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**ORGANIZATIONAL AND MANAGERIAL CAPABILITIES' FACTORS IN  
RELATION TO STRATEGIC PLANNING WITHIN THE MALAYSIAN  
QUANTITY SURVEYING FIRMS**

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**ABSTRACT**

This article reviews the organizational demography (age, size and structure) and managerial capabilities' factors (experience, knowledge of strategic planning, degree of involvement) relating to the implementation of strategic planning in quantity surveying firms and its growth. It is generally thought that strategic planning of the firm in the construction industry is less developed than in other industries. Based on organizational factors and managerial perspective, we suggest that organization's structure and managerial capabilities are the determining factors in implementation of strategic planning in quantity surveying firms. Strategic planning is the mechanism needed for organizations to stay competitive and enhance performance of the firm. However, the literature on strategic planning is mostly for large organizations in other industries and not directly applicable to the context of professional firms in construction industry. This research aims to 1) to identify the organizational demography of Malaysian quantity surveying firms. 2) to identify the managerial capabilities towards the implementation of strategic planning process and 3) to establish the relationship between the strategic planning process and quantity surveying firms' growth. The data is obtained from literature review, semi-structured interviews with 15 directors of quantity surveying firms and final survey. This paper concludes that Malaysian quantity surveying firms is mostly small and medium size operation, mechanistic in its operation, and significantly correlated with the implementation of strategic planning. In fact, being small and growing firms is not the barrier in implementing strategic planning and there is a significant correlation between strategic planning implementation and growth. In addition, this paper also concludes that the degree of involvement by the director/owner/senior manager in strategic planning in quantity surveying firms is high, has sufficient knowledge in

strategic planning and vast experience in their skills and construction environment and therefore, significantly correlated with the implementation of strategic planning.

**Keywords: Organizational factors, managerial capabilities, quantity surveying firms, strategic planning, growth**

## **INTRODUCTION**

The quantity surveying firms in Malaysia is experiencing growth for the past ten years with an average of 4%. They are highly competitive and offer potential to provide further insight on sustainable competitive advantage from a closer examination of information internal to the firm. However, under- performance of quantity surveying firms criticized by the biggest public client in Malaysia, Public Work Department (Abdul Rashid and Normah, 2004) alarming the current practise of quantity surveying firms and its professions. In addition, BRITE survey carried out in 2004 in Australia indicated that the quantity surveying firms are below industry average in relative to written strategic plans which considered being the lowest use of management practice in comparison to other firms i.e. architect and engineers. Relatively, the importance of assessing an internal capabilities and resources has clearly been a traditional focus within strategic planning issues (Peteraf, 1993). Some researchers have revealed a number of problems in strategy implementation: e.g. weak management roles in implementation, a lack of communication, lacking a commitment to the strategy, unawareness or misunderstanding of the strategy, unaligned organizational systems and resources, poor coordination and sharing of responsibilities, inadequate capabilities, competing activities, and uncontrollable environmental factors (Giles, 1991; Galpin, 1998; Lares-Mankki, 1994; Beer and Eisenstat, 2000). Though several researchers have identified the organization factors and managerial capabilities in many industries, little has been done of the organization and managerial capabilities in construction industry particularly in professional firms and for that, we have taken the quantity surveying firm as a sample. Therefore, this research paper seeks to investigate whether or not the organizational factors and managerial capabilities of quantity surveying firms has the significance influence in the implementation of strategic planning and the relationship between the organizational factors and managerial capabilities towards firm's growth.

There are many ways in interpreting the organization structure as mentioned by many authors in terms of the organisation structure, management style, problem-solving skills,

transaction cost, codification-diffusion theory and cultural theory. The importance of assessing an organization structure has clearly been a traditional focus within strategic planning (Ackoff, 1970; Hofer and Schendel, 1978). The organization structure has become one of the determining factors in the implementation of strategic planning within the firm. In addition, the managerial factors in terms of experience, involvement and knowledge in strategic planning influence the execution of the strategic planning. However, the literature on strategic planning carried out by many authors is mostly for large organizations in other industries and not directly applicable to the context of professional firms in construction industry. Therefore, it is important to investigate the effects of the quantity surveying firms' organisation structure and managerial capabilities on the strategic planning used.

Strategic planning is the mechanism needed for organizations to stay competitive and adapt to environment changes. Strategic planning is the process of specifying an organization's objectives, developing policies and plans to achieve these objectives, scanning the external and internal environment, allocating resources to implement the policies including evaluation and control in order to achieve the organization's objectives. There are three dimensions involved in strategic planning process namely strategy formulation, strategy implementation and strategy evaluation.

Furthermore, strategic planning is one of the tools for firm's improvement in terms of growth. Penrose (1966) observed that the rate at which a firm can grow depends on the rate at which new management can be absorbed, which is determined by the quality of existing management. Hillebrandt (1990) identifies management (and not fixed capital) as the most important determinants of the capacity as well as capability in construction firms. Hillebrandt suggests that construction is particularly management-intensive because of the large number of decisions which require to be taken from day to day on site as well as within the organization. The author has identified three dimensions of quantity surveying firms' growth which are profit growth, increase manpower and diversified clients. Therefore, could quantity surveying firms improve growth with strategic planning? For the purpose of this research paper, the author attempts to identify only five (5) year period started from 2001 to 2005 in identifying the firm's growth. The reason of taking five (5) year period is to ensure that the strategic planning

process and firm growth which are the second objectives is confined in the same period to avoid mismatch of the overall research objectives.

## **RESEARCH METHODOLOGY**

This research was designed with quantitative approach and a survey questionnaire has been employed for data collection. The respondents for this study consisted of professional quantity surveyors who are the directors of the quantity surveying firms and registered with Board of Quantity Surveyors Malaysia. After preliminary survey is carried out to 285 firms, 61 firms responded. A final questionnaire survey then were distributed to 61 respondents and it represented 55.73% (34 firms) of the total preliminary survey. A semi structured interview with fifteen directors of quantity surveying firms were also carried out to. Descriptive statistic and Spearman Rho correlation test were used to analyse data obtained.

