COMPETITIVE STRATEGIES IN QUANTITY SURVEYING (QS) FIRMS DURING THE ECONOMIC TURBULENCE PERIOD (2006-2010) IN MALAYSIA

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DECLARATION

I declare that this dissertation entitled "Competitive Strategies in Quantity Surveying (QS) Firms During the Economic Turbulence Period (2006-2010) in Malaysia" is the result of my own research except as cited in the references. This dissertation has not been accepted for any degree and is not concurrently submitted in candidature of any other degree.

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LIST OF ABBREVIATIONS

BQSM	Board of Quantity Surveyors Malaysia
CIDB	Construction Industry Development Board
GDP	Growth of Domestic Product
IT	Information technology
SME	Small Medium Enterprise
SPSS	Statistical Packages for Social Sciences
QS	Quantity Surveying

STRATEGI PERSAINGAN DI FIRMA UKUR BAHAN SEMASA KETIDAKSTABILAN EKONOMI (2006-2010) DI MALAYSIA

ABSTRAK

Perubahan pesat dalam pasaran dunia memberikan cabaran yang sengit terhadap firma-firma dalam industri pembinaan. Firma perlu mengaplikasikan strategi persaingan yang bersesuaian dengan objektif firma untuk bersaing. Firma ukur bahan adalah berbeza dengan firma yang yang berasaskan produk kerana firma ukur bahan menawarkan perkhidmatan profesional dalam industri pembinaan, berbeza dari segi hubungan firma dengan pelanggan serta berbeza daripada cara persaingan antara firma yang sedia ada dalam industri mahupun firma-firma yang baru. Terdapat empat strategi persaingan dalam industri yang dapat dikenal pasti iaitu strategi pengurusan kos, strategi fokus, strategi perbezaan dan strategi pertumbuhan untuk meningkatkan daya saing. Adalah penting bagi pemilik-pemilik firma ukur bahan untuk memilih strategi persaingan yang paling sesuai untuk mengekalkan daya saing mereka dalam industri. Kejayaan sesuatu strategi dapat dikenalpasti melalui prestasi perniagaan yang ditunjukkan oleh firma. Kajian ini dijalankan untuk menyiasat strategi persaingan antara firma ukur bahan semasa tempoh ketidakstabilan ekonomi (2006-2010). Pertama, strategi persaingan yang diaplikasikan dalam tempoh 5 tahun iaitu dari tahun 2006 ke 2010 dikenalpasti. strategi persaingan yang diaplikasikan oleh firma-firma ukur bahan yang berbeza saiz perlu dikenalpasti. Kedua, strategi persaingan yang diaplikasikan oleh firma-firma ukur bahan yang berbeza saiz perlu dikenalpasti. Akhir sekali, prestasi perniagaan firma-firma ukur bahan dikaji. Soal selidik di firma ukur bahan telah dijalankan di sekitar Kuala Lumpur dan Selangor dan data yang berjaya dikumpul adalah sebanyak 48%. Data yang berjaya dikumpulkan dari soal selidik dianalisa menggunakan analisis deskriptif. Keputusan

bagi objektif pertama menunjukkan bahawa 'strategi perbezaan' adalah strategi yang paling digemari manakala 'strategi pertumbuhan' adalah strategi yang tidak digemari. Bagi objektif kedua, keputusan menunjukkan bahawa 'strategi perbezaan' adalah strategi persaingan yang paling diaplikasikan dalam firma-firma yang bersaiz kecil, sederhana dan besar. Di bawah 'strategi perbezaan' pula, 'strategi penjenamaan' adalah elemen kompetitif persaingan yang paling penting bagi semua saiz firma. Penemuan bagi objektif ketiga menunjukkan bahawa prestasi perniagaan yang tertinggi bagi firma-firma kecil dan sederhana adalah pelanggan sedia ada yang sentiasa mendapatkan perkhidmatan mereka manakala bagi firma besar, bilangan projek-projek yang dimiliki oleh firma itu menunjukkan prestasi yang tertinggi. Saiz firma dilihat tidak mempengaruhi pemilihan strategi yang dipilih bagi persaingan di Malaysia. Firma-firma ukur bahan ternyata lebih cenderung kepada 'strategi perbezaan' dan kebanyakkannya menunjukkan prestasi perniagaan yang baik.

