

ENHANCING COMPETITIVE EDGE: QUANTITY SURVEYING FIRMS IN GLOBAL MARKET

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ABSTRACT

Rapid change in global marketplace offers formidable challenges to firms in the construction industry. Firms need to understand the nature of internal and external environment and apply competitive strategy that suits the firms' objectives to keep an edge over competition. Offering professional service in the industry, quantity surveying (QS) firms are different than product-based industry in terms services provided, relationship between firm-client and competing style with the existing and new firms. How do QS firms compete and what strategies are suitable for them? There are four competitive strategies such as cost leadership, focus, differentiation and growth to enhance the ways of competing style. How does the competitive strategy chosen impact the business performance? A success of any strategy adopted is determined by the performance of the firm. Thus, this paper stressed that for a QS firm to maintain their competitive advantage, they need to relate the company performance with the competitive strategy adopted.

KEYWORDS

Competition, competitive strategies, performance

INTRODUCTION

Competitive environments are changing at an accelerating rate, culminating in a high level of uncertainty. This growing uncertainty is the result of higher customer expectations, the dilution of borders between competitive environments and the move towards global competition (Feurer, 1996). Competition being at the core of the success or failure of firms, determines the appropriateness of a firm's activities that can contribute to its performance (Porter, 1980). Quantity Surveyors (QS) are one of the key players in the construction industry that provide consultancy and manage financial-related issues for their clients. Thus, the survival and eventually the growth of the firms shall depend on the number of projects they service and the securing of new projects before one in hand ends, without any intermission. There are many QS firms in the industry and each is competing with one another to sustain in the industry. This is exacerbated with the increment in the number of new companies entering the market on yearly basis (Isik et al., 2009). In this dynamic industry, QS firms need to look for project opportunities instead of waiting for project to come to them (Davies et al., 2005). They need to respond to environmental threats and opportunities by adopting alternative strategic choices guided by the decisions to enhance performance (Child, 1972) and to meet the needs of markets and clients expectations. As the construction industry is changing constantly with the developments of new business methods and technologies (Koota, 2003), analysis of the influence of the external and internal environments to the firm provide a chance to better position themselves within their environments through the right adaption of strategy (Korkmaz and Messner, 2008). They need to adopt applications and develop appropriate strategies to be more competitive in this industry and get success in their businesses (Arslan and Kivrak (2008). The development of strategies that will differentiate the organization from its competitors becomes they key success factor (Feurer, 1996). Through this process, the type of adaptive capability the firm acts whether as a defender, analyzer, prospector or reactor can be identified. Adaptive capabilities are the mechanism to assess the suitability of the employed strategy.

From literature review, this paper highlights three stages of applying competitive strategy. This conceptual model illustrates that the cycle of applying the competitive strategy is incomplete until they are assessed via business performance.

THE STRATEGIES TO ENHANCE QS FIRMS' COMPETITIVE EDGE

QS practitioners who wished to survive in the construction industry or enter into the emerging market in the region needed to successfully deploy effective strategies to seize upcoming opportunities (Ogunlana et al., 1996; Tam, 1999; Teerajatul and Charoenngam, 2006; Waroonkun, T., and Stewart, R. A., 2007). To understand how competitive strategy in QS firm can be developed, a framework of adopting the right competitive strategies to achieve firm goals was proposed, as shown in figure 1.

Underpinning framework proposed is intended to help the firm owner to comprehensively evaluate their firm's capabilities and focus on the type of strategy that suits those best to strengthen their position in order to compete successfully in the market. There are three stages specifically focused on QS firms planning process in adopting competitive strategy where the strategy chosen by the firm will lead to its business performance whether the firm is performing well or underperform in the industry.

First, they must recognize their firms' strengths and weaknesses, firm size and also their internal and external environment to gain further insight before considering the right strategy to apply. Next, in the formulation phase, practitioners should be able to decide which competitive strategy that is obtainable to them and select them. Lastly, strategy evaluation is where business performance of QS firm is being assessed in order to measure the effectiveness of the strategy.