## **STRATEGIC PLANNING**

Strategic planning is a discipline originated in the 1950s and 60s. Although there were numerous early contributors to the literature, the most influential pioneers were Alfred D. Chandler, Jr., Philip Selznick, Igor Ansoff, and Peter Drucker. Alfred Chandler recognized the importance of coordinating the various aspects of management under one all-encompassing strategy. Prior to this time, the various functions of management were separate with little overall coordination or strategy. Interactions between functions or between departments were typically handled by a boundary position, that is, there were one or two managers that relayed information back and forth between two departments. In addition, Chandler also stressed the importance of taking a future looking long term perspective. In his 1962 groundbreaking work *Strategy and Structure*, Chandler showed that a long-term coordinated strategy was necessary to give a company structure, direction, and focus. He says it concisely, "structure follows strategy."

Strategy is a term widely used by senior and middle managers. The term, however, seems to have a multitude of meanings. This is not surprising, as there is no commonly accepted and universal definition of strategy (Quinn, 1980). An examination of the

definitions to-date suggests that strategy encompasses the following elements; a focus on long-term direction of the organisation, matching the activities of the business to the environment in order to minimise the threats and maximise opportunities, as well as matching the organisation's activities to the resources available (McDonald, 1996).

Ohmae (1983) encapsulates the meaning of strategic planning when he states that:

... business strategy is about ... competitive advantage. The sole purpose of strategic planning is to enable a company to gain, as efficiently as possible, a sustainable edge over its competitors.

Strategic planning thus implies an attempt to alter a company's strength relative to that of its competitors, in the most efficient and effective way. Strategic planning focuses on the direction of the organization and actions necessary to improve its performance. It is the process by which firms derive a strategy to enable them to anticipate and respond to the changing dynamic environment in which they operate (Hewlett, 1999).

Collectively, strategic planning is the process of specifying an organization's objectives, developing policies and plans to achieve these objectives, allocating resources to implement the policies including evaluation and control in order to achieve the organization's objectives. Strategic planning is a combination of i) strategy formulation, ii) strategy implementation and iii) evaluation and control.

### **Strategy formulation**

Formulation of strategy is about deciding what new businesses to enter, what businesses to abandon, how to allocate resources, whether to expand operations or diversify, whether to enter international markets, whether to merge or form a joint venture, and how to avoid a hostile takeover. Because no organization has unlimited resources, strategists must decide which alternative strategies will benefit the firm most. Strategy formulation includes:

- developing a vision and mission
- identifying an organization's external opportunities and threats
- determining internal strengths and weaknesses
- establishing long-term objectives

- generating alternative strategies
- choosing particular strategies to pursue

### **Strategy implementation**

Implementing strategies successfully is vital for any organization. Without implementation, even the most superior strategy is useless (Aoltonen and Ikavalko, 2002). Action stage of strategic management- often considered to be the most difficult stage in strategic management. It requires personal discipline, commitment, and sacrifice.) Strategic formulated but not implemented serve no useful purpose. Interpersonal skills are especially critical for successful strategy implementation. Strategy implementation activities affect all employees and managers in an organization.

Strategy implementation includes:

- establish annual objectives
- devise policies,
- motivate employees, and
- allocate resources so that formulated strategies can be executed.
- developing strategy-supportive culture
- creating an effective organizational structure
- redirecting marketing efforts
- preparing budgets
- developing and utilizing information systems
- linking employee compensation to organizational performance

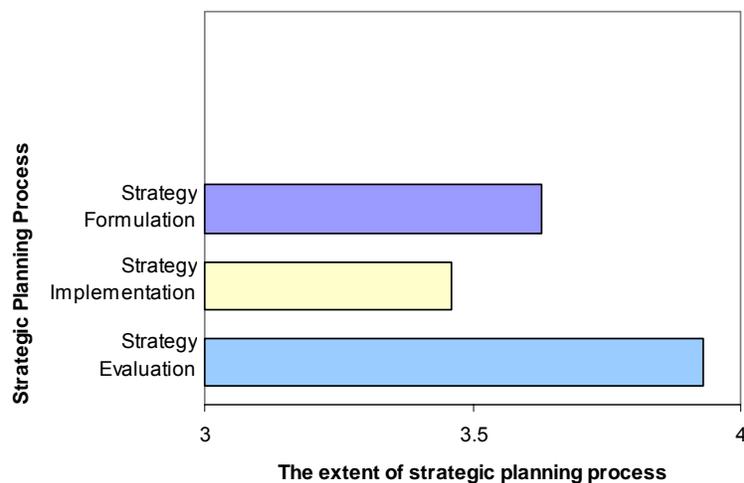
### **Strategy evaluation**

Strategy evaluation is the final stage in strategic management. Managers need to know when particular strategies are not working well, strategy evaluation is the primary means for obtaining this information. All strategies are subject to future modification because external and internal factors are constantly changing. Three fundamental strategy evaluation activities are:

- 1) reviewing external and internal factors that are the bases for current strategies
- 2) measuring performance, and
- 3) taking corrective actions

After deliberating the definition and dimensions of strategic planning process, the result of the study shows that most of the quantity surveying firms strongly agreed that they have carried out the strategic planning process in their firms by taking into account the three dimensions of strategic planning namely strategy formulation, implementation and evaluation.

The quantity surveying firms were asked to what extent they agree that their firms carried out the key activities in strategic planning process. A five-point scale was used, from 1, totally disagree to 5 totally agree. The results are shown in figure 1.



