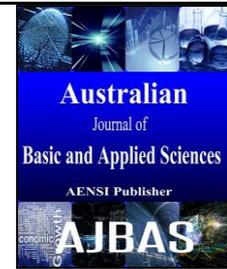




ISSN:1991-8178

Australian Journal of Basic and Applied Sciences

Journal home page: www.ajbasweb.com



Enablers that Support Malaysian Quantity Surveying Firms to Successfully Export Their Services

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ARTICLE INFO

Article history:

Received 12 October 2014

Received in revised form 26 December 2014

Accepted 17 January 2015

Available online 28 February 2015

Keywords:

Competitive strategy,
internationalization, quantity
surveying services

ABSTRACT

Due to the world globalization and liberalization, construction firms including quantity surveying firms notice the direct impact where the competitiveness is induced in the Malaysian construction industry. It is therefore significant for Malaysian consulting quantity surveying firms to recognize the enablers that support Malaysian quantity-surveying firms to successfully export their services in order to sustain the firm's continuous development. Two components that are essentially critical in preparing a firm before it offers the services abroad which have also becoming the research objectives are firm corporate strategy and motivating factors to internationalize. The research used qualitative approach with semi-structured face-to-face interviews. Two hundred invitation emails were sent to all the quantity surveying firms in Malaysia where only five consulting quantity-surveying firms agreed to participate in this research. The responses and findings were interpreted by using thematic analysis and followed up with discussions. The objectives are glad to be achieved. Generally, Malaysian consulting quantity surveying forms employed a combination of differentiation, focus and professionalism as their firm competitive strategy. In order to stabilize the firm's revenue fluctuation and increase organizational capabilities which form part of the endogenous (internal) factors, the consulting quantity-surveying firms are motivated to expand their services abroad.

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To Cite This Article: Wan Wei Lynn and Hasnanywati Hassan., Enablers that Support Malaysian Quantity Surveying Firms to Successfully Export Their Services. *Aust. J. Basic & Appl. Sci.*, 9(7): 307-312, 2015

INTRODUCTION

Globalization begins when the participation of all the countries to Uruguay Ground in the General Agreement on Tariffs and Trade (GATT) system giving an enormous impact on the formation of the construction industry internationally (Han & Diekmann, 2001). Furthermore, the forming of regional Free Trade Blocs, for instance the North America Free Trade Agreement, Asia Pacific Economy Corporation and the European Community create impacts where the member countries spread the trading among themselves including the construction industry. Since Malaysia moves towards developed and industrialized nation as anticipated in Vision 2020, the construction industry will also be affected and incline towards the changes and responses to the globalization (Abdullah, *et al.*, 2004). A firm is deemed to be internationalized when it offers the services across its home country boundary (Ling & Kwok, 2007). Basically the definition of internationalization focus on progress, firm's operations, network and relationship (Wong, 2012). To explain firm's operation in the context of

internationalization, it is the adapting of firm's operations such as strategy, resource and structure in the global market (Calof & Beamish, 1995). Thus, it is better for a firm to take effort to find the project opportunities rather than awaiting the project goes to your firm (Davies, *et al.*, 2005).

In 2014, the Malaysian economy figure reported construction sector covered a great percentage of GDP (9.6%) followed by the service sector (5.7%) (Economic Planning Unit (EPU) 2014). In addition, the Malaysian government undertakes liberalization of services, which include the profession of quantity surveying. While this is to be announced once the amended legislations is approved (Eng, 2013). These indirectly induce the competitiveness in the local construction market. With the importance of sustaining the firm business, the construction servicing line such as the quantity surveying profession will have to explore at the way to continue their career development.

Construction and Internationalization:

It is reminded that construction sector is a market driven activity (García, 2005). Quantity surveying

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profession offers the services that are concerning the building costs and construction contracts within the construction industry. The firms operate based on superior knowledge intensive and deliver client-tailored services accordingly to wholesome professional judgments and this can be claimed as a professional service firm (PSF) (Jewell & Flanagan, 2012). In order to stay along in moving and competitive edge of global business environment, quantity-surveying profession got to examine their business landscape to pick out the diverging and new pathways which then the next step will be to fit into the change (Frei & Mbach, 2009).