COMPETITIVE STRATEGIES IN QUANTITY SURVEYING (QS) FIRMS DURING THE ECONOMIC TURBULENCE PERIOD (2006-2010) IN MALAYSIA

ABSTRACT

Rapid change in the global marketplace offers formidable challenges to firms in the construction industry. These firms need to apply competitive strategies appropriate to their objectives to keep an edge over the competition. By offering professional service in the industry, quantity surveying (QS) firms are different from product-based industries in terms of services provided, relationship between firm-client, and competitive style with existing and new firms. Four common types of competitive strategies exist in the industry: cost-leadership, focus, differentiation, and growth strategies. Selecting the most appropriate competitive strategy to remain resilient in the industry is essential for QS firms. The success of any strategy adopted is determined by the performance of the firm. This research aims to investigate the application of competitive strategies of QS firms by studying the strategies applied by these firms during the economic turbulence period (2006 to 2010). First, this research identifies the strategy adopted within five years, that is, from 2006 to 2010. Second, it identifies the competitive strategies applied by QS firms based on their sizes. Finally, it examines the business performance of QS firms. A survey has been conducted among QS firms located in Kuala Lumpur and Selangor, and the response rate is 48%. The data gathered is analysed using descriptive analysis. The finding for the first objective reveals that differentiation strategy is the most preferred competitive strategy, whereas growth strategy is the least preferred. For the second objective, the finding indicates that differentiation strategy is the most applied competitive strategy among small, medium-sized, and large firms. Under differentiation strategy, 'branding strategies' is the most important competitive element for all firm sizes. The

finding for the third objective shows that the highest business performance achieved by small and medium-sized firms is 'existing client seeking their services', whereas for large firms, 'the number of projects in hand' shows the highest score. One concern is that in Malaysia, the size of a QS firm does not affect the choice for competitive strategies. QS firms mostly prefer differentiation strategy and perform efficiently by applying this strategy.

CHAPTER 1

INTRODUCTION

1.1 Introduction

Quantity surveyors are widely known for their role as key players in the construction industry by providing consultancy and by managing financial-related issues for clients. To keep up with increasing competitiveness, quantity surveyors diversify their services beyond traditional boundaries to those concurrent with escalating demands from clients and increasing pressures in the industry.

An exigent construction industry demands all players in construction firms, including quantity surveyors, to continuously improve their services to develop a competitive edge. Employing the right strategy is crucial because rivalry is not limited to local existing firms but extends to new entrants and foreign firms. Quantity surveyors are traditionally known for their cost-estimating services in the construction industry but have recently expanded to provide more diversified services. A consultant quantity surveyor will provide service to their clients from the initial appointment until the project concludes, with a certain amount of professional fee involved, which in turn, will be used to sustain the firm of the quantity surveyor. The survival and eventual growth of such firms shall depend on the number or continuity of projects secured without intermission. Quantity surveying (QS) firms need to develop new opportunities, geographical locations, and methods of conducting business. They should respond to environmental threats, seek project opportunities (Davies, Gilbert,

and Swartz, 2005), remain vigilant, and adapt to current market changes by implementing alternative strategic choices guided by intelligent decisions to enhance their performance.

The construction industry in Malaysia is facing a challenging future because of tough competition (Adnan and Jusoff, 2009). The industry is changing as a result of advancements in technology and research, as well as of the active collaboration between the government and various professional organizations to promote continuous improvement in the industry. A large number of QS firms exist in the industry; and each firm is competing with each another to remain active. In 2011, a total of 316 QS firms were registered under the Board of Quantity Surveyors Malaysia (BQSM). These firms are actively competing and the number of new QS firms entering the market on an annual basis is increasing (BQSM, 2011; Hassan, 2010). The role and scope of services of QS firms are continuously expanding to adapt to the latest demands of the clients and the construction industry (Hanid, Zakaria, Karim, Wahab, Stabal, and Lee, 2007). Regardless of size, each firm has to outperform one another to win projects and remain strong in the industry. The existence of small, medium-sized, and large QS firms has resulted in different levels of competition. Well-established firms with good reputation take a more advantageous position to secure new projects, whereas new or smaller firms struggle to build their reputation and seek new clients. Medium-sized firms are dominating the construction industry in Malaysia (Abdullah and Haron, 2007). According to Bishop and Megicks (2002), firms of different sizes place greater emphasis on different strategic positions.

Firms need to respond to environmental threats and opportunities by adopting alternative strategic choices guided by intelligent decisions to enhance their performance (Child, 1972) and to fulfill the requirements of current market situations and client expectations. As demands and expectations from clients increase, QS firms must outperform each other to be the "chosen one." Quantity surveyor should realize that they cannot sell their services automatically regardless of how good they are at delivering them (Low and Ming, 1997). Given that QS firms cannot advertise their services like other common products, they need to find appropriate measures to market their services. Building their reputation, strengthening their company profile, and actively participating in construction projects are among the measures that QS firms can employ to build their name in the industry. These measures can also help them compete in the industry.

In satisfying the demands of competitive environments, firms can develop their capabilities and build their strategies accordingly to suit competitive environments (Chew, Yan, and Cheah, 2008). Choosing the most appropriate competitive strategy is a key to success. Given that the styles for competing vary, adopting a clear strategy during the early stage of planning is vital to ensure that a firm is in the right path to accomplish success and business longevity. Adopting the right strategy is essential to success because it helps a firm reshape its competitive style, identify the strengths of its competitor, and strengthen its competitive stance. The choice of competitive strategies is basically derived and influenced by the objectives, strengths, weaknesses, resources, and capabilities of a firm. Porter (1985) introduced three generic strategies: cost-leadership, differentiation, and focus strategies. Warszawski (1996) added growth strategy into the context.