*Figure 1: The extent of implementation of strategic planning in quantity surveying firms for the past five years*

The next step is to identify statistically whether the organizational factors and managerial capabilities could significantly affect the implementation of strategic planning in quantity surveying firms. For the associative test, the Spearman's rank correlation coefficient had been deployed to detect any relationship between the variables. Nine variables within the three stages of strategic planning were used to indicate the strategic planning process. The variables are:

### **1. Strategy Formulation**

- a. Formal goals and objectives in the firms

- b. Considered globalization situation
- c. Considered employee capabilities

## ***2. Strategy Implementation***

- d. Restructured when implement strategic plans
- e. Allocated adequate resources
- f. Strategic plans overused firm's resource

## ***3. Evaluation and control***

- g. Measured firm's performance against objective set
- h. Take corrective actions when objectives not achieved
- i. Carried out periodic assessment to check firm's performance

## **ORGANIZATIONAL FACTORS**

There are six different models and theories of the ways organisations could be analysed. They are the organisation structure, management style, problem-solving skills, transaction cost, codification-diffusion theory and cultural theory. The organisation structure, management style and problem solving skills are seen from the perspective of conventional organisation theory put forward by Burns and Stalker (1961), Lawrence and Lorsch (1967) and Galbraith (1973). Whereas transaction cost, proposed by Williamson (1975) and codification-diffusion, put forward by Boisot (1987) and cultural theories are more recent, only emerging in mid 1970s.

Lansley (1994) said that despite the wide range of models and theories of analysing organisation, there are strong links between each model. It is possible to show that despite their different perspectives and objectives, the models and theories can be reconciled and harmonised since their characteristics are parallel to each other. For any dimensions in one model, there is an equivalent in another. The presence of common characteristics between the models and theories helps to provide a convergence point for those who have studied organisations from different perspectives.

For practical reason, in the context of this research paper, we consider that it is sufficient to analyse the organisation of the quantity surveying firms from one perspective only. This would avoid the repetitions of explaining similar ideas present in each model. For this study, a conventional model, organisation structure, was chosen. The organisation structure stipulates how tasks are to be allocated, who reports to whom, formal co-ordination devices and which interaction patterns will be followed (Hall, 1972).

Since the this paper is concerned with strategic planning, therefore deals mainly with long-term, the organisation structure model was considered to be the most appropriate for analysing the organisational characteristics of the quantity surveying firms.

Even within organisation structure, different models have been presented by various organisational writers such as Burns and Stalker (1961), Sadler and Barry (1970), Handy (1976), Mintzberg (1983), Galbraith (1973), Keidal (1984), Hall (1972) and Lansley et al (1974). Though the dimensions are presented under different labels, they explain similar organisation characteristics.

In this study, the two components of organisation structure of the quantity surveying firms are measured. There are the 1) mechanistic and organic system and 2) size of firm. The result of the organisation structure on the extent to the implementation of strategic planning is presented below.

### ***Mechanistic and organic system***

There are two different types of organization: mechanistic and organic. Applying the term mechanistic to organization similar to machinelike system designed for efficient operation. Organic system on the other hand frequently proposed as solutions to mechanistic problems. The feature of mechanistic organization is its predictability where every task is pre planned, and quality and quantity of task performance is highly regulated. A highly specialised system of roles, clear reporting relationships, and an unambiguous reward system achieves this stability. Ambiguity and confusion are nonexistent.

The characteristics and method of measuring the degree of mechanistic and organic by Mintzberg (1979) was used in the study. The organic and mechanistic are to cover decisions that are related to the strategic planning process.

From the returned final postal questionnaire, this study measured the characteristics of organization in terms of mechanistic and organic in quantity surveying firm. It was measured using five-point scale, from 1 not at all to 5, very high extent. The higher the point, the mechanistic the organization is. The results are shown in Figure 2.

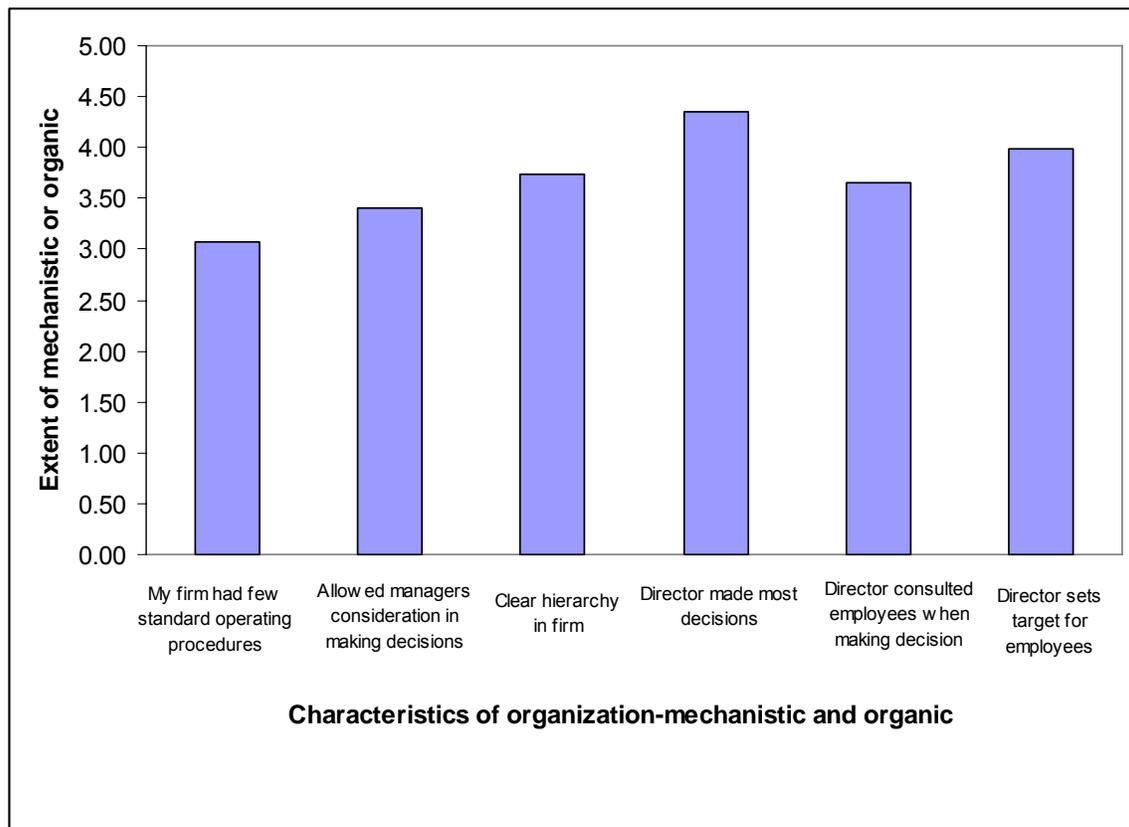


Figure 2: The extent of mechanistic and organic in quantity surveying firms.