On the other hand, going international is known as a foreign market entry decision process where the firms to operate originally from the domestic market into the international market (Dikmen & Birgonul, 2004). This is notable where the construction firms including quantity-surveying firms need to consider the influence of internal and external factors as for the firms to securing international projects. In accordance to this, focusing on the entry timing is significant for the Malaysian construction firms and quantity surveying firms before and during the process when they exporting their services (Isa *et al.*, 2011).

Besides that, selecting when and where to expand their services is a critical decision and requires extensive and comprehensive viewing on the firm resources and also the strength and weakness of both the firms and market opportunities (Isa *et al.*, 2011). It is therefore essential for Malaysian quantity surveying and other construction firms to determine their desire and suitable export destinations and

prepare the firms to react according to the changes in foreign market. From the reviews, it is found that there are knowledge gaps between Malaysian quantity-surveying firms preparedness to offer their services abroad.

The Quantity Surveying Consulting Services:

In Malaysia, quantity-surveying profession are regulated mainly by Board of Quantity Surveyors Malaysia (BQSM) and Royal Institute of Surveyors Malaysia (RISM). While, international quantity-surveying profession are regulated under Royal Institute of Chartered Surveyors (RICS). In order to be recognized internationally, obtaining a membership in RICS is a significant.

Professional Quantity Surveyor (PQS) has to carry out five basic services stated in BQSM: preparing preliminary estimates and cost plans; preparing bills of quantities and other tender documents necessary for the calling of tenders; preparing tender reports and contract documents; valuing works in progress for interim valuations/certificates and including measurement of variations; and finally preparing final account for the whole works. As for the additional services stated by BQSM where a PQS can provide are feasibility studies, pre-qualification of contractors, cost-in-use studies, value engineering, project management, preparation and evaluation of contractual claims, dispute resolutions and etc. Moreover, as clarifies from the RISM, Malaysian surveying professional body stated that there are six competencies for a professional quantity surveyor and it is listed in the table below.

Table 1: RISM Core Competencies for Professional Quantity Surveyors.

Core Competencies
1. Feasibility Stage
2. Pre-Contract Stage
3. Post-Contract Stage
4. Teaching, Research and Development
5. Construction Management and Resource Management
6. Miscellaneous

Most of the quantity-surveying firms are mostly owned as sole proprietor and partnership in Malaysia and it can be shown from the list of registration in the BQSM official website. Quantity surveying is a knowledge-based service and consultancy is a business and profession.

Research Methodology:

In this study, qualitative research is chosen since it is concerned with the opinions, experiences and individuals feeling during the producing of data on the exporting of quantity surveying services. Moreover, qualitative research can help to understand a situation through a holistic perspective (Hancock *et al.*, 1998). There are two types of qualitative research namely exploratory research and attitudinal

research (Naoum, 2012). In this study, both exploratory research and attitudinal research are developed since the quantity surveyors, who participate in international projects made a clear and precise statement of the problems and give their opinion, view and perceptions in certain related aspects. In this section, the data collected is analyzed from the transcripts produced. Due to the designation of open-ended questionnaires during the data collection stage, a coding method is carried out and several themes and sub-themes are developed. Coding the information in terms of ideas and themes is claimed as the best way to represent the data in order to analyze open-ended questions (Naoum, 2012). The table below displays the themes and sub themes division for the content analysis of this study.

Table 2: Content Analysis.

Content Analysis		
Theme	Major Categories	Minor Categories
Interviewees Background	Position of interviewee Age of firm Number of employees Time before export	NIL
Internationalization	International project details	Type of project Export timeline Country Client Service provided
	Entry mode and firm setup	Piggyback on existing client Through old friend
	Company's competitive strategy	Differentiation Focus Growth
	Factors motivating firms to internationalize	Endogenous Exogenous

RESULTS AND DISCUSSION

The background of the interviewees is displayed in a table manner to provide a more comprehensive acknowledgement and understanding to the respondents of this study. They were invited to

participate in this study via invitation email sent to the company official email. They were basically from the quantity surveying consultancy firms. The interview sessions conducted ranging from 30 minutes to 45 minutes.

Table 3: Interviewees' Background.

	Company A	Company B	Company C	Company D	Company E
Position of interviewee	Director	Managing Director	Principal	Principal	Senior QS
Age of firm	4 years	10 years	20 years	4 years	25 years
Number of employees	6 people	20 people	20 people	6 people	11 people
Time before export	20 years	10 years	4 years	1 year	5 years

Table 4: Company's Competitive Strategy.