The manner in which firms compete and their chosen strategies are important in building their competitive positions and actions. The chosen strategy shall influence the performance of a business (Ormanidhi and Stringa, 2008). This chapter highlights the background of the research and justifies its significance. The issues and problems are highlighted, culminating in the objectives of the research. The chapter concludes with a guide to the overall thesis.

1.2 Background of the Study

Construction is a risky business, thus firms should continuously monitor and compare their current and past business performances to determine in which areas are improvements necessary. 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).

Understanding how businesses adopt appropriate competitive strategies to succeed has been the core of strategic management research for decades (Hitt, Ahlstrom, Dacin, Levitas, and Svobodina, 2004). The competitive strategy concept has been extensively used and studied among researchers since its introduction by Porter in 1980. Porter (1985) defined competitive strategy as the search for a favorable position of a firm to establish a profitable and sustainable place in an industry in which fundamental competition occurs. According to Dikmen and Birgonul (2003), competitive strategy, also known as business strategy, focused more on the ways of

competing. Although various definitions are provided by different researchers, competitive strategy is the appropriate approach used by a firm in striving for success and standing out among their rivals in a competitive environment.

Numerous competition styles exist among firms, and they can be generally categorized into three competitive strategies, namely cost-leadership, focus, and differentiation strategies, as suggested by Porter (1985). Several studies have demonstrated the concept of competitive strategies and their usefulness based on the approach of Porter (Dess and Davis, 1984; Hambrick, 1981; Hambrick, 1983; Hawes and Crittenden, 1984; Mosakowski, 1993). Cost-leadership strategy focuses on reducing cost in productivity or administration to offer low prices to customers. Differentiation strategy creates a unique product or delivers services different from those being offered by rivals in the market. Focus strategy pays attention to a specific market niche, geographical area, or clients. Porter proposed that firms planning to pursue any of these recommended strategies will succeed and outperform rivals who do not pursue such strategies (Ormanidhi and Stringa, 2008).

These generic strategies proposed by Porter were originally only applied to product-oriented firms such as those belonging in the manufacturing industry (Winch and Schneider, 1993). These strategies were not immediately applicable to firms offering professional services. However, the application of these generic strategies later extended into different settings, such as health care, finance, and service-based firms (Kale and Arditi, 2002).

These generic strategies were also adopted by the construction industry. Scholars have applied Porter's strategies with a relevance framework to make them suitable for construction firms (Betts and Ofori, 1992; Winch and Schneider, 1993; Vehosky, 1994; Jennings and Betts, 1996; Pinto, Rouhiainen, and Trailer, 2000; Huovinen, 2001; Langford and Male, 2001; Rapp, 2001; Kale and Arditi, 2002). Warzawski (1996) proposed that any firm can: (1) adopt cost leadership strategy by standardisation of products, training of employees, technological advancements, and programs; (2) adopt differentiation strategy by implementing higher standards for products, higher quality of products, faster project completion, and by varying the services being offered to clients; and (3) employ focus strategy by focusing on certain types of projects, geographical areas, and clients. Another research (Betts, Clark, and Ofori, 1999) found that competitive strategies are useful in analyzing competitive advantage sources in the construction industry.

A study by Jennings and Betts (1996) indicated that the aforementioned generic strategies could be applied to service-based firms such as QS firms. This finding is also supported by the research of Boon (2001), wherein QS firms were identified as reacting to market competitiveness by lowering their cost structures and competing on the lowest price basis (cost-leadership strategy), offering value-added services by emphasizing on providing extended advice to clients (focus strategy), and offering alternative services (differentiation strategy). Warzawski (1996) analyzed the application of Porter's three generic strategies in the construction industry and introduced another strategy, that is, growth strategy. Growth strategy guides a firm by increasing its market share or expanding its market, locally or internationally. This implies that an organization or company can adopt four generic competitive strategies

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instead of three in recognizing its strengths and weaknesses before applying the right strategy.

According to Porter (1980, 1985), firms can generate competitive advantage by being the low-cost producer in an industry or by making its products or services different from those of other businesses. Either of these approaches can be accompanied by focusing organizational efforts on a given segment of the market. Previous studies by researchers and scholars such as Betts and Ofori (1992), Chinowsky and Meredith (2000), Dikmen and Birgunol (2003), and Warzawski (1996) stated that the business performances of firms should be evaluated to determine the position of a company in the construction industry. Research does not only suggest a relationship between strategy and performance, but also indicates that performance measures can, and perhaps, should be linked to strategy (Govindarajan and Gupta, 1985; Abernethy and Guthrie, 1994; Ittner, Larcker, and Randel, 2003). Companies can achieve better performance by pursuing several types of competitive strategies. Generally speaking, various competitive strategies adopted by firms will influence their performance in different ways (Porter, 1980; Slater and Narver, 1993; Mosakowski, 1993; Hashim, 2000).