Based on the results derived from the final survey, it can be said that most of the quantity surveying firms are mechanistic in its characteristics where the scale were higher than 3 points, The data obtained from the final postal questionnaire survey only partly supports Mintzberg's (1979) statement in the specific characteristics essentially needs for the mechanistic model of organization where being as professional service firms, jobs are sufficiently narrowed in scope, permitting employees to become experts

in specialised functions, tasks are well defined by rules and procedures so that standard performance can be achieved, In fact, being as professionals in quantity surveying firms, responsibilities are clear, employees know what is expected of them and a clear hierarchy of authority exists to control and coordinate the work of specialist and every employees knows who should report to whom.

Therefore, this research paper seek to investigate whether or not the mechanistic factor of the firm significantly correlated with the implementation of strategic planning in quantity surveying firms.

The general hypothesis tested in this study was that there is a relationship between the strategic planning and organization structure (mechanistic). The specific hypotheses deduced from the general hypothesis were tested using the Spearman Rho test. Every single dimension of strategic planning stage was tested against every single organization structure variables, therefore, 54 hypotheses were tested using bivariate analysis.

What emerged from this bivariate relationship testing was that most strategic planning were significantly related to organization structure (mechanistic) ( $p < 0.05$ ). Table 1 is a matrix of all the significant relationships produced by the bivariate data analysis.

	<b>Organization structure ( mechanistic/ organic)</b>					
	My firm had few standard operating procedures	My firm allowed managers consideration discretion in making decisions relating to their works	A clear hierarchy of authority exists in my firm	The director made most of the decisions	The director consulted employees when making decisions	Director sets targets for employees
<b><u>Strategic Planning Process</u></b>						
<b><u>Strategy formulation</u></b>						
a) My firm had formal statement of goals & objectives	0.035	0.153	.493(**)	.190(*)	-0.081	.403(**)
b) My firm considered globalization situations when formulating strategies.	-0.084	.183(*)	0.143	-0.061	0.038	.279(**)
c) My firm considered employee capabilities when formulating strategies.	-0.165	-.193(*)	.304(**)	.257(**)	.420(**)	.515(**)
<b><u>Strategy implementation</u></b>						
d) My firm restructured when implementing strategic plans	0.151	.485(**)	0.092	-0.087	0.104	.580(**)
e) My firm allocated adequate resources to carry out strategic plans	0.042	.329(**)	.246(**)	0.11	.242(**)	.410(**)
f) The strategic plans overused firm's resources	0.065	-0.024	0.002	.255(**)	-0.139	0.165
<b><u>Evaluation and control</u></b>						
g) My firm measured firm's performance against objective set	0.143	.338(**)	.271(**)	.248(**)	.262(**)	.622(**)
h) My firm took corrective actions when objectives were not achieved	0.129	.413(**)	.224(**)	.225(**)	.229(**)	.562(**)
i) My firm carried out periodic assessment to check firm's performance	-0.103	.195(*)	.345(**)	0.113	.246(**)	.731(**)

All correlations were significant ( $p < 0.001$ ) and ( $p < 0.05$ ).

Table 1: Significant relationships between organization structure (mechanistic/organic) and strategic planning process in quantity surveying firms

### ***Size of firm***

Strategic planning issues are not the only found in large firms. The small and growing firms are facing the same issues as strategic planning is concern (Robinson & Pearce, 1984; O'Regan & Ghobadian, 2002; Stonehouse & Pemberton, 2002) which it is nonetheless the majority of quantity surveying firms in Malaysian construction industry is shaped by small and medium set up. Unfortunately, the state of knowledge pertinent to the strategic planning of small and growing firms is inadequate (Robinson & Pearce, 1984). In addition, many authors in their findings of strategic planning in small firms recognized that small firms' planning was unstructured, irregular and incomprehensive, only few individuals involved (Still, 1974; Shuman, 1975; Sexton and Dable, 1976; Hastings, 1961) owners/ managers did not practically carried out formal planning because they lacked of time, education, and training (Anderson, 1970; Hastings 1961), the planning approach was non-rational and non systematic (Rice and Hamilton, 1979), planning was the most difficult function to perform well in the small companies (Cohn and Hamilton, 1972) which setting goals in companies was the weakest aspect of small business planning. On the other hand, ineffective implementation of strategic planning in many firms is the main reason for the failure to achieve expected or projected performance (Nobel, 1999). This has been expressed in the literature and described by many authors in their empirical research, where strategic planning is the set of processes undertaken in order to develop a range of strategies that will contribute to achieving the firm's direction. Therefore, this research paper seek to investigate whether or not size of firm is an influence factor to undertake strategic planning research in predominantly small and growing professional quantity surveying firms and to what extent the implementation of strategic planning affect the growth of quantity surveying firms.

The study measured the size of the quantity surveying firms in terms of the number of employees engaged between 2001-2005. The result is shown in table 2.

