

Critical Success For Kelantanies Constraction Operate Outside Kelantan State In Malaysia

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Abstract: The Malaysia construction industry has been experiencing boom and bust conditions in the past few decades. For example, the construction industry suffered three business cycle downturns in 1976-1978, 1984-1988 and 1997-1999. Furthermore in 1998 the industry contracted sharply by 23 percent and finally moderated to a further contraction of 5.6% percent in 1999. However, the industry has shown a small growth of 1 percent in 2000. With the higher public and private investment especially in infrastructure projects, education, health, and social infrastructure, the construction industry is expected to have grown by 5 percent in year 2001 and forecasted to grow by 4.3 percent in 2002. With the expected growth in the industry, this will enhance the number of contracting firm in the industry. The contracting firm, which is also known as the 'builder', is defined as a supplier of services whose scope of work and engagement is determined by the requirements of the client (user of services) formalized in the form of a contract document. The client engages a contractor through a tendering process, to construct and to complete the project in accordance with certain design, specification and period of completion at an agreed price. Despite the Malaysian Economics growth, Kelantan still lags behind because of political reason. Governed by an avowedly Islamic party, party selislam Malaysia (PAS), the past has been unable to attract vital foreign direct investment. This has led to poor project development in the state compared to other states in Malaysia. In order to succeed, Kelantanies contractor are driven to get jobs outside Kalantan. The most popular state is Selangor to the intense development demand.

Keywords: Critical success factors; Contractors; Construction industry; Kelantan, Malaysia

1.0 INTRODUCTION

Kelantan is the state that was always been regarded as poor and isolated. Due to the political reason, the state has lagged behind the rest Malaysia over the past decade. As a result, poverty rates continue to hover around 20% and population growth has dipped to a miserly 0.9% - substantially less than the 6.1% recorded by Selangor. Less development in Kelantan results in absence of jobs and opportunities for Kelantanies live elsewhere in the country. This however has led to inevitable drift to cities where the Kelantanies long respected for their industriousness have succeeded in business, the civil services and the military – including the women. It is already well known that Kelantanies famous with the entrepreneurial possessed by their people. Normally, the capabilities of Kelantanies in business are related with heritage and have long been through social-culture transmission process. Their enterprising spirits have been acknowledged not only by Malaysian but also foreigners in the same business. Entrepreneurship is usually referred to the psychology and behavioral dimensions of the owners and founders of the business. Many studies on successful entrepreneurs show that the successes of the business venture are mainly due to 'entrepreneurship' (Ali and Hasli, 2001). Previous Malaysian Prime Minister Mahathir Mohamad noted that 'Kelantanies are capable and hardworking. They have and currently excellent in contributing for country's development'. The high involvement of Kelantanies in business most probably due to certain entrepreneurial characteristic possess by them. One of the popular industry attract their attention is construction industry.

2.0 Short overview on CSFs

Ideas of CSFs were first discussed by Daniel in 1960s. At the beginning it has been proposed to be used in different area for example, Anthony et al., (1972) identified CSFs in management control system, Rockard (1972) identify CSFs as a mechanism for definition of CSFs when proposed that it can be used a management information system (MIS) planning tool. Meanwhile in 1980, Munro and Wheeler suggested that managers and organizations should use CSFs to achieve higher performance. This has encouraged studies on CSFs in the area of strategic management. Leidecker and Bruno (1984) applied CSFs at three levels of analysis i.e firm specific, industry and economic socio-political environment. They argued that CSF analysis provides a method to identify the essential competencies, economics climate. Usually SCF analysis emphasizes on SWOT analysis, which determine the company's strength and weakness in a specific environment. This concept then has been adopted in various disciplines for example Dickinson et al., (1984) and Lumpkin and Ireland (1988) both have applied it in small business, Chan (1999) in banking industry and so forth. With respect to construction management, the CSF ideas have been applied to determined projects critical success factors (PCSFs) by Sanvido et al., (1992) and Chua et al., (1999). Given the different applicant of CSFs in previous studies, the definition tends to be different area of study. Various SCFs definition have been discussed by Leidecker and Bruno (1984) identified CSFs as those characteristic, conditions or variables that when properly sustained, maintained or managed can have a significant impact on the success of a firm competing in a particular industry.