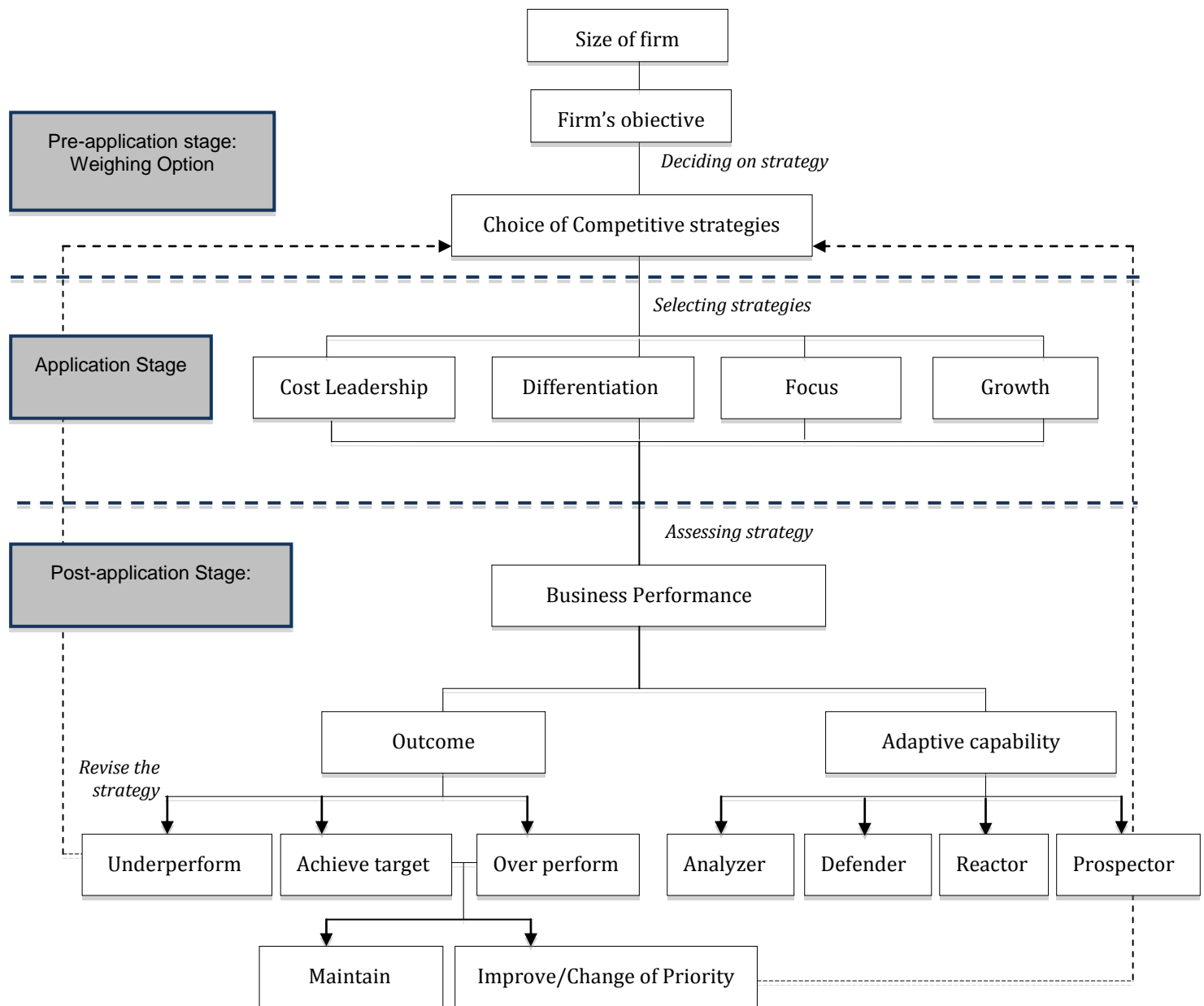


Figure 1: Framework of the evolving process of applying competitive strategies to accomplish firm's goal.

APPLICATION STAGE: CHOICE OF COMPETITIVE STRATEGIES

Competitive strategy can be defined as an approach that may be applied in order to compete suits best the firm to compete in a business with the aim to strive for success and stood out from their rivals in order to stay for a long run in the industry. There are many ways of competing and most can be rationalized into one of three generic strategies as suggested by Porter (1985) i.e. cost leadership, differentiation and focus.