Competitive Strategy		
Company A	"A firm has to <u>find its own niche</u> or in another words, to be <u>specialize</u> in the field to provide a better service to the client."	Focus
	"I take up project from different sectors. When you <u>provide good standard of service</u> , you will attract and sustain your previous client." "Years of experience and knowledge learnt enable me to contribute in every new projects and it is important to <u>identify the changing demand of client</u> and the need for projects."	Differentiation
Company B	"We been doing a lot of hotels so I shall choose focus as my strategy. We know the client because we were doing their hotels before, so they got us to go abroad."	Focus
Company C	"If you depend on one sector you will out of job because the industry is too small. Otherwise every QS firms are <u>providing their services to all the sectors</u> ." "In this market they look into two factors – cost and <u>service</u> . Of course service and cost always come together, even if you give the lowest cost you may not get the job." "And there is also one factor - relationship with client, if you have the <u>better relationship with the client</u> and you also provide good services, then lowest cost may not be the factor anymore."	Differentiation
Company D	"I have various <u>experiences</u> with various kind of company." "Instead of only focus on cost we must also <u>expertise</u> in contract aspect in this competitive world." "As for growth strategy, I probably have the ambition to go into a larger market (international)."	Differentiation Focus Growth
Company E	"Most of the company will go for cost-leadership, which is more regarding to fees. But then there is standard fees that are given to all professional. So the most important thing is the differentiation." "For example, the client asks for estimates, I give also cost saving and other alternatives that give the client a better idea." "Try to be <u>more active in the market</u> to get as many information as possible to own yourself an info bank."	Differentiation

After the background information is organized, it is clear that the age of firm (4 years – 25 years), the number of employees (6 people – 20 people) and time before export (1 year – 20 years) is in a bigger

range of difference. All the interviewees were basically from the top management of the firm as the questions were basically designed and require the opinions and views from them.

Company's Competitive Strategy:

Developing competitive strategies are remarkable in order to achieve certain goals and aims of a firm (Abidin *et al.*, 2011). When the interviewees were asked about the firm competitive strategy, they share their company's aim and provide comprehensive information on how their company operates. Below table shows how the interviewees respond.

Obviously, some of the companies combine suitable strategies to increase the ownership advantage of a firm. A combination of two basis strategies is a competent to increase the value of firms' service (Porter, 1980). From the above analysis, it can be shown clearly that differentiation and focus competitive strategy become the most chosen strategy among the company in realizing the company goals and aims.

According to Porter (1980), differentiation can be practiced by concerning more on quality of service, maintaining good relationship with clients and identifying their demands. Most of the companies incorporate all these components – provide services, which are up to the standard, maintaining better relationship with the clients, and distinguish their demands. A suggestion from Company E where try to be more active in the industry will make yourself gain more experience and knowledge in every aspects of the work.

Next, the focus competitive strategy is being discussed. Quantity surveyors should develop new skills, establishing new niche areas for the skills to be bolder and more proactive (Ofori, 2012). Company A suggests that, a firm has *to find its own niche* or in another words, to be *specialize* in the field to provide a better service to the client. This is in parallel with the definition of "focus" in the research paper by Abidin *et al.* (2011). While Company D stressed that they have been also expertise in the contract aspect especially in this competitive construction industry.

Moreover, Company A is a small firm that consists of only a small number of employees, it is suggest by Warszawski (1996) to opt for focus strategy. It is because having limited number of staffs with tacit knowledge and being able to multitasks also contribute to firm performance during the exporting of services. In consistent with this, Mr. A notices that the expertise and the employees form the basis and fundamental resource for his company to assist and enhance him during the process of exporting his services.

On the other hand, the interviewees are **not** selecting the cost-leadership strategy. Company E stated: "*There is standard fees that are given to all professional.*" Therefore, offering the lowest fee is not the strategy that sustains the firm's business.

There is a further recommendation on the competitive strategy provided by Company B where to become chartered in order to compete in the international market. This is with respect to

professionalism and firm reputation. He explains, "*The international client usually prefers to deal with an international company rather than the local ones. They will understand especially you are chartered. This is important when you want to compete with the foreigners (other international firms).*" This shows that it is very crucial for a consulting quantity-surveying firm to register itself under the recognized accreditation bodies as it displays the firm's reputation in the international market.

The data collected from the interviewee shows that most of the quantity-surveying firms in Malaysia agreed on the implementation of differentiation and focus strategies in order to sustain their business. In addition, it is in consistent with the literature by scholars where most of the responses agreed on the combination of differentiation and focus strategies to provide a better quality of services and maintain close relationship with clients. They believe that this strategy enable them to sustain their organization business for a long-term profitability.

