

**INTERNATIONALISATION OF MALAYSIAN
ARCHITECTURAL FIRMS**

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**UNIVERSITI SAINS MALAYSIA
2010**

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ARCHITECTURAL FIRMS**

By

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**Thesis submitted in fulfilment of the requirements
for the degree of
Master of Science**

March 2010

ACKNOWLEDGEMENTS

Writing of this Master's dissertation was quite a challenge. Expressing my gratitude to all those who in different ways have contributed and inspired me in completing the research work. A special thank to my main supervisor, Professor Sr. Dr. Abdul Rashid Abdul Aziz, for his critical and challenging comments, tireless assistance, support and tolerance throughout the process of completing my Master's degree. I would also like to offer special thanks to my co-supervisor Dr. Mastura Jaafar for her encouragement to develop my ideas and thoughts. I would like to express my sincere gratitude to other lecturers in the School of Housing, Building and Planning and School of Management, Universiti Sains Malaysia.

Most of all, I want to thank to my wonderful family for understanding my commitment to conduct this work. I am so very grateful to my parents, sisters and brother for their endless love and encouragement. Last but not least, I wish to thank all my friends who helped in giving constructive ideas, encouragement and inspiration throughout the entire research process.

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PENGANTARABANGSAAN FIRMA SENIBINA DI MALAYSIA

ABSTRAK

Beberapa firma senibina di Malaysia telah memperluaskan pengaruh senibinanya di pasaran antarabangsa dan telah mencipta nama melalui beberapa projek yang berprestij. Kajian ini bertujuan untuk mengkaji perbezaan antara firma yang telah terlibat dengan pengantarabangsaan dan firma yang tidak pernah terlibat dengan pengantarabangsaan, motivasi yang mendorong firma untuk ke luar negara, faktor firma dan negara tuan rumah yang mereka miliki, faktor lokasi yang mereka pertimbangkan, strategi yang digunakan untuk pengantarabangsaan dan implikasi saiz dan umur firma di kalangan firma yang telah terlibat dengan pengantarabangsaan. Tesis ini telah disusun kepada tujuh bab termasuklah latar belakang kajian, gambaran tentang perkhidmatan arkitek di Malaysia, ulasan karya, metod kajian, dapatan, perbincangan dan akhir sekali kesimpulan. Data dikumpulkan melalui kiriman borang soal selidik, temuramah bersemuka dan sumber sekunder. Borang soal selidik telah dihantar kepada semua 941 firma arkitek di Malaysia. Sejumlah 15 respon yang berguna diterima, tujuh daripadanya bersetuju untuk ditemuramah. Data daripada borang soal selidik telah dianalisis menggunakan SPSS 12.0 dan analisis isi kandungan telah digunakan untuk mendapatkan data temuramah. Kajian mendapati bahawa tiada perbezaan antara firma yang pernah terlibat dengan pengantarabangsaan atau sebaliknya dari segi usia firma, jenis syarikat dan lokasi pejabat. Motivasi yang paling penting untuk pengantarabagsaan adalah disebabkan oleh keputusan pihak atasan. Kualiti perkhidmatan dan pengiktirafan bersama terhadap kelayakan professional merupakan faktor firma dan negara tuan rumah yang paling penting untuk bersaing di luar negara. Pertumbuhan pasaran negara luar juga

adalah paling penting sebagai pemilihan lokasi pengantarabagsaan. Kajian seterusnya mendapati kerjasama projek adalah pendekatan yang biasa digunakan untuk menembusi pasaran luar dan klien daripada Malaysia adalah sangat penting sebagai sumber untuk mendapatkan projek di negara luar. Akhir sekali, saiz dan usia firma mempunyai hubungan dan implikasi terhadap faktor-faktor yang berkaitan dengan pengantarabagsaan firma senibina di Malaysia. Menerusi hasil kajian, firma yang baru berjinak dengan pengantarabagsaan dan firma yang berminat untuk terlibat dalam pengantarabagsaan boleh menjadikan hasil kajian ini sebagai panduan kepada mereka.

INTERNATIONALISATION OF MALAYSIAN ARCHITECTURAL FIRMS

ABSTRACT

Several Malaysian architectural firms have spread their architectural influence in the international markets, even making their mark on several prestigious projects. This study aimed to investigate the differences between internationalised and non-internationalised firms, the motives that drove internationalised firms to go overseas, the firm-specific and home country-specific factor they possessed, the locational factors they considered, the strategies they adopted to internationalise and the implication of firm size and age among internationalised firms. This thesis was arranged into seven chapters including background of the study, an overview of architecture services in Malaysia, literature review, research method, findings, discussion and lastly conclusion. Data was collected from postal questionnaire survey, face-to-face interviews and secondary sources. Questionnaires were sent to all 941 architectural firms in Malaysia. A total of 15 useable responses were received, seven of which agreed to be interviewed. Data from the questionnaires were analysed using SPSS 12.0 and content analysis was conducted on the interview data. The study found that there were no differences between internationalised and non-internationalised firms in relation to firm age, legal status and location of office. The most important motive to internationalise was top management decision. Quality of service and mutual recognition of professional qualification were found to be the most important firm- and home country-specific factors respectively for overseas competitiveness. Also, market growth of host country was the most important locational factor. Further analysis found that project joint venture was the common mode to enter foreign market and Malaysian clients were the most important source

of overseas projects. Finally, firm size and age had relationship and impact on the factors related to the internationalisation of Malaysian architectural firms. The findings from the present study can be use as guidance for newly internationalised firms as well as those intending to do so.