Cost leadership strategy focuses on the reduction of cost in productivity or administration in order to offer low price to customers. Differentiation strategy creates a unique product or delivers services, which is different than what their rivals offer in the market, while focus strategy pay attention to a specific market niche, location/geographical area or customers. Although the generic strategies are originally oriented on manufacturing industry only, these generic strategies have been widely expanded and used by many scholars where they begun to expand this theory and apply it into different types of settings including healthcare, finance and service-based firms (Kale and Ardit, 2002). Scholars have also applied these generic strategies with relevance framework to suit the application in construction firms (Betts and Ofori, 1992; Winch and Schneider, 1993; Vehosky, 1994; Pinto et al., 2000; Huovinen, 2001; Langford and Male, 2001; Rapp, 2001). Research by Jennings and Betts (1996) has found that the competitive strategy is suitable to be applied in QS firms. Warszawski (1996) analyzed the application of Porter's three generic strategies in construction industry and introduced another strategy; growth strategy. The growth strategy may lead the firm by increasing their market share or expanding markets globally or even internationally. Thus, in general, a firm can choose to adopt any of the four generic strategies to compete.

QS firms that apply differentiation strategy need to be creative offering services, which is usually different than what is being offered by their competitors. According to Jennings and Betts (1996), differentiation strategy would be suitable for larger QS firms. These service attributes can include: (1) enhancing the quality of a firm's offerings; (2) introducing innovative approaches to a firm's offerings, operations, and activities; (3) placing a strong emphasis on the superior use of time; and (4) exploiting all sources of cost advantage (Miller 1987; Mintzberg 1988; Stalk 1988). Warszawski (1996) stated the need for strong financial resources. Larger firms for example, who have longer history and widely recognized name, appear to compete by using their image, reputation and experience. Other than that, having strong financial resources indicate a firm's credibility and reputation among clients, enabling them to get involved into risky situations which in turn may have higher benefits for the firm (Isik wt. al, 2009) and being able to become creative in business to offer new types of services and have the opportunity to market themselves to stand out from their competitors. QS firms, which concern on accuracy and punctuality of service, maintaining good relationship with clients can practice differentiation strategy. QS firms which apply differentiation strategy must have staff who are both technically and socially competent and are able to use detailed information systems if they are to maximize the success of their chosen strategy (Jennings and Betts, 1996). However, if the use of IT is not fully equipped it may be a weakness cost leadership cannot be achieved. Innovation capability in QS firms is another important factor in achieving differentiation to enhance competitiveness as stated by Porter (1980). Marketing is also believed as one of the factors that differentiate one firm from another. For example, QS firms are not allowed to advertise their services. However, this situation should not be an obstacle for the firm as marketing is not about advertising their services to public but having a strong marketing capability by means of excellent reputation, exceptional client relationship and strong networks.

Warszawski (1996) explained that a firm could choose cost leadership strategy when the environment is particularly competitive and the projects are fairly uniform. If they want to offer more efficient and less expensive performance, QS firms may also choose this strategy due to the need to develop a competitive edge in some resources such as training of personnel, technological advance etc. Under cost leadership QS firm who applied this strategy usually will offer fees, which lower than their competitors to attract the clients. Firms that apply this strategy are believed to use high technological advance. There are many types of software for measurement that can be found in the market. The use of this latest software's is beneficial for QS as they can finish up their bulk of works in a short time.

A small size or a boutique QS firm should opt for focus strategy (Warszawski, 1996). Having staffs that are equipped with breadth of knowledge, being able to multitask, have a wide knowledge on the latest use of IT and

are dependable can contribute to the performance of the firm. This category of firms depend on their faithful group of clients, retain by providing a good service and encouraging personal relations. They may use focus strategy as only a selected number of clients are targeted. They usually have few numbers of staff that is potentially well trained and have skilled staff (Jennings and Betts, 1996). Boutique firm for example, identified a niche area that most closely matches their skills and comparative advantage - they have chosen to "stick to their knitting" (Scobie, 2009). This type of strategy is suitable for firm who focused on a specific market niche and has worked with the same client for a long term. QS firm who adopt this strategy will only focus their services in the same geographic as they have already established in that particular place and have good communications and relationship with the clients and other professionals.

QS firm, which consider expanding their market, either locally or internationally should apply growth strategy. By branching out they would have wider market and more opportunities, position of the firm will be strengthen. Before applying this strategy, firms needs to be aware of the challenges in a new environment and competition from other national or international firms in order to get projects. QS firm, who pursue this strategy, may also engage into a new business such as strategic alliance and offer new services to clients. By expanding the roles to the sectors other than construction sector, the future of the QS profession can be safeguarded since the profession is now threatened by a number of challenges (Hanid et al., 2007).