1.3   Problem Statements

The construction industry constitutes an important segment of the Malaysian economy. Malaysia experienced unstable economic period during 2006 to 2010. 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, and Malaysia was no exception because Malaysian companies were facing increasingly tough competition, locally and internationally, even before the crisis (Seah and Yasoa', 2010). Based on Table 1.1, 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 only recorded in the first quarter of 2009 (Abidin and Rasiah, 2009). Since the global economic crisis in 1998, the Malaysian government had taken drastic measures to prevent the economy from spiraling downward (Italia, 2012). Thus, in 2008 and 2009, two rescue packages with attractive fiscal stimuli totaling RM67 billion (US$18.1 billion) were introduced by the government to absorb 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 1.1 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, Monthly Statistical Bulletin, July 2009.

In 2008, GDP growth was registered at 4.2%, which was a significant decrease from 7.3% in 2007 (Table 1.2). A 1.6% growth increase was recorded in the construction sector in 2009. The construction sector was the only sector that recorded a positive growth for every quarter of 2009 (Mansor, 2010). The improvement was driven by the implementation of various projects introduced by the government under stimulus packages, such as the construction of low- and medium-cost housing, the upgrading, maintenance, and repair of public buildings, and the relative stability of building material prices (ISI Analytics, 2010; Mansor, 2010). Most construction projects in 2009 were from non-residential, social amenity, and infrastructure segments, whereas residential segments dropped amid consumer concerns over economic instability, the wait-and-see approach of developers, and the weak economic climate, which, in turn, forced banks to tighten conditions for loan approvals that ultimately affected construction developers (Asia Construct, 2010).

Table 1.2 Output value for construction sector GDP in RM million 2000 in prices from 2006 to 2010

Year	Output Value for Construction Sector GDP in RM million 2000 Prices	GDP Growth (%)
2006	14, 639	-0.5
2007	15,332	7.3
2008	16,366	4.2
2009	17,321	5.8
2010	18,220	5.1

Source: 2010/2011 Ministry of Finance Economic Report

As shown in Table 1.3, construction projects in the local market hit the mark at 5,854 in 2006 and increased by 20.76% to 7358 projects in 2007. However, the local market became sluggish in 2008, with the total number of projects sliding by 11.36% to 6,522 projects. Total project value increased dramatically (53.12%) in 2007 from RM60, 926.99 million in 2006, followed by a reduction of 8.69% in 2008.

Table 1.3 Numbers and values of projects awarded by category from 2006 to 2010

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

Source: Construction Industry Development Board Malaysia Construction Statistics Quarterly Bulletin (2011)

The increase in the number of registered QS practices indicates that competition from

new entrants is increasing in the Malaysian construction industry (Figure 1.1). Despite of inconsistent economic growth within the years, the number of QS firms had increased by approximately 12.73% from 2007 to 2010. In 2008, the total number of registered QS practices was 289. The number increased to 301 in 2009, up by 4.2% despite the turbulent economy. Apart from economic instability, existing QS firms also face competitive pressure from the increasing number of new rivals. This situation adds to the need for an effective competitive strategy.
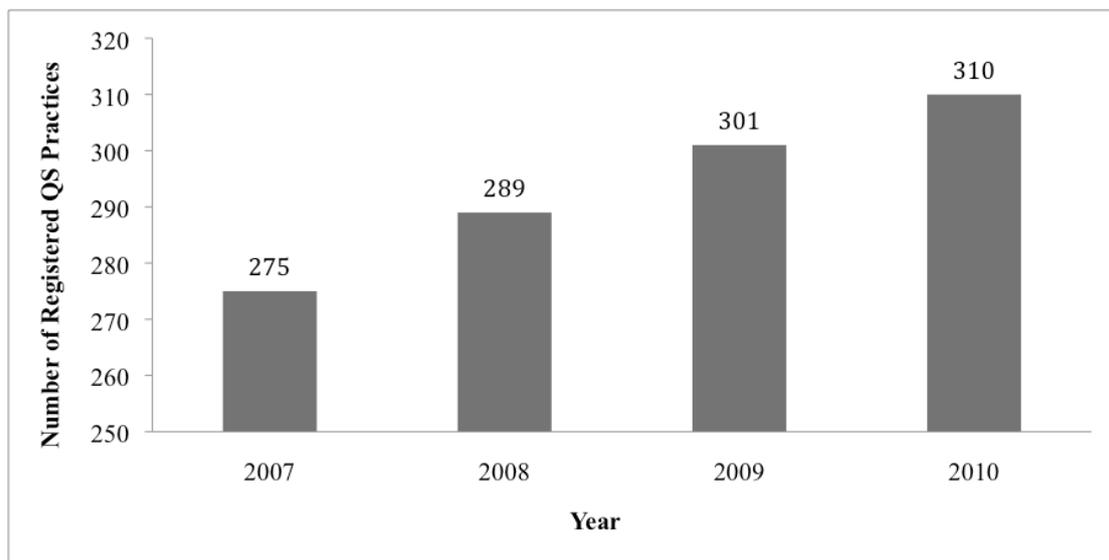
Figure 1.1 Number of registered QS practices between 2007 and 2010

*Data for 2006 is not available.