On the other hand, the consulting quantity-surveying firms are not selecting the cost-leadership strategy because it is claimed that there is a standard fees that are given to the entire professional. Therefore, offering the lowest fee is not the strategy that sustains the firm's business. It is in respect with firm reputation i.e. to become a chartered firm. Consequently, it is to believe that in order compete in the global market, maintaining professionalism becomes one of the competitive strategies. After all, quantity-surveying profession is governance by regulatory bodies in most of the countries.

Factors Motivating Firm to Internationalize:

In the previous chapter on literature review, eclectic paradigm explained that, firms that wish to go beyond its own domestic market *always* possess definite ownership advantages. The table below displays the reason why the quantity-surveying firms export their services.

There are two categories of factors that encourages firms to expand their market globally namely, exogenous forces (external) and endogenous factors (internal) (Ling & Kwok, 2007). From the above table cross matching, it emphasizes that most firms are considering endogenous factors (internal) during the internationalization process and this is shown through research (Coase, 1937; Ling & Kwok, 2007).

Most of the firms wish and desire to develop long-term profitability in order to continue involve themselves in internationalization process (Imbert, 1990). In consideration of sustaining the company business (job volume and flow), Company B uses the method of *diversification* to generate revenue. He explains when the economy of domestic market wasn't that good, the overseas project at least bringing in money and provide another supplement in domestic market. In addition, Company C justify that

the region that is not affected due to economy recession can still generate profit to continue the job in domestic market.

As for Company E, Mr. E claims that once you have done with your first international project, you can involve yourself into the international project and contract and this familiarize you to deal with

international people. This is included into one of the exogenous factor (Imbert, 1990) – past experience in undertaking overseas projects. From the data collected, only Company B, Company D and Company E undertakes more than one international project.

Table 5: Factors Encouraging Internationalization.

Factors motivating firm to internationalize			
Company A	• Sustainability of business/ job	✓ Stabilize revenue fluctuation	Endogenous
Company B	• Take up challenges • To get a bigger revenue • Diversification (sustainability)	✓ Increase organizational capabilities ✓ Stabilize revenue fluctuation	Endogenous
Company C	• Generate profit and sustainability of the firm	✓ Increase profits ✓ Stabilize revenue fluctuation	Endogenous
Company D	• To challenge unknown territory • To help out the poor third world country in the field of professional services	✓ Increase geographical spread ✓ Increase organizational capabilities	Endogenous
Company E	• Expanding in term of services and knowledge	✓ Broaden organizational skills	Endogenous
	• Get recognition internationally	✓ Past experience in undertaking overseas projects	Exogenous

Likewise the challenges mentioned by some of the companies, Company E responds: if you are able to overcome the challenges and posses good feedback, you will get recognition from the international market. On the other hand, Company B thinks that firm reputation is one of the competitive strategies. With this, the company is expanding in term of services and knowledge and indirectly it broadens the organizational skills and increase client base too. The company is broadens in term of people, international planning tools and troubleshoot the contract disputes with knowledge gained on international contract (FIDIC) are the examples that given and supported by Company E.

The data collected from the interviewees exhibits that most of the quantity-surveying firms select endogenous factors to become the main consideration in motivating the firms to export their services. Instead of gaining profit, most of the firms agreed that stabilize the revenue fluctuation become their major concern when internationalize. Besides stabilizing the revenue fluctuation, the firms also consider the factor of increasing organizational capabilities (endogenous) as the second motivating factors. While, there is also responses that shows exogenous forces during the internationalization process. Somehow it is believe that getting recognition internationally from the past experience in undertaking overseas projects encourage them to be get involved again in another larger projects

Conclusion:

This research explores the enablers that support Malaysian quantity surveying to successfully export their services. This research successfully obtained five (5) companies involved in providing the data and responses. While from the responses pattern, it is found that they involved in the projects from five and

more different countries and none of the country is being the same. Perhaps for the future research, it is recommended to study in specific on the country and the types of project they are involving to provide a clearer pathway for the quantity-surveying firms when they wish to offer their services abroad in future. The last recommendation for future research is to do an explicit investigation on the global economic changes in order for the Malaysian quantity-surveying firms get an entirely scenario and preparedness before they venture into a new market to sustain their business.

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