CHAPTER 1- INTRODUCTION

1.1 Industry Background

The Malaysian architecture has assimilated various influences over the years - from India (between the 7th and 14th century), Southern China (from the 15th century to the present), Portugal (between 1511 and 1641), Holland (between 1641 and 1975), Indonesia (in the 17th and 18th century) and lastly, Britain (1795 to 1957) (Ahmad, 1997). The greatest transformation of Malaysian architectural can be seen when the British conquered the Malayan Peninsular (Ho et al., 2005; Ngiom and Lillian, 2000). They controlled the entire Malayan Peninsular, including parts of Borneo, thereby influencing the development of towns for colonial occupation as well as for commercial interest (Ho et al., 2005; Ngiom and Lillian, 2000).

Although British influence was still relevant in the earlier years of independence, local architects who had overseas education began to emerge (Yeang, 1987). Local universities began to offer architectural courses, thereby generating home-educated architects. Over the years, the number of registered architects and firms had increased. They continue to influence the country's built environment (Ngiom and Lillian, 2000). Several architects have also gone international. They had been expanding into various countries as near as Singapore and as far as Canada. The Malaysian architectural firms have been involved in prestigious projects. For example, Teo A Khing Design Consultants Sdn Bhd (TAK Group) handled the master planning for the second and third palm, Jebel Ali and Deira, and designed Dubai's tallest residential tower, Burj Al Alam; T. R Hamzah & Yeang participated in the Trump Center Stuttgart in Germany and new National Library Building in

Singapore; and Hin Tan Architect collaborated with an airport consultant, Hochtief Airport GmbH, to design the Mother Teresa International Airport in Albania and was engaged to design the Det Kongelige Teater, Copenhagen Waterfront, Denmark. Comments and evidences about the international expansion of the Malaysian architectural firms overseas can be found in the publication by PSDC (2008) and news media (e.g. Ng, 2007; Yeang, 2001). However, there is no comprehensive report or document on this subject matter.

The interest to venture internationally by Malaysian architectural firms was generated by trade liberalisation (Ahmad et al., 2008). Recently, the Malaysian government announced the forthcoming liberalisation of the services sector, including architectural services. They also provide funds amounting to RM100 million under the Economic Stimulus Package, which is being managed by the Malaysian Industrial Development Authority (MIDA), to strengthen the local industry including the architectural sector in the face of impending open market.

1.2 Problem Statement

The Malaysian architectural firms had been internationalising since independence, venturing into countries like China, Vietnam and Cambodia. They are increasingly encouraged to internationalise because of expected market liberalisation (Ahmad et al., 2008). According to data published by Professional Services Development Corporation (PSDC) in 2008, there are 25 Malaysian architectural firms which have gone overseas. However, this publication did not provide the answer of why, how and when the Malaysian architectural firms had gone overseas. On the other hand, another study by Ahmad et al. (2008) only focused on the limitation to

internationalise by Malaysian architectural firms which had not gone overseas. At the time of the present study, only two international studies focus on internationalisation of the architectural services (i.e. Winch et al., 2002 and Winch, 2008) and these studies did not relate to the Malaysian context.

The internationalisations of Malaysian architectural firms are important for the home country's economic growth, national competitiveness and firm profitability. Therefore, it is necessary to provide a more meaningful understanding of all the factors that relate to the internationalisation of Malaysian architectural firms, and at the same time provide a new insight for current literature on the internationalisation of architectural services.

1.3 Objectives

The aim of this study is to look at the internationalisation of Malaysian architectural firms. In order to fulfil the aim of this study, a few objectives of the present study were formulated as follows:

1. To identify whether there are differences between internationalised and non-internationalised Malaysian architectural firms in terms of firm size, age, office location and legal status.
2. To examine the motives which internationalised Malaysian architectural firms consider important.
3. To examine the important strategic factors that include firm-specific, home country-specific, locational factors, market entry and market presence modes, and modes of securing projects which internationalised Malaysian architectural firms consider important to enter host countries.

4. To investigate the relationship between firm size and age on the initial market entry and continued market presence modes, and to investigate the differences and implications on both firm size and age for the rest of the variables that were examined.

1.4 Research Question

Based on the objectives outlined in Section 1.3, the following research questions are developed. The present study proposes thirteen research questions covering four broad areas of interest.

1. What are differences between internationalised and non-internationalised Malaysian architectural firms?

RQ 1: Do internationalised and non-internationalised Malaysian architectural firms differ in terms of firm size, age, legal status and office location?

2. Why do Malaysian architectural firms internationalise?

RQ 2: What are the important motives which led Malaysian architectural firms to internationalise?

RQ 3: Do firm size and age have implications for motives of Malaysian architectural firms to internationalise?

3. What type of competitive advantages do internationalised Malaysian architectural firms consider important to compete against host and other foreign firms in host countries?

RQ 4: Which firm-specific factors do internationalised Malaysian architectural firms consider important?

RQ 5: Do firm size and age have an impact on those firm-specific factors?

RQ6: Which home country-specific factors do internationalised Malaysian architectural firms consider important?

RQ 7: Do firm size and age have an impact on those home country-specific factors?

4. What type of locational factors do internationalised Malaysian architectural firms consider important, and how do they secure projects?

RQ 8: Which host country locational factors do internationalised Malaysian architectural firms consider important when entering host countries?

RQ 9: Do firm size and age have impact on those locational factors?

RQ 10: Which market entry and market presence modes are used by internationalised Malaysian architectural firms to enter foreign market?

RQ 11: Do firm size and age have the relationship with the initial and continued presence for the mode of market entry?

RQ 12: How do internationalised Malaysian architectural firms secure their projects from other countries?

RQ 13: Do firm size and age have impact on the choice of method for securing projects?

