STRATEGIC PLANNING FOR QUANTITY SURVEYING FIRMS
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ABSTRACT

For the past five years, the Malaysian construction industry has been competitive. In order to cope with the dynamic environment, Quantity Surveying firms must plan strategically. However, literature on strategic planning for Quantity Surveying firms is lacking. This research aims to identify changes in construction industry related to quantity surveying environment, to establish the strategic planning process in quantity surveying firms and 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 the competition faced by quantity surveying firm is stiff, the clients are more demanding and a strong pressure for the quantity surveyors to be knowledgeable and skilful in IT, especially on the computer software. In addition, formal strategic planning in QS firms despite the strong association between strategic planning and firm’s growth.

Keywords: Construction environment, quantity surveying firms, strategic planning, growth
INTRODUCTION

The environment of the construction industry has changed over the last 30 years where it evolved tremendously from traditional modes of operating to a more-business like approach (Barrett, 1993). Major changes include the structure of the industry, procurement methods, construction processes, client organizations, technology, political and economic environments. In the last five the construction industry has been growing very slowly. The clients are more demanding and the use of IT is all sectors and areas of work have increased rapidly. This puts a lot of pressure for the quantity surveying firm to think strategically. It would be very interesting to investigate how quantity surveying firm respond to such a situation.

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 involve 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?

RESEARCH METHODOLOGY

Data collection was by survey questionnaire of 34 quantity surveying firms represented 55.7% of the total preliminary survey of 61 firms and semi structured interview with fifteen directors of quantity surveying firms. Descriptive statistic and Spearman Rho correlation tests were used to analyse data obtained.

CHANGES IN MALAYSIAN CONSTRUCTION INDUSTRY

The Malaysian Industrial Classification (1972) defines construction industry as: “…erecting, repairing buildings; constructing and repairing roads and bridges; erecting steel and reinforced concrete structures; other civil engineering work such as laying sewers and gas mains, erecting overhead line supports and aerial masts, open cast mining, etc. The building and civil engineering establishments of defence and other government departments and of local authorities are included. This also include activities specialising in demolition work or in sections of construction work such as asphaltling, electrical wiring, flooring, glazing, installing heating and ventilation apparatus, painting, plumbing, plastering, and roofing. The hiring of contractors’ plant and scaffolding is included”.

Turin (1969) measures the place of construction industry in the economy using two aggregates; these are the contribution to the Gross Domestic Product (GDP) and the contribution made by the
construction industry towards fixed capital formation. The construction industry is considered as an industry that provides construction services to other industries. Construction activities provide support, especially to the housing and development sector. Malaysian construction industry has performed quite inconsistent over the last 6 years with two years recorded negative growth. Figure 1 exhibits the total construction output and Gross Domestic Product (GDP) in Malaysia since years 2001 to 2006. In year 2003, the Malaysian construction industry contributed 1.5 percent growth per annum to the total GDP. The growth mostly contributed by residential and infrastructure construction activity. However, the local construction industry experienced negative growth in 2004, 2005 and 2006 with -1.5%, 1.6% and -0.5% respectively. This is most probably due to change of government policy under the administration of new Prime Minister, who gave priority in development in development of other sectors such as manufacturing and agricultural.

Due to changes in construction industry, the need for formal business planning became more pronounced in the twentieth century as business transitioned from relatively stable conditions to an extremely dynamic environment (Stewart, 2003). Betts and Ofori (1992), cited that another factor which makes strategic planning for construction vital, but which also tends to hinder it, is the management-intensive nature of construction activity. Nevertheless, Brandon (1990) urged professionals in the construction industry moving towards management role. He cited “Management as seen to be the high ground which is less vulnerable attack from the new technology and in addition provides the control over technology in a competitive world. The next 20 or 30 years will see an interesting power game develop between all the professions for this management role”.

The quantity surveying profession faces threats to its traditional roles and functions as a result of changing clients’ needs in the construction industry (Matzdorf, et al, 1997; National Economic Development Office, 1998), advances in technology and the particular needs of developing economy. Brandon (1990) suggests that the profession’s continuing relevance and growth could require enhancing its knowledge domain so that it can move quickly into new areas of service as opportunities arise. At the same time, it should be prepared to move away from old methods when technology and competition make them redundant. One oft the threats as experienced by quantity surveying firms in United Kingdom and Australia is easily affected by the highs and lows of the economic cycle (Lim, et al, 2006). In addition, Hardie, et al (2005) carried out a comparison research with Building Research Innovation Technology and Environment (BRITE),

![Figure 1: The Growth (%) of Malaysian Construction Industry, 2001 to 2006](image-url)
2004 in identifying the role of quantity surveyors in innovation (technological and organizational improvement), it was resulted that the management practice that comprises strategic planning was very low as compared to other high innovator groups comprising of engineers and clients. Quantity surveyors were also identified as innovative blockers by other groups (engineers, architects, clients). As mentioned by Hardie, et al. "the quantity surveying profession will need to concentrate on their value-adding and organizational skills it is to continue to prosper in a complex and dynamic industry environment".