<b>Size</b>	<b>Quantity surveying firms (N=34) %</b>
Small (lesser than 10 employees)	41.8
Medium (11 to 30 employees)	49.2
Large (more than 30 employees)	9.0

Table 2: The size of quantity surveying firms: based on employees between 2001 to 2005

Langford and Male (2001) classified small sized firm in construction professions is by number of workforce where small is fewer than five, medium sized firm between 6 to 20 staff and large firm has more than 20 staff. Fadhlin in her survey in 2004 of Malaysian quantity surveying firms' profile classified the total workforce in firms where lesser than 10 considered to be small, 11 to 30 under medium sized category and more than 30 staff is categorized as high. Therefore, we use Fadhlin's categorization of quantity surveying firm profile as it is related to the study which it is within the scope of quantity surveying firms in Malaysia.

By employing the Spearman's correlation technique, this study found that the size of firm was significantly associated with two third of the process of strategic planning used (formulation and evaluation stage). The results are shown in Table 3.

<b><u>Strategic Planning Process</u></b>	<b><u>Size of firm</u></b>
<b><u>Strategy formulation</u></b>	
a) My firm had formal statement of goals & objectives	0.069
b) My firm considered globalization situations when formulating strategies	0.248 (**)
c) My firm considered employee capabilities when formulating strategies	0.053
<b><u>Strategy implementation</u></b>	
d) My firm restructured when implementing strategic plans	0.166
e) My firm allocated adequate resources to carry out strategic plans	0.163
f) The strategic plans overused firm's resources	0.110
<b><u>Evaluation and control</u></b>	
g) My firm measured firm's performance against objective set	0.215 (*)
h) My firm took corrective actions when objectives were not achieved	0.180 (*)
i) My firm carried out periodic assessment to check firm's performance	0.112

Table 3: Significant relationships between strategic planning and size of firm in quantity surveying firms

## **MANAGERIAL CAPABILITIES' FACTORS**

Managerial capabilities are those capabilities defined by the resource-based value of the firm and also referred to as core competencies. Hansen and Wernerfelt (1989) suggests that managers can influence the behaviour of their employees (and thus the performance of the organization) by taking into account factors such as the formal and informal structure, the planning, the reward, control and information systems, their skills and personalities, and the relation of these to the environment. Hitt and Ireland (1985) suggests that the firm's unique capabilities in terms of technical know how and managerial ability are important sources of heterogeneity that may result in sustained competitive advantage. The resource-based theory (Barney, 1991; Prahalad and Hamel, 1990; Wernerfelt, 1984), complementing the traditional model of Porter's (1985)

competitive advantage, stressed the importance of the internal resources and capabilities of the firm in the context of competitive environment (Collis and Montgomery, 1998). The firm's internal resources and capabilities constitute a much more stable point of reference and develop as primary sources of benefits (Grant 1991) and crucial determinants in the organizational strategic planning.

There are many ways in interpreting the firm resources managerial capabilities and its relation to competitive advantage as mentioned by many authors in terms of strategic assets (Pegels and Yang, 2000) and resource based view (Wernerfelt, 1984; Barney, 1991; Peteraf, 1993; Hamel and Prahalad, 1989; Hall, 1992). Fahy (2000) even came out with the resource based model that highlights the firm as a unique collection of resources and capabilities.

According to Okoso-Amaa and Mapima (1995), managerial capability is a management quality essential to running new or established industries. Managerial capability is a person's ability to perform specific and general management functions. The ability to expertly perform each of these management functions depends on the use of:

- the stock of knowledge the manager has;
- the experience the manager has accumulated in similar endeavours; and
- the skills the manager has acquired;
- the type of training the manager has had (for the task to be performed).

*Managerial capability* is defined as the knowledge, skills, experience, and training a manager has to perform management functions. The author has used the definition by Okoso-Amaa and Mapima in identifying the management capabilities in quantity surveying firms. However, the author has changed the skills factor to the involvement factor. Whilst skills factor is also imperative, nevertheless the involvement factor is an important variable in strategic planning implementation in the firm.

The terminology of director and manager will be used interchangeably in this paper. This is because, the profile of quantity surveying firms which are mostly small and medium set up lead by a director who owns and manages the firm simultaneously.

### ***Measurement of capability factor***

The author measured each capability factor which are knowledge, involvement, experience, and training by awarding points to empirically measurable variables:

- knowledge — measured by academic qualifications, which varied from a certificate to a degree; also knowledge in strategic planning.
- experience — measured by the number of years a person has been exposed to similar management situations besides, experience in the construction industry and as a quantity surveyor were also asked to the respondents to validate the overall experience the manager has. In fact, part of strategic planning is about analyzing the external environment.
- involvement — measured by degree of involvement in three stages of strategic planning which are strategy formulation, implementation and evaluation and control.
- training – measured by attendance in training/ workshop of strategic planning.

### ***Knowledge***

During the 1990s the resource-based view of the firm focused attention on knowledge as the primary source of sustained competitive advantage. Knowledge has become one of the critical driving forces for business success and a valuable asset to be actively managed. Ignorance and oversight of the necessary important factors will likely hinder an organization's effort to realize its full benefit.

Research into knowledge management has explored various themes including: the nature and form of organizational knowledge in professional service firms; the relationship between organizational knowledge and the strategy, economic, and organizational structures of professional service firms; the practicalities of developing and utilising formal knowledge management systems within professional service firms; and the socialization processes through which individual professionals learn how to share knowledge with their colleagues as well as the reasons why they resist such initiatives. Knowledge management represents a complex management challenge in professional service firms because a professional's technical and client-related knowledge represents his or her primary source of value to the firm.

The study measured the education level of director in the quantity surveying firms in terms of the academic qualifications. The result is shown in Table 4. 70.1% of the respondents hold the Bachelor Degree in quantity surveying. Nevertheless, a director of a quantity surveying firms must possess a professional accreditation from the professional bodies namely Board of Quantity Surveyors Malaysia in order for a director to render his/her professional services. The respondents were asked to rate on the degree of knowledge in strategic planning. Five points scale was used from not at all to very high extent and 35.1% of them perceived to have an average knowledge in the particular area. The results are shown in Table 5.