Table 1: Lists the elements of competitive strategies under four pillars of generic strategies

<i>Competitive strategies</i>	<i>Variables</i>	
Differentiation	Marketing strategies	<ul style="list-style-type: none"> • Building relationships with existing clients • Attracting new clients • Providing broader range of services to your clients
	Reputation strategies	<ul style="list-style-type: none"> • Reputation on honesty & responsibility • Reputation on high quality
	Branding strategies	<ul style="list-style-type: none"> • Improve quality of services offered • Establish good image & reputation in the minds of client
	Relationship strategies	<ul style="list-style-type: none"> • Identify client's requirement & maintain good relationship with them • Offering additional services to clients
	Innovation strategies	<ul style="list-style-type: none"> • Development of in-house software • Implementation of new knowledge
Cost Leadership	Human resource strategies	<ul style="list-style-type: none"> • Employees skills/knowledge development • Hiring experienced employees • Hiring well-trained new graduates • Multi-skilled teams
	Overhead costs strategies	<ul style="list-style-type: none"> • Reduce firm's overhead costs • Reduce firm's personnel expenses depending on the number of firm's employees • Optimize staff/salary levels
	Technology usage strategy	<ul style="list-style-type: none"> • Follow & adopt new technologies • Qualified technical staff • Usage of software programmes
Focus	Strong networking strategies	<ul style="list-style-type: none"> • Repetitive works with existing clients • Market to specific type of clients
	IT strategies	<ul style="list-style-type: none"> • Develop specialist information system • Employ specialist staff

Growth	Focus strategies	<ul style="list-style-type: none"> • Focusing on certain types of project • Operating in a particular region
	Internalization strategies	<ul style="list-style-type: none"> • Ventured in internationalization • Joint venture with a firm in foreign country
	Expanding firm/services strategies	<ul style="list-style-type: none"> • Expand firm by increasing number of staff to develop scope of services • Expand scope of services to cater to foreign market demand • Set up a branch office (office part of parent company) • Set up a new subsidiary firm (separate legal entity from parent company) • Joint venture with a firm in Malaysia
	Diversification strategies	<ul style="list-style-type: none"> • Other consulting services • Entry into new types of construction projects • Engaging in new business (real estate, oil and gas and others)

POST-APPLICATION STAGE: PERFORMANCE EVALUATION

Globalisation enforces construction industry to become stiffer and increases the competition among firms to get projects. Construction firms should measure their performance from time to time to find out what should be improved (Gupta, 2004). Many large construction companies are lacking of effective method to evaluate their strengths and weaknesses and to measure their performance. As a result, it is very difficult to raise their position in the dynamic marketplace (Luu et al., 2008). Performance evaluation enable the firms indicate whether the firm has met its objectives or not. Performance to measures act as motivator, far improvement and without them, manager may face serious difficulties in managing its strategy because of no actual data for comparison with organizational objectives (Chaichan, 2002; Luu et al., 2008). Research has shown that certain types of focus and differentiation strategies underpinned by specific resources will lead to above normal performance in entrepreneurial firms (Mosakowski, 1993). A 5-year period can be used to understand the long-term continuity of firms' positions in the construction market and their business performance. A 5-year period is considered long enough to assess the implications of change and to show its effects on a firm's performance (Snow and Hambrick, 1980; Snow and Hrebiniak, 1980). It is a necessity for a firm to continue its existence but is not a sufficient condition for a construction firm to achieve above industry average performance. In general, the term performance refers to measurement with respect to some criteria (Lenx, 1981) such as growth in contract awards, profitability, failure and survival. In order to examine the effectiveness of strategy that has been selected, it is proposed that QS firms must examine their business performance every 5 years time and if it shows that they have not sufficiently performed, QS firm may require a corresponding change to a new strategy. Business performance of QS firms can be evaluated by several factors such as number of contract awards, number of projects in hand, total costs of projects, profits, project turnover, number of firms (including subsidiary and branch), number of employees, new clients and existing clients and also expansion of services.