This study will adapt the definition by Jaffar (2004) whereby CSFs will be defined as 'internal or external factors (characteristics, conditions or competencies) that need to be properly sustained, maintained or managed due to significant contribution to company success'. This definition can be applied to businesses to ensure their long-term survival and success in the specific industry.

3.0 Contractors in the Construction Industry

The construction industry is one most important industries in Malaysia's economic cycle. The Malaysia construction industry has been experiencing boom and bust conditions in the past few decades. For example, the construction industry suffered three business cycle downturns in 1976-1978, 1984-1988 and 1997-1999. Furthermore in 1998 the industry contracted sharply by 23.0 percent and finally moderated to a further contraction of 5.6 percent in 1999. However the industry has shown a small growth of 1 percent in 2000. With the higher public and private investment especially in infrastructure projects, education, health, and social infrastructure, the construction industry is expected to have grown by 5 percent in year 2001 and forecasted to grow by 4.3 percent in 2002. With the expected growth in the industry, this will enhance the number of contracting firm in the industry. Based on a definition by Jaffar et al., (2001) the contracting firm, which is also known as the 'builder', is defined as a supplier of services whose scope of work and engagement is determined by the requirements of the client (user of services) formalized in the form of a contract document. The client engages a contractor through a

tendering process, to construct and to complete the project in accordance with certain design, specification and period of completion at an agreed price. Despite the Malaysian Economics growth, Kelantan still lags behind because of political reason. Governed by an avowedly Islamic party, Party Selslam Malaysia (PAS), the past has been unable to attract vital foreign direct investment. This has led to poor project development in the state compared to other states in Malaysia. In order to succeed, Kelantanies contractor are driven to get jobs outside Kalantan. The most popular state is selangor to the intense development demand. Based on the data by UPEN (1995). 54.8 of total Kelantan's population (1.2 million) are involved in business. The business sector contributes 14.0% to the state's GDP. 4% from that figure comes from property and constructions. This means that 26,304 Kelantanies businesses are involved with construction. Thus, this paper is attempted to study the critical success factors (CSFs) for kelantanies contractor operate outside Kelantan. The CSFs concept is very important nowadays in the industry due to higher competition facing by contractors. This study is attempted to find the answer to the following question: (1) Is the kelantanies contractors operate outside Kelantan used CFSs like management commitment and customer focus tools in managing the projects? (2) Does the company obtained success from the completion of project differ by individual characteristics?

4.0 Methodology

The population under study consists of chairman or owner/managers of Kelantanies constructor operating in all states other than

Kelantan. The population will cover only contractor class "A" Kelantanies contracting firms. Data collection will be done by using the self-administered mail (post and mail) survey method. In addition, we will conduct one-to-one interviews with selected parties to get more information. In this research, the size of contracting firms is defined according to its registration grades or classes with the construction industry development board

(CIDB) and "Pusat Khidmat Kontraktor" (PKK), which are the main organization that regulate the construction industry. Before the establishment of the CIDB in December 1994, contractors had to register with the PKK. However, these two bodies require somewhat similar registration criteria to be fulfilled by the contractors. Basically, the CIDB classifies contractors by grades G7 while the PKK by classes A (Table 1).

Table 1: contractors' classification according to total paid up capital

Registration grade(CIDB)	Registration class (PKK)	Minimum paid up capital(RM)	Minimum project price (RM)	Contractor category (Size)
G1	F	5,000.00	Not more than 100,000.00	Small
G2	E and X	52,000.00	Not more than 500,000.00	Small
G3	D	50,000.00	Not more than 1,000,000.00	Small
G4	C	150,000.00	Not more than 3,000,000.00	Medium
G5	BX	250,000.00	Not more than 5,000,000.00	Medium
G6	B	5000,000.00	Not more than 10,000,000.00	Medium
G7	A	750,000.00	No Limit	Large

Source: CIDB and PKK

Frequency distribution test was used to analyze the data in this study. In the conceptualization and operationalization of the variables six (6) points scale questionnaires were employed. The respondents were asked to answer the questionnaire based on their perception accordingly. The questionnaires were developed based on (1) Strongly disagree (2) Disagree (3) Slightly Disagree (4) Slightly Agree (5) Agree (6) Strongly Agree.