<b>Education Level</b>	<b>Percent (%) (N=34)</b>
Master Degree	9.0
<b>Bachelor Degree</b>	<b>70.1</b>
Advanced Diploma	20.9
Total	100.0
Master Degree	9.0

*Table 4: Director's education level*

<b>Knowledge in strategic planning</b>	<b>Percent (%) (N=34)</b>
Not at all	23.9
Low extent	29.1
<b>Medium extent</b>	<b>35.1</b>
High extent	11.9
Total	100.0

*Table 5: Director's knowledge in strategic planning*

### ***Experience***

Tacit knowledge is acquired through experience (Spender, 1996a,b). It is a form of knowledge with which we are all intimately familiar. It appears as if it were acquired through "osmosis" when we enter into a new organization, or when we begin an activity that is different from what we are accustomed to. On the other hand, much of organizational knowledge is tacit (Cook and Yanow, 1993). That is, it is generated through the experience which the daily work consists of. Due to these experiences,

directors who make up the organization maintain a “shared meaning network”. The creation of tacit knowledge is a continuous activity in organizations, and represents what Bateson (1973) denominated “analogical” quality as opposed to explicit knowledge, which is discretional or “digital”.

The study measured the experience level of director in the quantity surveying firms in terms of number of years in construction industry, as a quantity surveyor and in current firm. The result is shown in Table 6, 7 and 8 respectively. 95.5%% of the respondents has more than 15 years experience in the construction industry. 92.5% has also more than 15 years experience as a quantity surveyor and 47.8% respondents has more than 15 years experience in current firm.

Year	Percent (%) (N=34)
11 - 15 years	4.5
<b>More than 15 years</b>	<b>95.5</b>
Total	100.0

*Table 6: Experience in construction industry*

Year	Percent (%) (N=34)
11 - 15 years	7.5
<b>More than 15 years</b>	<b>92.5</b>
Total	100.0

*Table 7: Experience as a quantity surveyor*

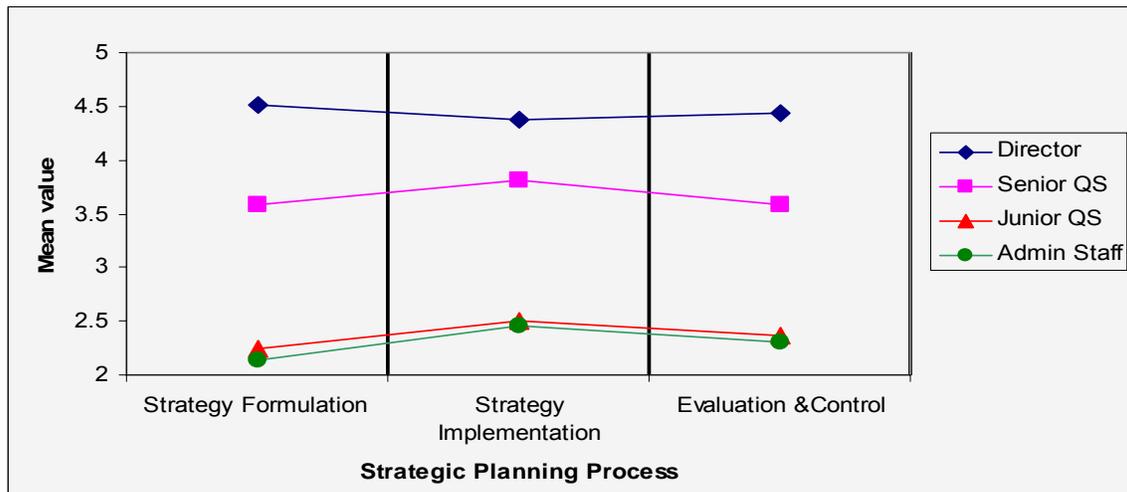
Year	Percent (%) (N=34)
Less than 5 years	6.0
6 -10 years	20.1
11 - 15 years	26.1
<b>More than 15 years</b>	<b>47.8</b>
Total	100.0

*Table 8: Experience in current firm*

### ***Degree of Involvement***

The strategic planning process addresses a long-term goal and requires the participation of directors in policy making, reviewing the objectives, goals, allocation of resources, identifying alternative strategies, scanning for environment and evaluation to the whole process. Degree of involvement suggests how strongly a person is interested in the organization (Prasad, 1984). Thus, for any given organization, a person can conceivably be strongly attracted, indifferent, or strongly repelled and thus be placed on the range of involvement. For the purpose of the analysis, this range can be broken into four parts: low involvement, medium involvement, high involvement and very high involvement. The respondents were asked to rate on the degree of involvement in strategic planning process. Four points scale was used from low involvement to very high involvement. The answers were converted to mean value using the following equation:

$$\bar{X} = \frac{\sum X_i}{n}$$



*Figure 3: Degree of involvement by director in quantity surveying firms in three stages of strategic planning*

The results in Figure 3 indicated that directors in all strategic planning process: strategy formulation, strategy implementation and evaluation and feedback highly involved the directors. According to Hambrick and Mason (1984), managers have an important impact on firm's outcomes because of the decisions they are empowered for the firm.

Therefore, involving and participating in every process of strategic planning ensures that the outcome of the firm meets the objective sets for the firm. Needless to say, directors play an important role in all stages of strategic planning process in quantity surveying firms. Whilst director's involvement is high, the employees' involvement in strategic planning process is nevertheless paramount to ensure the objective of the firm is achieved. The employees' involvement in quantity surveying firms are divided in three levels namely senior quantity surveyors, junior quantity surveyors and administration staff. Being small and medium set up professional firm, the departmentalised structure in the firm is limited. Technical and administration departments are the most departments used in small set up to separate the technical works and administrative works. The findings shows that these level of employees involve in strategic planning according to their positions in the firm where senior quantity surveyors has an average mean of 3.66 in the whole strategic planning process, followed by junior quantity surveyors (mean=2.37) and administration staff (mean=2.30).