POST-APPLICATION STAGE

In this stage, QS firm needs to evaluate their business performance whether they are performing well, underperforming or they have reached their target. Knowing the firms adaptive capability shall also help in devising the best-suited strategy for the firm. Adaptive capability can be classified into four categories; analyzer, defender, reactor or prospector at this stage. Underperforming may indicate that the strategy chosen may not bode well for the firm. In this case, the firm should revise their strategy (as shown in figure 1). When deciding on a new strategy, factors such as the firm resources, external environment and internal strengths and weaknesses should be taken into account. Successful firms can decide to maintain the type of competitive

strategy they have adopted or they can improve or change the competitive strategy to suit the company's latest objective.

QS practitioners can be divided into four categories such as analyzers, reactors, prospectors and defenders. Studies by Snow and Hrebiniak (1980); Bourgeois, (1980); Mckee et al., (1989) wherein has found that analyzers have the highest performance, defenders and prospectors have a lower performance or substantially lower and approximately at equal level performance and reactors have the lowest level of performance. According to Miles and Snow (1978), the four strategy types have different adaptive capabilities: reactor < defender < analyzer < prospector. From previous research, it was deduced that QS firm who adopts focus strategy is a 'reactor' while QS firm that pursue cost leadership can be called as a 'defender'. Meanwhile 'analyzer' basically adopts differentiation strategy and a prospector always expands their businesses by applying growth strategy.

The reactor is regarded as the weakest type of adaptive capability because they tend to be unstable with lack of consistency in strategy, technology, and structure, lack of aggressiveness, and is unable to respond effectively to environmental change (Jusoh, 2010). A reactor usually offers a certain type of project in a particular region, lack the capability to respond to environment changes, and have the lowest performance.

The defender deliberately reduces adaptive capability, it is unlikely to notice market change or adapt to change if it is noticed (Miles and Snow, 1978). The defender's focus on low cost requires close attention to operational details, including the relentless pursuit of cost economies and productivity improvements through standardization of components and processes, routinization of procedures and production efficiency (Walker and Ruekert, 1987; Hambrick, 1983). The defender usually operates in a low cost production and focus more on cost efficiency a firm. A firm is considered as a defender if they focus on the cost leadership strategy to improve efficiency and take passive action to market changes without giving distinct emphasis on other strategies (Yongtao, 2008).

The analyzer usually adopts a differentiation strategy. According to Yongtao (2008), the analyzer operates with relative efficiency and attempt to identify emerging opportunities by noticing changes in the market and take relevant action. Snow and Hrebiniak (1980) argued that analyzers, because of their tendency to imitate successful product and market innovations of prospectors, would tend to emphasize selling and have a distinctive competence in marketing/selling. Other than that, Slater and Narver (1993) found that market and customer orientation is also essential to the success (profitability) of analyzers.

The prospector emphasizes on identifying new opportunities and exploring new market place. Due to its external orientation, the prospector tends to maintain extensive capabilities to respond to market changes and bear the inherent cost (Miles and Snow, 1978). Shortell and Zajac (1990) argued that prospectors would give their greatest attention to market research because they must continually scan their external environment to locate and exploit new market opportunities. According to Yongtao (2008), QS firms that have the characteristics of a prospector will place a great emphasized on growth strategy, as their strategic orientation is to find new opportunities in the existing market or explore new markets. They are very sensitive to environment changes and have good marketing capability.

CONCLUSION

Construction industry has moved towards to a greater phase where only competitive firms are able to stand strong in the fierce industry. Without an arm guarded of the right strategy, QS firms are unable to compete with rivals to get more projects and will be left behind underperformed. What is noteworthy of the evolving process of adopting competitive strategy in this paper is the strategy-performance link. In this study, it shows that there are three stages in the process of applying competitive strategy: (1) Pre-application stage; (2) Application Stage; (3) Post-application stage which has been introduced for the firm to analyze and evaluate the effectiveness of the strategy selected by their firm. The conceptual model proposes an evolving process of applying competitive strategies from realizing the firm objective and internal and external environment, deciding on the strategy to be employed, accessing business performance and revising strategy if required. It is crucial for the firm to have a great understanding of their strengths and weaknesses and the size of their firm before applying the 'right' strategy. The competitive strategies consist of cost leadership, differentiation, focus and growth strategy and the choice of this strategy will lead the firm to their success or perhaps failure if the strategy chosen is not suitable. Performance evaluation stage allows the firm to assess their business performance and to classifying them

whether they fall into which categories whether as a defender, analyzer, prospector or reactor. The firms can reassess the strategy of the company if it turns out that their business performance is underperform and look ways to improve and having a better understanding before applying a new strategy.

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