1.5 Outline of Thesis

This thesis is divided into seven chapters. Chapter 1 provides the background of the study as well as the details of the objectives and purpose of research. Chapter 2 gives an overview of architectural services in Malaysia. Chapter 3 reviews the literature on the internationalisation of architectural firms, and other literature which is related to the present study. Chapter 4 provides details on how the study was conducted and the

rationale behind the chosen approach. Chapters 5 and 6 present the findings and analysis respectively. Chapter 7 highlights the key findings, followed by suggestions for further studies.

CHAPTER 2- AN OVERVIEW OF ARCHITECTURE SERVICES IN MALAYSIA

2.1 Introduction

This chapter covers three aspects. First, a brief description on architecture history in Malaysia from the Indian influence until the present moment is highlighted. Second, it describes contemporary architectural services in Malaysia. Third, Malaysia's architectural services' contribution to the country's economy is then discussed. Finally, a summary is presented to conclude all explanations in this section.

2.2 History of Architecture in Malaysia

The history of Malaysian architecture can be divided into two eras – pre-independence and post-independence. For pre-independence, Ahmad (1997) summarises that Malaysia's architectural heritage was influenced by several architectural styles – Indian (between the 7th and 14th century), Southern Chinese (from the 15th century to the present), Portuguese (between 1511 and 1641), Dutch (between 1641 and 1975), Indonesian (in the 17th and 18th century) and lastly, British (1795 to 1957). The post-independence era began with British influence which subsequently waned as local architects began exerting their influence on the built environment. All these are discussed in this section.

2.2.1 Pre-independence era

The dominance of the Indian Kingdoms in the earlier centuries AD influenced the architectural style in the Malayan peninsular. They left their Hindu-Buddhist religious marks in the form of temples like the Candi Bukit Batu Pahat in Kedah

(Yeang, 1992). The immigrants from Southern China also influenced the architectural style in Malaya which manifested in, among others, walkway shop houses, terrace houses, associates building and Buddhist temples (Ahmad, 1997). They produced a style which came to be known as the Straits Eclectic, believed to originate from the 15th to the mid-20th century (Nasir, 1984). The Straits Eclectic style was a combination of Chinese traditional and Malay architecture, and later European influence for the building styles and construction technique (Yeang, 1992).

A permanent group of shopkeepers, craftsmen and farmers from Southern China established themselves in Malacca in the early of the 17th century, despite the fact that Chinese traders came as early as the 14th century. Many of these early immigrants came without their families ending up marrying the local Malays and developed the Baba and Nyonya community with their own unique culture. However there is little information on the architectural style of this community, although enough has been written about their social and cultural heritage. As cited by Yeang (1992), Ahmad (1994) there was a link between the Baba and Nyonya communities and the Straits Eclectic architectural style - the Heritage Museum at Jalan Tun Tan Cheong Lock, Malacca is one fine example.

Islam arrived in the Malayan Peninsular in the 14th century, as evidenced by the inscription on the Terengganu Stone (Batu Bersurat) at Sungai Tarsat, Kuala Berang, Terengganu. No ruins have been found to suggest that mosques were built at that time. Nor is there any historical record to describe the architectural style and materials used to build mosques in Terengganu (Nasir, 1984). Islam also arrived in the Malayan Peninsular through another route. According to Al-Tarikh Salasiah

Kedah, Islam arrived in Malaya through an Arab man, Sheikh Abdullah. It was mentioned that this Arab had built a mosque in Jerai mountain, Kedah (Nasir, 1984). If true, then it was the first mosque ever to be built in the Malayan Peninsular. Islam became a major influence when the Malacca Malay Kingdom was at its height of its power in the earlier 15th century. Malacca became the centre for traders and merchants from the Middle East, Indonesian and India, and some of them built mosques for the faithful (Ahmad, 1999). The main architectural style of the original mosques was built using three-tiered pitched roof which was the influence from Java (Vlatseas, 1990). This can be partly explained by the fact that both Malacca and Java were once ruled by the Dutch. But it is likely that Javanese seafarers travelling to the Peninsular played an important role in Malacca (Yeang, 1992).

The strategic location of Malaya as a route to the Spice Islands attracted the Portuguese who then conquered Malacca in 1511. Hence began the first western architectural influence in what was then Malaya. The colonial masters developed Malacca into a trading centre and popularised laterite as building material (Yeang, 1992). After Malacca was captured by Portuguese, the Malacca Sultanate fled to Johor and established a new kingdom. Then, beginning from 1679, the kingdom experience instability. Bugis and Minangkabau immigrants were originally brought in to quell the unrest. They contributed to the Malaya's architectural style, particularly in 17th and 18th century. The architecture style of the Minangkabau was a combination from the original Sumatran, Hindu and European influences (Yeang 1992). The Minangkabau roofs which adorn some buildings we see today are the evidence of the former's influence. In 1641, the Dutch defeated the Portuguese and colonised Malaya until 1795. One fine example of Dutch architecture is the

Stadthuys that is still preserved in its original structure and architecture and turned into a state museum.

The British was next to colonise Malaya. However unlike the two previous western colonial powers which only controlled Malacca, the British sphere of influence covered the whole of Malaya. The British blended their own architectural style with the Moghul architectural style of Indian Muslims in India (Ho et al., 2005). This allowed a great transformation in Malaya's architecture in towns such as Malacca, Georgetown and Kuching which were created due to the colonial occupation as well as commercial interests (Ngiom and Lillian, 2000).