Source: Abdullah and Haron (2007); BQSM Web site (2011)

Economic fluctuation is not a factor that can be controlled by an organization with respect to company strategy and planning. However, this factor has a major effect on successive factors that can cause the downfall of a firm if it fails to adjust its strategies to allow it to pass through rough patches. As such, competitive strategy flexibility during economic instabilities can be a smart move for ensuring that firms

can retain existing clients or obtain new ones, thus allowing their business to stay afloat. The effects of an economic turmoil may vary among firms of different sizes. Large firms may have felt the effects harder than small firms because of the huge expenditures and liabilities of the former. However, small firms may also be facing problems with respect to acquiring new projects because large firms may have bigger client pools, and as such, have the advantage of having a reputation built from previous experience. Given this situation, firms of various sizes may adjust their competitive strategy differently according to their needs and survival "instinct."

In Malaysia, few studies focusing specifically on the QS field have been conducted. These studies include the research by Zakaria, Munaaim, and Khan (2006) on Malaysian QS education framework, and the work of Hanid et al., (2007) which ventured on QS services in non-construction sectors. In the work of Abdullah and Haron (2007), current scenario and perceptions on the future directions of QS firms were provided. More recently, Hassan (2010) conducted research on the strategic planning process of QS firms. Research into competitive strategy has been carried out by Hashim (2000) who claimed that the performance of small-to-medium enterprises (SMEs) in Malaysia varies with their choice of business strategies, whereas the study of Jusoh and Parnell (2008) focused on gaining better understanding of competitive strategies and their effects on the performance of manufacturing companies which are different from QS firms because the former are product-based companies. Studies have also been carried out on competitive strategies in the hotel industry and in SMEs but research focusing on the quantity surveying field is lacking.

1.4   Research Aim and Objectives

This research aims to investigate the application of competitive strategies in QS firm by studying the strategies used among the QS firms from 2006 to 2010. The effectiveness of the strategy used will be investigated by evaluating the business performances of the firms. To address this aim, the following objectives are developed:

Objective 1: To investigate the strategy adopted within 5-years which is from 2006 to 2010.

Objective 2: To identify the competitive strategies applied in QS firm based on 3 different sizes: small, medium and large firms.

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

1.5   Significance of research

Studies on QS firms in Malaysia, particularly in the field of competitive strategy, are few. Based on the previous discussion (Figure 1.1), the competition faced by QS firms in Malaysia is stiff because the number of firms is increasing every year despite the economic turbulence period in the construction industry. QS firms must identify and understand their objectives and determine the characteristics of their surrounding environment to formulate an appropriate competitive strategy. Applying the right competitive strategy will lead to better business performance.

Given that the economic situation is probably moving in a cyclical pattern, the probability of another round of economic downturns is likely to occur in the future. This study will be useful to service providers in the construction industry, not limited to QS firms, in preparing for the future to be able to face any adversity in the economic situation. The study reveals that during an economic downturn, numerous QS firms are still striving by adopting differentiation strategy.

1.6   Scope of the Research

This study focused on the unstable economic period from 2006 to 2010, during which Malaysia experienced economic fluctuations. The study was conducted during an economic fluctuation period of five years to investigate which strategy was preferred by QS firms when battling economic instability and how well did they perform during that period.

This research focused on QS firms in the Kuala Lumpur and Selangor area. The respondents were from the top management level of QS firms in the two states. According to the Department of Statistics Malaysia (2011), construction activities were concentrated in the central region of Malaysia, which consists of Kuala Lumpur and Selangor. Both states contributed the highest gross output in Malaysia because of the rapid construction development resulting from the objective to position Klang Valley as the "heartbeat" of the nation (Department of Statistics Malaysia, 2011). Thus, this study concentrated on the central region because this area is the rapidly developing region in Malaysia.

1.7 Research Methodology

There are 11 stages that need to be carried out in order to achieve the objectives. A brief overview on each step of the process should be outlined as it consists of series of actions to effectively carry out research. The flow of this study consists of (1) identification of problems; (2) establishing aim and objective; (3) extensive literature review; (4) preparing the research design; (5) identifying research problems; (6) deciding on population and sampling; (7) designing questionnaire; (8) conducting pilot study; (9) data collection; (10) data analysis; and (11) conclusion of the results. Both primary data and secondary data need to be obtained to fulfill the studies' objectives. Secondary data can be obtained from books, journals, databases, academic literature, magazines, articles, newspapers and relevant sources from the Internet. Literature reviews regarding the relevant information on competitive strategy adopted by QS firms and their business performances were extracted in this study. Quantitative approach has been conducted. In this research, primary data will be obtained through questionnaire. QS firms in Kuala Lumpur and Selangor area will be approached for the survey to identify the application of competitive strategies in their firms.