### ***Training***

Training programmes are designed to upgrade managerial skills. For this upgrading, Liedholm and Mead (1999) suggest two approaches:

1. concentrate on providing experience for those considering setting up a new business, before the start out on their own, by developing internships or on-the-job training programmes; and
2. to the extent that one does seek to assist new start-ups, build on existing experience, both in terms of any training offered and in terms of the selection of particular enterprises to support.

In addition, a number of analysts have argued that these geographical concentrations of firms in related activities have provided significant benefits to those who participate in them (Schmitz, 1995; McCormick and Pedersen, 1996; Van Dijk and Rabelotti, 1997). However, based on the results derived from the survey and as shown in Table 9, 38.8% formed the major responses on the non-attendance in training/workshop on strategic planning. The results however contradict with the results in Table 5 for the knowledge in strategic planning where 35.1% respondents perceived to have average knowledge of it.

<b>Attendance in training/workshop on strategic planning</b>	<b>Percent (%) (N=34)</b>
<b>Not at all</b>	<b>38.8</b>
Low extent	29.1
Medium extent	20.1
High extent	11.9
Total	100.0

*Table 9: Director's attendance in training/ workshop on strategic planning*

The findings of this study show that managerial capabilities have the significance influence in implementing the strategic planning issues in the firm. This result with has been supported by the literature review that the managerial capabilities has the significance impact on the implementation of strategic planning (O'Regan and Ghobadian, 2002; Variyam and Kraybill, 1993) The general hypothesis tested in this study was that there is a relationship between the managerial capabilities and implementation of strategic planning in the firm. The specific hypotheses deduced from the general hypothesis were tested using the Spearman Rho test. Every single dimension of managerial capabilities stage was tested against every single process of strategic planning, therefore, 81 hypotheses were tested using bivariate analysis.

What emerged from this bivariate relationship testing was that most managerial capabilities were significantly related to the three processes of strategic planning ( $p < 0.05$ ). Not one of these capabilities or strategic planning process failed to be related. Table 10 is a matrix of all the significant relationships produced by the bivariate data analysis.

	<u>Strategy Formulation</u>			<u>Strategy Implementation</u>			<u>Evaluation and Feedback</u>		
	My firm had formal statement of goals & objectives	My firm considered globalization situations	My firm considered employee capabilities when implement strategic plans	My firm restructured when implement strategic plans	My firm allocate adequate resources	Strategic plans overused firm's resources	My firm measured firm's performance against objective set	My firm take corrective actions when objectives not achieved	My firm carried out periodic assessment to check firm's performance
<b><u>Knowledge</u></b>									
a) Education level	-0.279**	-0.200*	-0.045	-0.609**	-0.057	-0.152	-0.395**	-0.389**	-0.221*
b) Director and some employees have experience in strategic planning	0.117	0.239**	0.203**	0.068	-0.035	0.222**	-0.045	-0.233**	0.002
c) Director and some employees attended seminar on strategic planning	0.177**	0.313**	0.026	0.222**	-0.014	0.231**	0.159	0.017	0.139
<b><u>Experience</u></b>									
d) Experience in construction industry	-0.035	-0.295**	0.099	-0.203*	0.000	-0.179**	-0.012	0.061	-0.012
e) Experience as QS	0.080	-0.223**	0.130	-0.334**	-0.175*	-0.031	-0.171*	-0.096	-0.016
f) Experience in current firm	-0.074	0.105	0.163	-0.038	-0.068	0.192**	-0.105	-0.200*	-0.090
<b><u>Involvement in strategic planning</u></b>									
g) Involvement of director in strategy formulation	0.427**	-0.034	0.310**	0.194*	0.414**	-0.072	0.376**	0.509**	0.264**
h) Involvement of director in strategy implementation	0.304**	-0.139	0.296**	0.039	0.617**	-0.151	0.408**	0.479**	0.311**
i) Involvement of director in evaluation & control	0.383**	-0.141	0.166	0.137	0.554**	-0.084	0.410**	0.527**	0.385**

\* Correlation is significant at the 0.05 level (2-tailed).

\*\* Correlation is significant at the 0.01 level (2-tailed).

*Table 10: Significant relationships between managerial capabilities and implementation of strategic planning*

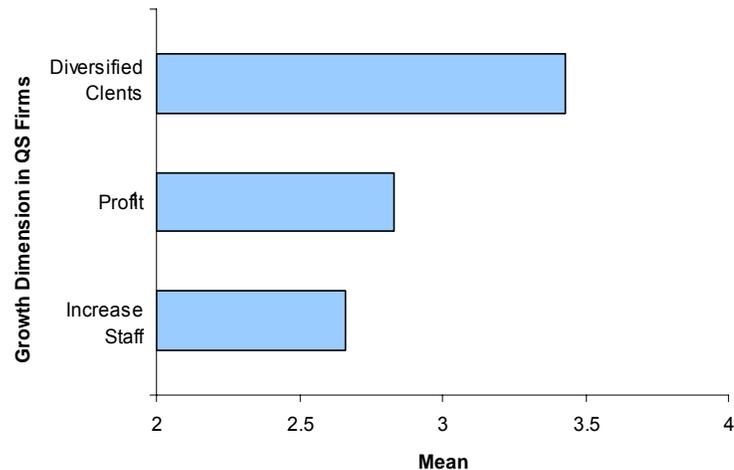
## **GROWTH OF QUANTITY SURVEYING FIRMS**