In 1884, Sir Frank Swettenham, who was famous for shaping British policy and the structure of the British administration in the Malay Peninsula, introduced the Building Regulations that decreed the original attap hut settlement be rebuilt in brick or wattle with tiled roofs and allowance for a five-foot covered passageway by the road in front of the shop houses (Yoong, 1987). The policy was modified from the original Chinese shop houses which only used wooden material to support an attap roof and were opened to the street for the display of the ware before 1880s (Yeang, 1992). The Building Regulations was adopted in most urban communities in Malaya (Yoong, 1987). Between 1941 and 1945, the Japanese invaded Malaya. But their presence was too short to have any appreciable influence on the architecture in the country. Besides, construction activity almost came to a halt during the troubled times.

2.2.2 Post-independence era

After independence, the British influence was still strong, because most of the main architectural firms were still controlled by them who obtained commissions from the British Trading Houses (Ho et al., 2005). The influential British architect at the time was George Drumgold Coleman (Yeang, 1992).

Malaysian architects gradually began to emerge, having received their education in the UK and Australia (Yeang, 1987). They included T. S. Leong, Y. T. Lee and Fong Ying Leong who started their independent practices (Yeang, 1992). MAC (Malayan Architects Co-Partnership) was established by three British-trained Malayan architects (i.e. Chen Voon Fee, Lim Chong Keat, Wiliam Lim) who were later joined by the fourth partner, Lim Chin See. They built the Seremban Mosque, Penang National Bank and A&W drive in Subang Jaya. However MAC was dissolved in 1967. Local public universities started to emerge, and began offering architectural courses. In 1967, the School of Applied Arts (later named School of Arts and Architecture) at the then Institute Technology of MARA was established. In 1972, the Faculty of Architecture was set up in the University of Technology Malaysia. There are presently other universities, public and private, offering architectural courses. In the meantime, Malaysians continue to get their education abroad, the popular countries for architectural degrees being the United Kingdom and Australia.

The prominence of local architects in Malaysia's architectural scene was aided by legislation which restricted foreign participation. The Architect's Act 1967 defines foreign architect as a person who is not a citizen or permanent resident of Malaysia. The foreign architects only have the authority for temporary registration granted by

the Board of Architects Malaysia. As such it is not easy for them to work in Malaysia (Martin, 2008). Foreign architectural firms can only act as joint venture partners with local firms on specific projects, with authorisation from the Board of Architects (LAM). On the odd occasion, particularly for prestigious projects, foreign architects are welcomed. Examples include the Argentinian Cesar Pelli's who had joint ventured with local partner, RDA Harris Architects Sdn Bhd, to design the Kuala Lumpur Twin Towers (which was at one time the tallest building in the world). Another example is the Kuala Lumpur International Airport which was designed by Japanese Kisho Kurokawa's and its local partner Arkitek Jururancang (Malaysia) Sdn Bhd.

Architecture in Malaysia has changed much since the country gained independence more than 50 years ago. High-rise construction began emerging in the late 1960s. There are presently countless number of buildings throughout the country which bear vernacular architecture to project Malaysian and regional identity (Ngiom and Lillian, 2000).

2.3 Malaysian Architectural Profession and Firms

In this section, the numbers of registered architects and firms from 1981 until 2005 inclusively are discussed (data before and after the period were not available). The discussion is made in the context of the general economy.

In Malaysia, in order to become a registered architect, a graduate has to pass Part I and Part II examination set by the Board of Architects Malaysia. He or she must also complete the required practical experience and pass the LAM Part 3 Examination.

Figure 2.1 shows that the number of registered architects increased gradually from 1986 until 1996 inclusively, before suddenly augmenting between 1996-1999 from 1,406 to 2,903, i.e. a rise of 106.5%. From then on the number gradually increased before dipping slightly after 2003.

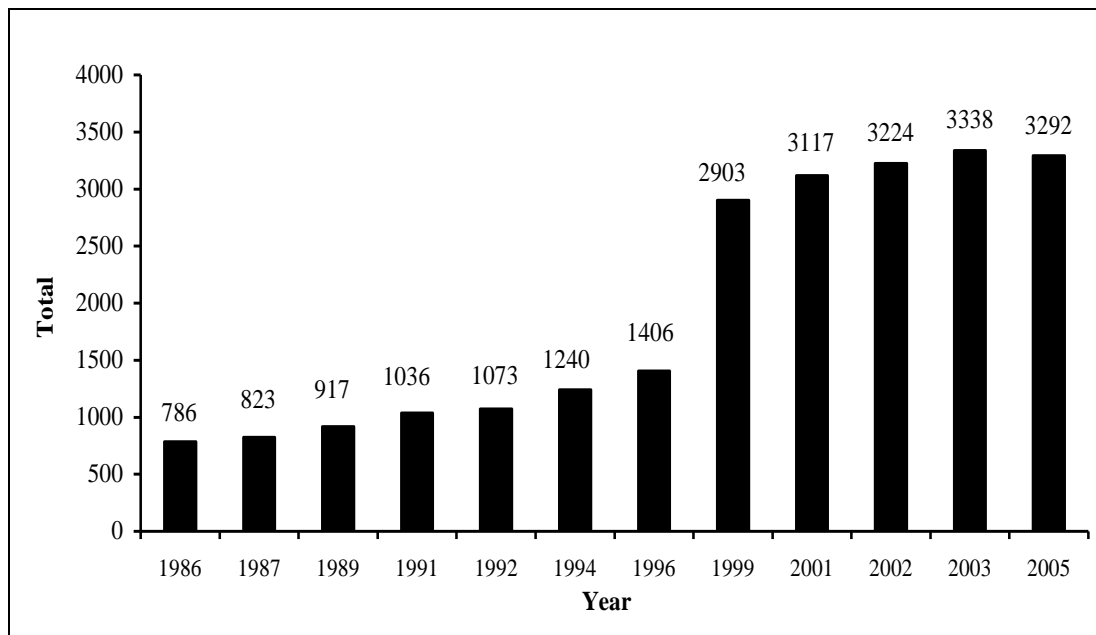


Figure 2.1: Number of registered architects in Malaysia from 1986 to 2005 (except 1988, 1990, 1993, 1995, 1997, 1998, 2000 and 2004)

Source: Yearbook of statistic 1988-1990, 1992-1993, 1996, 1998, 2000-2004, 2006, Department of Statistic Malaysia.