1.8 Guide to the thesis

Chapter one presents the background of this research, the objectives to be achieved, the scope and the significance of this study. This chapter also focused on the research background and the problems existing in the Malaysian construction industry.

Chapter two highlights the construction industry conditions and pressures that were faced by QS firms while competing to remain in the industry. This chapter also reviewed on competitive strategies that were derived from Porter's works. Four competitive strategies have been identified and being discussed further on. The elements under each of generic strategy were further elaborated. This literature review also leads to the business performances of firms.

Chapter three introduces the research methodology to be used in this study to elaborate further on the process flow of this research that has been conducted. This chapter delves on the extensive literature review and how the questionnaire was properly designed. Data collection that was being conducted and ensuring validity and reliability of this study were further being explained in this chapter. The selection method of analysis was highlighted at the end of this chapter.

Chapter four elaborates the findings derived from the results of this study using the Statistical Packages for Social Sciences (SPSS) software. Descriptive analysis was used in this study. The analysis findings were explained in four parts which comprises of (1) respondent's particulars; (2) company profiles; (3) competitive strategies in QS firms and finally (4) business performances. The results in this chapter highlighted the most important elements of each competitive strategy, the highest competitive strategies that QS firms have been adopted and their business performances condition.

Chapter five concludes the key findings of the study and also highlights the limitations of this study. The chapter also proposed the recommendations for further research.

Table 4.14 Focus strategy elements in 2006-2010

Focus Strategy	Small firms		Medium firms		Large firms		Overall	
	Mean	Average mean	Mean	Average mean	Mean	Average mean	Mean	Average mean
Strong networking strategies								
Repetitive works with existing clients	3.86	3.72	3.92	3.71	4.50	4.32	3.95	3.77
Market to specific type of clients	3.57		3.49		4.13		3.58	
IT strategies								
Develop specialist information system	3.41	3.14	3.36	3.18	4.13	3.76	3.45	3.22
Employ specialist staff	2.86		3.00		3.38		2.98	
Focus strategies								
Focusing on certain types of project	3.14	3.00	3.26	3.34	3.00	3.07	3.18	3.16
Operating in particular region	2.86		3.41		3.13		3.14	

CHAPTER 2

LITERATURE REVIEW

2.1   Introduction

This chapter discusses the literature review on the overall concept of competitive strategies applied in QS firms in construction industry. QS firms should constantly evaluate their competitive pressures due to the increasing number of rivals, change in construction demand, technological advancement and economic conditions. To face competitive pressures, QS firms should regularly evaluate their competitive strategies against the firms' objective and business performance. This will influence the direction of the company, the type of clients to be targeted, the market positions and the changes needed to their business makeup. QS firms need to apply a suitable competitive strategy that is capable of pushing the company to its vision, business growth and better business performance. From previous research, competitive strategies are mostly focused on the evolution of competitive strategies derived originally from Porter's works. The use of this competitive strategy has been expanded from manufacturing to various sectors including construction industry. Competitive strategy is not only focused on product-based firms but can also be extended to service-based firm such as QS firms. With the rapidly increasing number of firms in the market with different firm sizes, there has been a resurgence of interest in discovering what type of strategy that needs to be adopted by firm in order to compete and whether the choice of competitive strategy will affect the firms' business performances.

2.2 Malaysian Construction Industry

According to Hamid and Kamar (2010), Malaysian construction industry is one of the sectors in the country, which is productive and generates wealth to the country in improving the social and economic needs, through provision of infrastructures and buildings that constantly contribute to the growth of the economy. Malaysian construction industry offered job opportunities for more than 800,000 people (8%) of total workforce in the country (CIMP, 2006). According to CIDB (2008), Malaysia is contingent upon the economies of its trading partners such as United States, Japan and the European countries.

The construction sector consists of three sub-sectors namely, residential, non-residential and civil engineering (Malaysia Productivity Corporation, 2011). Construction Industry Master Plan (CIMP) 2006-2015 was introduced and launched in 2006 by Honourary Deputy Prime Minister to chart the way forward for Malaysia construction industry. CIMP is being introduced with the vision to steer Malaysia towards becoming a viable, advance and sustainable in the construction industry. According to Hamid and Kamar (2010), CIMP had been introduced and established as a solution to rectify the weaknesses that have been detected and to improve the construction industry's performance from 2006 to 2015. Three phases of CIMP plan were being introduced where phase one focused on the key areas which is to strengthen domestic capabilities (2006-2008), phase two that aims to further strengthen current capabilities in all of the areas to compete efficient and effectively with global peers (2009-2012) and lastly phase three which focused on the increase presence and enhance stature in the worldwide construction arena (2013-2015) (Hamid and Kamar, 2010).