The professional organization covers the structural and strategy formation aspects of the professional organization in detail. The most important part of professional organizations like these is their operating cores, which are populated by highly trained professionals (Mintzberg, et al.1995). This has been supported by Langford and Male (2001) in identifying professional firms in construction industry which concentrating on core technical tasks whilst maintaining the professionalism. However, majority of professional firms in construction industry is formed by small and medium set up and this has no exception in quantity surveying firms which majority of them fall under the category of small and medium (Fadhlin, 2004). Hence, developing a strategic planning is critical to the creation of a small and medium company's competitive edge. In other words, the small firm must establish a plan for creating a unique image in the minds of its potential customers. A strategic plan defines what small and medium business will be and developing a strategic plan protects the business from the pitfall of failing to differentiate itself from its competitors. Besides competitiveness, strategic planning is associated with growth of the company. Studies such as those conducted by Ringbakk (1968), Grinyer and Norburn (1974) and Naylor and Gattis (1976) indicate that strategic planning is widely accepted and practiced among large corporations. This general acceptance and use of strategic planning contributes to the overriding industry perspective that corporate growth is enhanced by strategic planning. Steiner (1966) suggested that planning is a major requirement for organizational growth. In later years, Glueck (1980) concluded that formal business planning is a major determinant of organizational growth.

Growth for small business is not consistently defined across industries and organizations, In contrast to the growth measurements and requirements, such as shareholder value and return on capital for large corporations, there are no formal reporting requirements for the majority of small businesses. Several empirical studies have incorporated both qualitative and quantitative measurements of business growth and performance (Dalton & Kesner, 1985; Geeley, 1986; Venkatmaran and Ramanujan, 1987). However, what might be considered strong performance for one industry or organization, may be deemed weak performance for another. Hence, it is extremely difficult to measure and to operationalized growth in empirical studies on small firm planning and growth. This is a major weakness in the available research on the topic (Venkatraman and Ramanujam, 1986). Nevertheless, for this research, growth will be

determined by responses to three-self reported measures via a questionnaire: (1) profit growth, (2) staff increased, (3) diversified clients. All three growth dimensions are relative to key competitors. Consideration has been given to the fact that some growth indicators may not pertain to certain businesses. For example, some small firms may have no intention of establishing new locations and sites. Hence, several different growth indicators were selected due to their generalizability across numerous and varied industry segments.

This study measured the growth of quantity surveying firms from year 2001 to 2005, in terms of staffing, profit and diversified client. The results are shown in Figure 4.



*Figure 4: Growth of quantity surveying firms from 2001 to 2005*

The general hypothesis tested in this study was that there is a relationship between the strategic planning and firm's growth. The specific hypotheses deduced from the general hypothesis were tested using the Spearman Rho test. Every single dimension of strategic planning stage was tested against every single growth indicator, therefore, 27 hypotheses were tested using bivariate analysis.

What emerged from this bivariate relationship testing was that most strategic planning were significantly related to both financial and non-financial measures of growth ( $p < 0.05$ ). Not one of these strategic planning process or growth indicators failed to be

related in at least three hypotheses. Table 11 is a matrix of all the significant relationships produced by the bivariate data analysis.

<b>Strategic Planning Process</b>	<b>Growth indicators</b>		
	<b>Increase staff</b>	<b>Profit rate higher</b>	<b>Diversified clients</b>
<b><u>Strategy Formulation</u></b>			
<b>a) formal goal &amp; objectives</b>	.263	.092	.157
<b>b) considered external situation</b>	.254	.624	.223
<b>c) considered internal capabilities</b>	.277	.134	.301
<b><u>Strategy Implementation</u></b>			
<b>d) restructuring of firm</b>	.142	.330	.240
<b>e) allocate adequate resources</b>	.201	.367	.114
<b>f) overused firm's resources</b>	.306	.171	.070
<b><u>Strategy Evaluation</u></b>			
<b>g) measured advantages derived from strategic planning</b>	.373	.367	.385
<b>h) take corrective action when objectives not met</b>	.252	.159	.260
<b>i) periodic assessment</b>	.244	.249	.192

All correlations were significant ( $p < 0.001$ ) and ( $p < 0.05$ ).

Table 11: Significant relationships between strategic planning and growth in quantity surveying firms

## **CONCLUSION**

There are many factors lead to the implementation of strategic planning in any organization. This research extends the growing empirical evidence that firm size is a vital contingency in an evolving theory of strategic planning. Contrary to the frequently encountered contingency notion that strategic planning is solely a large firm phenomenon, this study suggests that small and growing firms especially in professional

quantity surveying firms is an important arena for strategic planning research especially in the construction environment.

Based on the results derived from the research, it can be said that most of the quantity surveying firms are mechanistic in its operation of firms, where being as professional service firms, jobs are sufficiently narrowed in scope, permitting employees to become experts in specialised functions, tasks are well defined by rules and procedures so that standard performance can be achieved. In addition, being mechanistic does not stop the quantity surveying firms from implementing strategic planning in their firms. In addition, it can be said that most of the quantity surveying firms' directors have significance influence in the implementation of strategic planning ( $p < 0.05$ ). They are also well equipped with the knowledge that they possess as a director in their firms, as a quantity surveyor who has been in the construction industry for more than 15 years. Besides, these directors are highly involved during implementation of strategic planning: strategy formulation, strategy implementation and also carried our periodic assessment during evaluation and feedback process. This is to ensure that involving and participating in every process of strategic planning warrants that the outcome of the firm meets the objective sets for the firm. Needless to say, directors play an important role in all stages of strategic planning process in quantity surveying firms. However, the result on knowledge of directors in strategic planning which at average level is contradict with the training attendance on the particular area. Although it is a premature to many any absolute judgement, it shows that experience and knowledge gained in their tenure as a director and a quantity surveyor in construction industry suffice to carry out strategic planning.

The need for strategic planning is therefore paramount for each firm. Developing objectives, mission and vision, identifying strength and weaknesses, scanning the evaluating threats and opportunities will provide a considerable advantage to be competitive among rivals within the dynamic construction environment. This paper has set out to establish that the implementation strategic planning improved the firms' growth in terms of increase employees, profit and more diversified client.

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