Paradoxically, the sudden rise of the number of registered architects between 1996-1999 took place when the national economy and construction activity were contracting rapidly (see Figure 2.2), presumably because the economic and construction slowdown provided the opportunity to further study and register as architects.

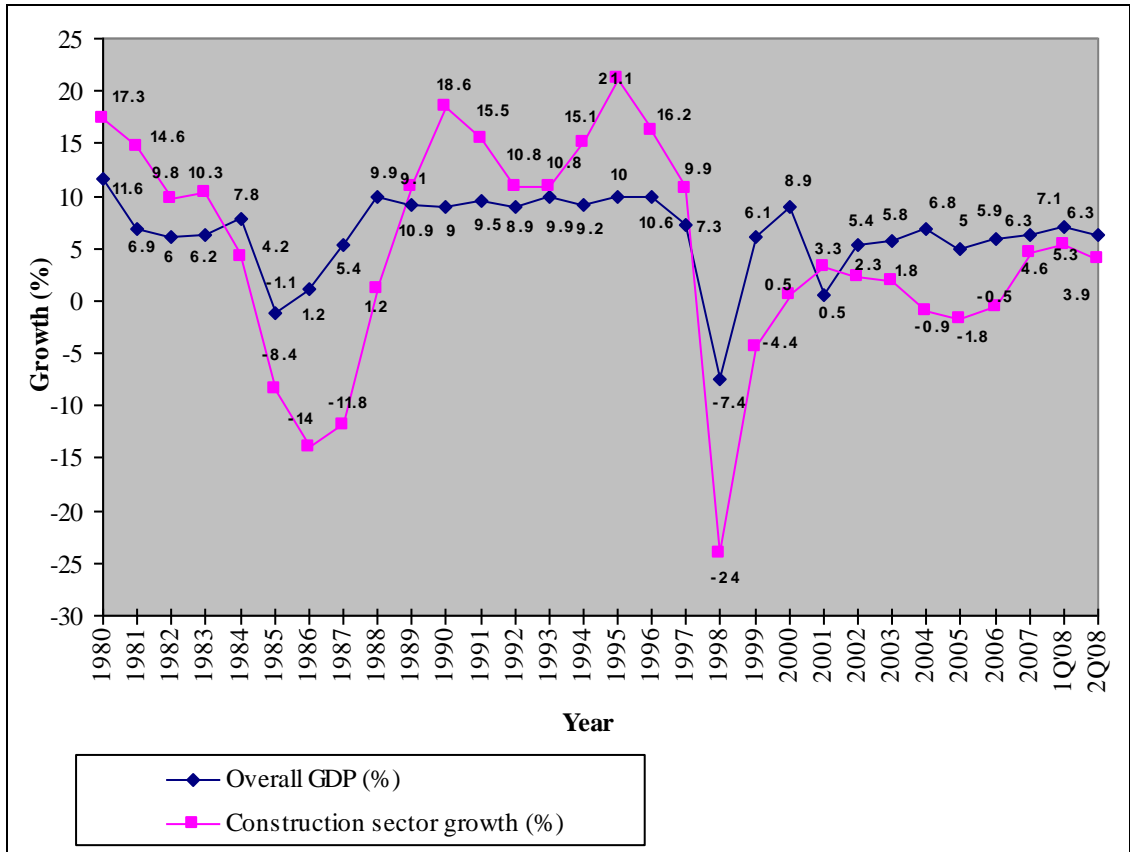


Figure 2.2: The national economy and construction growth contribution to GDP from 1980 - second quarter 2008

Source: Malaysia economic statistic: Time series 2007, the Malaysian economy in brief 2008, Department of Statistic Malaysia

Note: GDP and construction sector growth in year 1987-2000 are based on constant prices at year 1987 while 2001-2005 are based on constant prices at year 2000.

Moving on to architectural firms in Malaysia, the trend did not exactly follow the number of registered architects (see Figure 2.3). There was mild fluctuation between 1981-1992 inclusively. From 1994 onwards, there was a significant growth until 2005. The movement cannot be explained from the general economic and construction activity trend during that period as shown in Figure 2.2.