There is a relationship between firm and economic situation as firms are immediately affected by economic crises in both national and international arenas (Kazaz and Ulubeyli,

2009). During the period of 2006-2010, many of Malaysian construction professionals and firms have move or shift their operations overseas especially to the Middle East and India as these countries are in the midst of developing their infrastructure (Malaysia Productivity Corporation, 2011). This was also due to the downturn of Malaysia economy that contracting the local market.

As shown in Table 2.1, in 2009, the aggregate value of construction projects in private sector declined by 16.4% to RM40.62 billion where else in public sector the aggregate value has decreased to 14% to RM 33.52 billion. In 2010, private sector projects rose by 53.3% to RM62.28 billion (2009: RM40.62 billion) and this was in line with the government's aim to push the private sector as the main driver of the economy meanwhile the public sector projects fell by 42.8% to RM19.18 billion (2009: RM33.52 billion) (CIDB, 2011). The strong growth in the residential and non-residential increased strongly in 2010 driven by driven by the return of consumers' confidence and also attributed to the government scheme to encourage home ownership among the young population, My First Home Scheme and also by ongoing construction of commercial properties and private projects in five growth corridors such as Johor Premium Outlet, Lido Boulevard and others (CIDB, 2011, Malaysian-German Chamber of Commerce, 2011).

Table 2.1 Values of construction projects by sector and type of project

Type of projects	Projects Value (RM billion)				
	2006	2007	2008	2009	2010
Residential	14.01	15.05	14.85	12.16	20.13
Non-Residential	16.84	20.43	20.17	16.30	24.46
Social Amenities	0.81	1.10	2.73	1.51	2.73
Infrastructure	6.61	9.84	10.18	10.52	14.64
Others	0.07	0.12	0.23	0.13	0.32
Total Private Projects	**38.34**	**46.54**	**48.16**	**40.62**	**62.28**
Residential	1.85	1.91	2.16	2.10	1.31
Non-Residential	3.76	6.80	5.48	6.16	2.91
Social Amenities	3.10	10.98	16.44	13.89	5.73
Infrastructure	13.39	34.41	14.81	11.34	9.13
Others	0.01	0.08	0.04	0.03	0.10
Total Public Projects	**22.11**	**54.18**	**38.93**	**33.52**	**19.18**

Source: CIDB Malaysia, 2011

It is hard to predict the inconsistency and unpredictable changes in the economy. In terms of competition, a change in economy situation may bring great impacts to the QS firms, as competition is greater due to limited number of projects. Construction activities were concentrated in the central region consisting the states of Selangor and Kuala Lumpur (refer Figure 2.1). This central region contributes the highest gross output for RM46.3 billion (50.6 per cent). This was due to the rapid construction developments in positioning the Klang Valley as the heart beat of the nation (Department of Statistics Malaysia, 2011).

Figure 2.1 Gross output by region, 2010
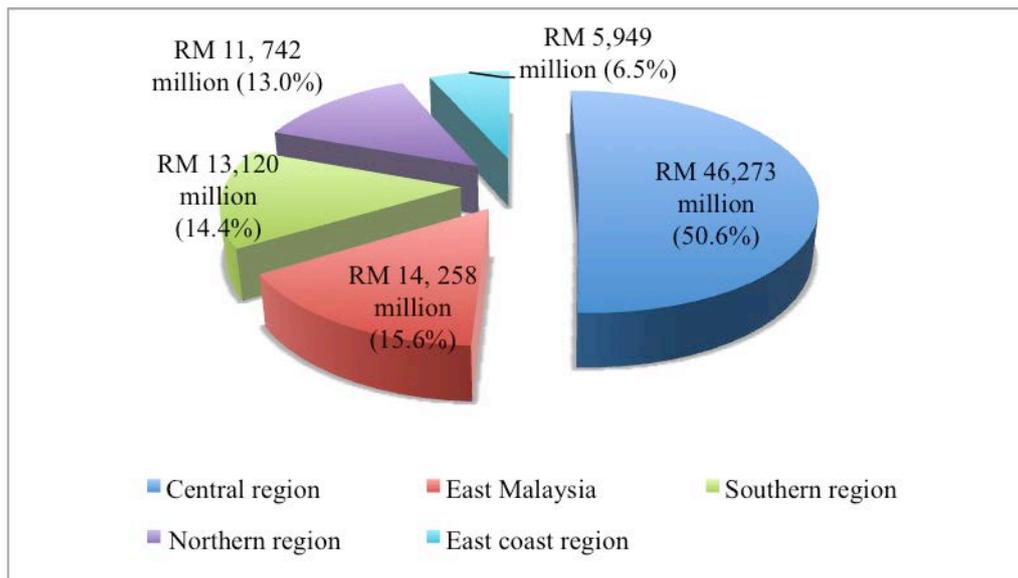
Source: Department of Statistics Malaysia, 2011