This study measured the pressures faced by the quantity surveying firm in terms of competition, the use of information technology (IT) and the demand put by the client. It was measured using five-point scale, from 1 very low to 5, very high. The results are shown in figure 2.

![Figure 2: The external pressures faced by Quantity Surveying firms](image)

**Competition among quantity surveying firms**

The construction industry is one which is under serious scrutiny by professional institutions. The construction industry faces a continuous circle of changes in workload, work mix and the method of managing the changes and, by definition, changing its product all the time. One of the consequences of these many changes is that the quantity surveying firms are moving closer to their clients who are themselves becoming more sophisticated and are often now the driving force for improvements in the services. One consequence of these changes is that of increasing competition among quantity surveying firms. It should, however, be noted that the concepts of competition and strategic planning are closely related. While competition stimulates invention, development and efficiency, developments in strategic planning on the other hand, to a great extent, has been helpful in postulating the appropriate direction of the firm’s objectives in long term, which in turn affects the analysis of the competition. Porter (1979) defined the theory of perfect competition assumes free access to an industry to new participants and the availability of perfect market information to all within a particular sector.

**Changes in technology used in quantity surveying firms**

Advances in personal computer technology along with the rapid evolution of graphical user interfaces, networking, and communications over the last decade have had a substantial impact
on industry business processes. The emergence of client/server applications, at the end of the 1980s, offered a first promising answer to the problems of flexibility, scalability and extensibility of modern businesses. Software applications were being downsized from expensive mainframes to networked personal computers and workstations that are often more user-friendly and cost-effective. The introduction of the Internet along with advances in three-tier architectures and middleware technologies has brought new challenges and competitive advantages that the industry is now trying to comprehend and exploit. On the other hand, new techniques have been developed to integrate legacy and proprietary systems with new upcoming component-based applications. These legacy, proprietary, and commercial applications, widely used by the industry, range from low-cost document management systems to high-cost groupware applications.

In this context, quantity surveying companies are heavily invested in the improvement of their business processes. New forms of innovative of quantity surveying services i.e. preparation of bills of quantities, feasibility studies, estimates, etc. appeared as a response to the ever-growing pressure from clients to deliver high-quality services on time and on budget.

Changes in clients’ demand
The 1990s saw the beginning of rapid privatization of government enterprises in the Malaysia, allowing for greater competition. There has been an increasing rise in the number of private and commercial developers and housing associations. For this, emphasis is placed on speed, value-based services and cost-time-quality performance for a particular project and there are clear signs that these clients are becoming increasingly involved in building processes; relationships with contractors appear to be moving towards more of partnering and other forms of strategic alliance (Langford and Fellows, 1993).

STRATEGIC PLANNING PROCESS

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, strategist 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 weakness
- 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 (Petri and Heini, 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 agree that they carry 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 3.

![Figure 3: The extent of implementation of strategic planning in quantity surveying firms for the past five years](image)

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).

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.

Hence, being small and medium set up for majority of quantity surveying firms, it is therefore a clear definition of growth need to be established. 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; Venkatraman 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 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 over the last five years, in terms of staffing, profit and types of client. The results are shown in figure 4.

![Figure 4: Growth of quantity surveying firms for the past five years](image)

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 1 is a matrix of all the significant relationships produced by the bivariate data analysis.

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

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

Table 1: Significant relationships between strategic planning and growth in quantity surveying firms

**CONCLUSION**

There are many changes occurring in the Malaysian construction industry: a levelling of the trade cycle; methods of procurements; an increasing emphasis on quality, experience and innovations; and increasing competition among firms. No organization or individual can escape change; change is a fact of life in organizations. The external pressures faced by quantity surveying firms are strong. Therefore, there is a need for quantity surveying firms to cope with these pressures and not to be complacent and think strategically. 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 majority of carried out strategic planning informally (not documented). Further to that it has been found that strategic planning improves growth in their quantity surveying firms in terms of staffing, profit and more diversified clients.

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