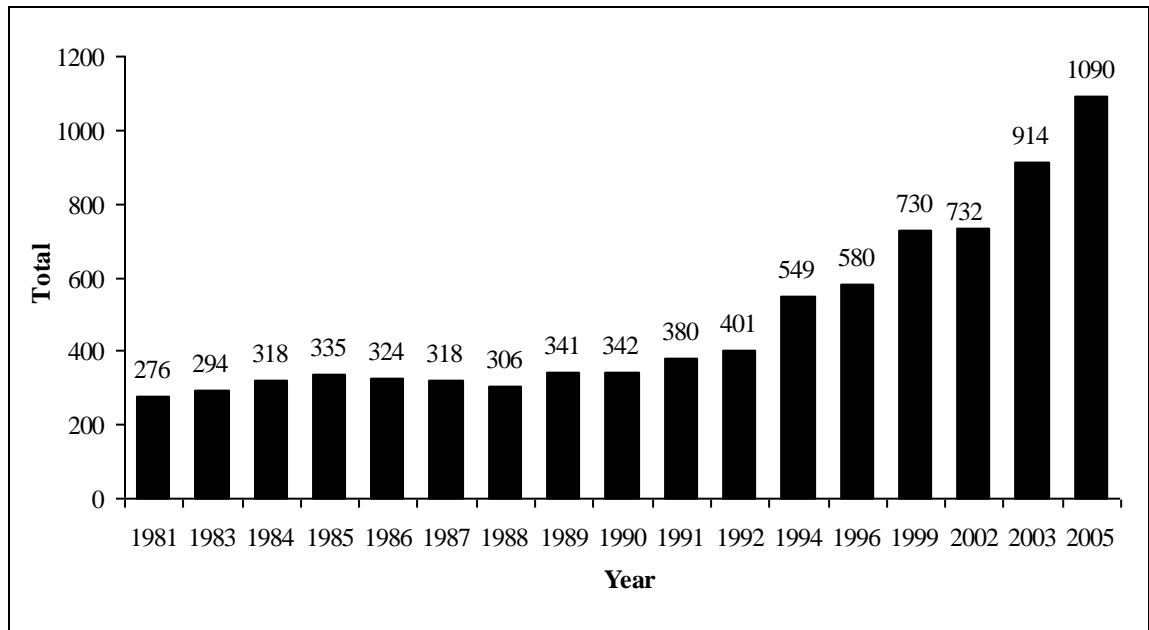


Figure 2.3: Number of architecture establishment from 1981 to 2005 (except 1982, 1993, 1995, 1997, 1998, 2000, 2001 and 2004)
 Source: Malaysia economic statistic: Time series 2007, Department of Statistic Malaysia.

To conclude, the number of registered architects and firms increased tremendously during the 2000s as compared to the previous decade. It is not the intention of this study to investigate the reason behind this situation.

2.4 Contribution of Architectural Services to the Economy

The contribution of the architectural services to the economy can be examined from two perspectives; the first is their contribution to gross domestic product (GDP), and the second to employment.

The architectural services have been playing an increasingly important role to GDP. This can be seen from Table 2.1 which shows its contribution of 0.14% in 1987 to 0.38% in 2005.

Table 2.1: Gross Domestic Product (GDP) contributed by architectural services from 1987 to 2005 (excluded 1993, 1995, 1997, 1998, 2000, 2001 and 2004)

Year	*National GDP (RM'million)	Architectural services in gross output (RM'million)	**Architectural services to GDP (%)
1987	81,085	121	0.14
1988	89,143	113	0.13
1989	97,219	138	0.14
1990	105,977	187	0.18
1991	116,093	274	0.24
1992	126,408	302	0.24
1994	151,713	434	0.29
1996	183,292	683	0.37
1999	193,422	638	0.33
2002	220,422	694	0.31
2003	232,496	753	0.32
2005	262,175	1000	0.38

Source: Yearbook of statistic 1988-1990, 1992-1993, 1996, 1998, 2000-2004, 2006, National Product and Expenditure Accounts 2006, Department of Statistic Malaysia

Note: * Constant at 1987 prices,

** Based on architecture services gross output as a percent to GDP

The architectural services sector has also been playing an increasingly important role in generating employment. In 1981, 3,359 persons were engaged in this sector. By 2005, the number had increased to 11,006, representing an increase of 327.7%. To put it differently, an average of 318.6 individuals joined the sector annually between 1981-2005 inclusively.

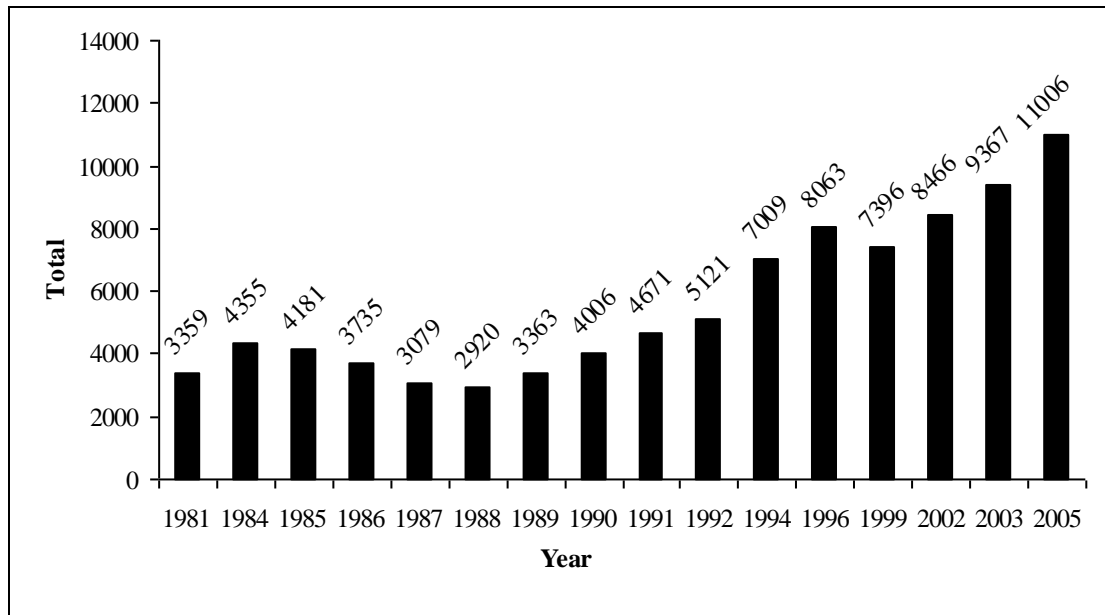


Figure 2.4: Total number of employees in architectural firms from 1981 to 2005 (except 1982, 1983, 1993, 1995, 1997, 1998, 2000, 2001 and 2004)
 Source: Yearbook of statistic 1988-1990, 1992-1993, 1996, 1998, 2000-2004, 2006, Census of professional services: private sector 2003-2004, Department of Statistic Malaysia.