2.3   Quantity Surveying Firms

2.3.1   QS firms working environment and competitive pressure in construction industry

According to Willis and Ashworth (1987, p.2), Quantity Surveyor is the one who "ensures that the resources of the construction industry are utilized to the best advantages of society by providing, inter alia, the financial management for projects and cost consultancy services to the client and designer during the whole construction process". A similar definition offered by Nisa *et al.* (2006, p.43), "Quantity Surveyor also referred to as the construction cost consultants, building economists, construction economists or cost engineers are the professional experts in construction cost management". As one of the professional profession in the industry, graduates has attracted to kick start their career by becoming one of the Quantity Surveyor. With the increasing numbers of firms in industry, there has also been increasing concern on the quality of surveying graduates joining the profession (Chua, 2000)

and there is definitely strong demand for them to be in the industry. Some will be working with consultants' organizations where others will be working with contractors' organizations.

Quantity Surveyor is widely known for their role as the cost expertise in construction industry. The role of Quantity Surveyors nowadays may not be as simple as stated by Seeley (1997) and they have gone beyond their traditional services due to the economic changes and to fulfill the needs of clients nowadays. They faces threats to its traditional roles and functions as a result of changing client needs in the construction industry (Matzdorf, Price, Green and Megginson, 1997; National Economic Development Office, 1988), advances in technology and the particular needs of a developing economy. Brandon (1990) suggests that the profession's continuing relevance and growth could require enhancing its knowledge domain so that it can move quickly into new areas of service as opportunities arise. They have to diversify their services concurrent with the escalating demands by clients and the construction industry. There are few challenges faced by the QS professions to maintain their competitive advantages, to survive and thus create new favourable scenarios now and for the future such as (Cartlidge, 2006):

- Increasing demand of client's requests through the higher complexity of current construction projects;
- The use of Information Technology (IT) and its impact on firms; and
- Stiff competition with other professionals and rivals.

As more new firms entering the market, this will create a tighter competition in the industry. Most of the new entrants tend to ignore the importance of applying and choosing the right strategy either for short or long term basis. QS firms should be cognizant of their strengths and weaknesses in order to overcome the challenges of increased competition. Strengths of each firm relies on their firms' resources, capabilities to finances, their relationships with other parties such as clients, receptiveness to innovation and their strategic decisions to differentiate themselves from others (Isik, Dikmen and Birgunol, 2009). Thus, construction players and their firms must recognize the markets they wishes to enter, the type services that they have to offer, risks they will carry, structure they will use, the internal and external environment they wish to operate within, controls they will lay in place and finally, returns they wish to accomplish (Mulcahy, 1990). The ability to think 'outside of the box' among practitioners is crucial as it will be a stepping-stone for them to move forward by applying the right strategy to succeed.

QS firms need to encompass their critical thinking beyond domestic borders and cognizant of their strengths and weaknesses when it comes to few areas such as rivalry of firms, capabilities of their firms and clients. Besides that, the client's needs in the industry have shift away towards a greater emphasis on speed of delivery and value-based services (Yisa, Ndekugri and Ambrose, 1996; Jaafari 2000). According to Barrett (1993), clients want their professional advisers to do something they cannot, or do not want to do themselves. It is common for clients keep seeking for services of the same familiar consultants due to good experience and satisfied performance. This scenario creates a great challenge for other firms to win projects especially against the firms that has good relationship with the client.

Living in an era where Information Technology (IT) plays a crucial role in our daily life, QS firm should not be ignorance on the importance of IT that will enhance the competitiveness of their firm and they should be alert of any latest software available in the market. The staff in QS firm should be able to deal with latest software's such as Autocads, WinQS and others as it will lighten their bulk of workloads. Recently, Building Information System (BIS) has been the latest software system being introduced and in country such as Singapore, for example, the government subsidized QS firm, which has installed and used this system. BIS is believed to be more convenient for interference checking; automates schedules of building component and very comprehensive in choosing the right materials and quantities in taking off.

QS firms rely on their firms' resources, capability to finances, maintain their relationship with other parties such as clients from both public and private sector and other professionals, its readiness to innovate and their strategic decisions to differentiate themselves from others (Isik *et al.*, 2009). According to Harun and Abdullah (2006), firms in construction industry such as QS firms had found itself to enter a new phase where they need to respond to new opportunities offered to them, new geographical locations and innovative ways of doing business that emerged globally. To be a 'new kid on the block' is a challenge. They need to expand their services not only locally but also internationally. Through internalization, QS firms can broaden their services, as they did not have to focus on certain geographical area only. Motivations for venturing into foreign markets that are driven by solid foreign demand are more likely to achieve long-term success, rather than home market capacity and incentives being offered by government (Francis and Collins-Dodd, 2000). Besides that, there is an increasing demand for QS firms to adopt innovative marketing as a competitive weapon. It is believed that to be a market-driven is a client-driven (Harun and Abdullah, 2006; Crane,