.50). Perhaps this is due to the large number of current employees, which reduces the need for more new employees. Similarly, large firms also show a lower performance in the number of firms and profits (6.80). Given the current economic scenario, branching out may not be a priority. The lower profit gain may be consistent with the large expenditure of the firm.

Table 6. Overall Results for Business Performances

Competitive Strategies	**Mean**		
	Small Firms	**Medium Firms**	**Large Firms**
Number of contract awards	7.68	8.26	8.25
Number of projects in hand	7.95	8.36	8.50
Total costs of projects	7.54	7.85	7.50
Profits	7.95	7.49	6.88
Project turnover	7.49	8.26	7.75
Number of firms	6.59	7.44	6.88
Number of employees	6.59	7.44	6.50
Number of clients	7.54	7.95	8.38
Existing clients seeking services	8.03	8.41	7.88
Expand services	7.35	8.03	8.00

CONCLUSION

The Malaysian construction industry was in a turbulent condition during the period from 2006 to 2010, which led to a high-level of competition among firms to win projects. To tackle these problems, adopting a competitive strategy was an essential approach for QS firms to outperform their rivals and maintain good business performance. There were four types of strategies that could be adopted by the firms: cost leadership, differentiation, focus and growth. However, there is no single strategy that will make a firm successful forever. The adoption of a competitive strategy should be versatile and compatible with changes in the economic situation, the direction of the firms and resource availability. The business performance of QS firms should be evaluated as an indicator to assess the effectiveness of the strategy that has been adopted.

This paper investigated the competitive strategies and business performance of QS firms in the Malaysian construction industry. From the findings, it was found that different sizes of QS firms, i.e., small, medium and large firms, are all prone to choose the differentiation strategy and least likely to follow the growth strategy. Based on the findings, small and medium firms maintained good business performance, particularly in maintaining existing clients. Large firms showed a good performance in the number of projects they have in hand.

The results of this analysis provide a useful reference to help QS firm owners improve the adaptability of their current strategy and achieve a competitive advantage. For further research, the planning of a competitive strategy in the next five years is another avenue to explore. With the expectation of a more competitive environment in the future, effective competitive strategy planning will prepare the firms for future engagements while also ensuring a more secure business position.

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