To summarise, even though the architectural services have consistently been a small contributor to the economy, the analysis above shows that it's contribution have been ever increasing to both GDP and employment.

2.5 Summary

This chapter provides the backdrop to the study. It begins by providing a chronology of foreign influences on Malaysia's architecture. The chronology had been divided by two eras, which are pre-independence and post-independence eras. The following sections highlighted various aspects of the Malaysian architecture profession. It then shows that the number of registered architects and firms has increased over the years. One can expect the architectural practices to continue playing an important role in the economy.

CHAPTER 3- LITERATURE REVIEW

3.1 Introduction

Literature review was undertaken to get a general view of past studies done in similar subject matter. It was found that only two studies on firm internationalisation focused on architectural services, i.e. Winch et al. (2002) and Winch (2008). In fact, there are only a few studies which exclusively focused on architectural services, i.e. Winch and Schneider (1993), Albertsen (1996), Skaates et al. (2002), Day and Barksdale (2003), Ling (2005) and Ahmad et al. (2008). As a result, the literature review was widened to include published materials on services in general, followed by the manufacturing sector, if necessary. This chapter begins by reviewing the comparison between internationalised and non-internationalised on the aspects of firm size, age and location of office. Then, the study explores the firm's motives for operating abroad, followed by the factors which enable these firms to penetrate foreign markets and the locational factors considered when entering foreign market. The chapter is concluded by reviewing on modes of entry and securing projects.

3.2 Firm's Size, Age and Location of Office

The relationship between firm's size and export behaviour had been analysed by numerous studies. One common measure of firm size is number of employees (Bonaccorsi, 1992; Holzmuller and Kasper, 1991; Lee and Yang, 1990; Madsen, 1989 and Yang et al., 1992). The results by Keng and Jiuang (1989) found that exporting firms are larger than non-exporting firms. Similarly, the survey done by Winsted and Patterson (1998) also found that the exporting services firms are larger

than non-exporting firms. Kedia and Chhokar (1986) went even further to claim that most small and medium sized firms do not export.

Various scholars have tried to correlate the firm's age to internationalisation. Javalgi et al. (1998) and Lee and Yang (1990) noted that the tendency to export increases with age. Conversely, some studies indicate that younger firms show more interest in foreign markets than older and established firms (Kaynak and Kothari, 1984; Kirpalani and MacIntosh, 1980; Lee and Brasch, 1978 and Ursic and Czinkota, 1984). However, Diamantopoulos and Inglis (1988) and Cooper and Kleinschmidt (1985) reported no relationship between firm age and export propensity.

On other hand, the choice of headquarters location is also important for some firms. Lovely et al. (2005) who studied the headquarters location of firms that engage in exporting found that United States exporters' headquarters are more agglomerated, possibly to collect information from other headquarters especially when foreign market information is difficult to obtain.

3.3 Motives for Internationalisation

The literature review found ten motives for exporting. These are: top management decision, firm growth, firm profit, firm's image improvement, firm's resources exploitation, counter action to domestic business cycle, client's demand, response to competitor's move, home government encouragement and right time, right opportunities. They are all discussed below.

Top management decision

Axinn and Matthyssens (2002) point out that managers play an increasingly important role for the development of the firms' internationalisation strategies. The key role played by the attitude of managers in relation to international strategy has been widely recognised and emphasised in the literature (McAuley, 1999; Knight, 2000, 2001; Moen, 2002; Dess et al., 2003; Pla-Barber and Escriba-Esteve, 2006). Axinn (1988) indicates that top management choose to ignore complexities in international expansion when they have positive attitudes towards exporting. The top managers influence their firms through their decisions, values, vision and the like (Ancona and Nadler, 1989; Hambrick and Mason 1984; Pettigrew, 1992). For small firms, Miesenbock (1988) note that the key variable in small business internationalisation is the decision maker of the firm. They use their skills and knowledge as a predictive and influential on pattern of internationalisation (Miesenbock, 1988; Oviatt and Mc Dougall, 1994; Reid, 1981).

Firm growth

The literature review suggests that whether firms are small or large, firm growth can be a motive for internationalisation. According to Leonidou et al. (2007), most of small firms' initiatives to expand abroad stem from the desire to become larger. Javalgi et al. (2003) state that one of the factors for international expansion in larger firms is firm growth. This is consistent with Howes and Tah (2003) who found that, to achieve growth, it is important to identify new markets. The banking sector for example, especially from the developed countries, was found to expand abroad for larger growth (Tschoegl, 2002).

Firm profit

Several studies have found profit opportunity in overseas market as a significant reason for firms choosing to export (Rabino, 1980; Piercy, 1981; Kaynak and Kothari, 1984; Bilkey, 1978). Cavusgil (1984) found that a higher expectation for profits is a major factor for export activity. Additionally, Crosthwaite (1998) established that the desire to increase long term profit is a very important reason for operating overseas among British construction companies.

Firm image

Shostack (1977) suggests that image is a method of differentiating and representing an entity to its target market. Hence, professional firms attempt to build their image through quality and performance perceptions (La et al, 2005). Koch (2001) found that in certain industries, being present in leading market is the important criterion for those companies that want to build and sustain the image of being leading global suppliers. Firm image is related to the firm's reputation. This is based on observation by Granovetter (1985) who states that other people's opinion of firm image is related to the reputation of the firm.

Exploit firm resources

Cort et al. (2007) explain that the critical key to firm level international success strongly relates to how managers view resources. Karadeniz and Gocer (2007) point out that larger firms have more resources for their international activities. Similarly, Javalgi et al.'s (2003) research among 228 business-to-business service firms found that larger businesses are more likely to operate internationally because they have more resources to commit to international expansion, and is better able to cope with

the risks linked with it. Resources are needed for absorbing the high costs of marketing, for enforcing patents and contracts, and for achieving economies of scale (Hood and Young, 1979). The size of the firm reflects its capability for absorption of these costs (Buckley and Casson 1976; Kumar 1984).

Counter domestic business cycle

The study done by Rocha et al. (1990) reports that some exporters increase exports when they experience decrease in domestic sales. For example, the decline in the Danish market in the early nineties and the market booming in Germany at the same time gave opportunity for Danish architectural firms to enter the German market (Skaates, 2003). Interestingly, smaller firms entering foreign markets because of domestic financial problems are found to have only a modest effect on exporting (Leonidou et al., 2007).

Respond to client's demand

The opportunity for firms to go abroad might arise when their clients go international (Vandermerwe and Chadwick, 1989). Sometimes, the firm might be forced to follow in order to maintain client relationship. Various industry studies support the observation that clients can be the motive for penetrating foreign markets – architecture (Winch, 2008), banking (Khoury, 1979; Nigh et al. 1986; Tschoegl, 2002), advertising (Weinstein 1977; UNCTC 1979; Terpstra and Yu, 1988), accounting (Daniels et al., 1989), law (Spar, 1997) and management consultancy (Aharoni, 1997). The firm may even be willing to follow the client to countries with long cultural distance (Majkgard and Sharma, 1998). Crucially, following customers

overseas prevents competitors from gaining access to those customers, and enable firms to have a guaranteed customer base (Ball and McCulloch, 1999).

Respond to competitors' move

There are service firms which export when their main local competitors decide to expand abroad (Alvarez-Gil et al., 2003). This behaviour has been termed as 'follow the leader', which can be regarded as a defensive strategy (Li and Guisinger, 1992). Moreover Griffin and Pustay (1995) also note that the motive for following their competitors abroad is to keep pace with them.

Home government's encouragement

National strategies, policy reviews and trade promotion initiatives by government can boost export potential of business and professional services (Riddle, 2005). Imbert (1990) found that the most important factor for firm international expansion is strong home government encouragement and support. Contrastingly, Ling and Chan (2008) found that the exporters in Singapore do not depend on government encouragement to expand abroad.

Right time, right opportunities

Merrilees et al. (1998) and Mockaitis et al. (2005) agree that the internationalisation of firms into foreign markets may be viewed not as carefully planned, but as accidental. Freeman and Sandwell (2008) observe that the opportunities arise and appear at irregular times, and the firms then normally acts in a responsive manner.

3.4 Factor in Enabling Firms to Penetrate Foreign Markets

The literature on factors which enable the firm to penetrate foreign markets is divided into two sub-headings; firm and home country-specific factor.

3.4.1 Firm-specific factor

Firm-specific are factors possessed by the firm which enable it to penetrate foreign markets. Seven firm advantages were identified: domestic and international reputation, financial capital, quality of service, competitive fees, innovative work process and ideas, good client relationship and experienced and capable workforce.

Firm's domestic and international reputation

Reputation is defined as other people's opinion of an individual's trustworthiness, image, professionalism and competence (Granovetter, 1985). Good reputation is a key asset that can also be a sustainable competitive advantage for the firm (Dollinger et al., 1997; Hall, 1992; Mahoney and Pandian, 1992). Ling (2005) in her study found that having an excellent track record in the home country is the strength for foreign firms that work in China. Moreover, success domestically can provide opportunities for the firm to win overseas project (Ling and Chan, 2008). Also, Ling, (2005), indicates that foreign firms undertake projects in China due to their established international reputation. Established reputation is important to attract market attention. The firm can obtain repeated work from satisfied clients or new work from new clients based on their established reputation (Winch, 2008).

Large financial capital

A firm's ability to commit resources to the market also leads to successful internationalisation (Aaby and Slater, 1989; Johanson and Vahlne, 1977). As firms expand beyond their domestic borders they require large financial commitment to accommodate increasing risks (Aaby and Slater, 1989; Cavusgil, 1984). Cort et al. (2007) found that the managers view resources as a critical key to firm level international success. Contrastingly, Coviello and Martin (1999) found that the financial resources in the technical consultancy firms do not influence the initial or subsequent internationalisation decision.

Quality of service

Quality can be defined as 'conformance to specification' (Crosby, 1980). Crosby (1980) stipulates that if a product does not meet the specified standard defined according to customer demand and requirements, then it is defective, i.e. the customer will be dissatisfied with the product. For services, Fowder (2007) distinguishes technical quality from functional quality. Technical quality refers to the delivery of the core service or outcome of the service (what is offered and received), while functional quality refers to the service delivery process or the way in which the customer receives the services (how the service is offered and received). Both aspects are important because the service quality can lead to firm's success. In fact Ling (2005) reported in her study that having high service quality is one of the strength for firms to undertake projects in China. Griffin and Pustay (1996) state that the higher quality can offer higher productivity and can help firms to develop and maintain client trustworthiness. For accounting firms, service quality is as important as the marketing approach for customer satisfaction (Ozer et al, 2006).