5. Results analysis

The discussions are based on the formulated based on the research questions, namely: management commitment and customer focus. All respondents in this study were classified under G 7. Majority of the companies (91%) responded in this study were Bumiputra. None of the companies are certified by any Quality Management System Certification; however 31% of the companies were in process of obtaining it. The areas

of specialization for the majority of companies were building (62.5%), civil engineering (25%), specialist work (9.4%) and other types (3.1%). The companies responded in this study are considered small due to the majority of them having 11 to 15 staff in their organizations (44% of companies) and 6 to 10 (38%). The respondents employ mostly in the range of 4-6 (44%) and 1-3 (41%) of technical staff in their organizations.

5.1 Management Commitment

A total of 78% of the respondents perceived that top management in their organizations stress on the importance of meeting client's needs. Most respondents (81%) perceived that top management of their organizations stress on the importance of meeting statutory and regulatory obligations.

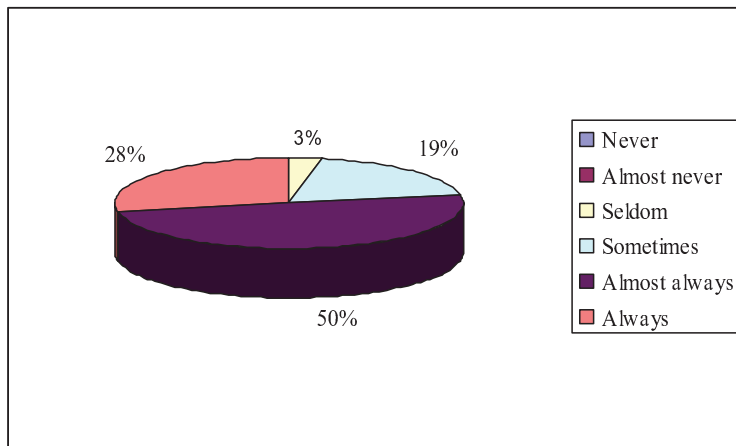


Figure 1: Does top management stress importance of meeting statutory and regulatory obligations?

The majority of respondents perceived that their organizations (59%) had established quality policy (Figure 2). However,

about one-fifth (22%) of the respondents believed that their organizations sometimes had established the quality policy.

The majority of respondents (63%) perceived that their organizations had establish company objectives. The majority of respondents (59%) perceived that their organizations conduct management review of the administration of the organization. However,

about one-third (34%) of them conduct management review moderately. A total of 59% of the respondents perceived that their organizations ensure the resources needed to run the business (Figure 3).

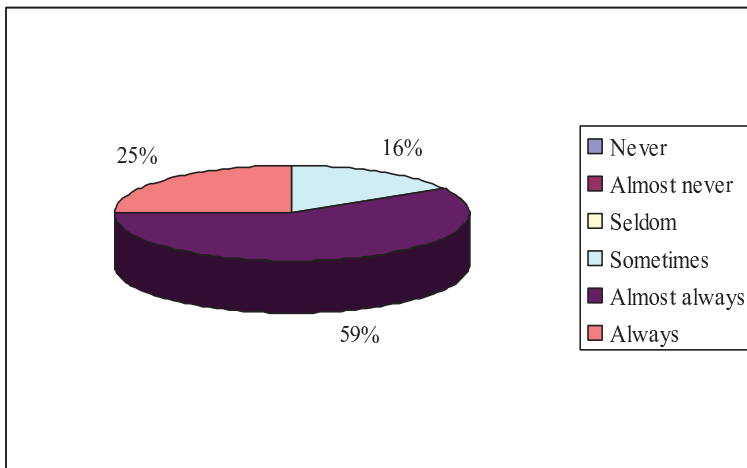


Figure 3: Does company ensure resources needed to run the business are available?

5.2 Customer Focus

Seventy five percent of respondents felt that at the least almost always the company fulfilled the requirements of contract in all

projects. Figure 4 shows that 44% of the respondents answered by “almost always” the companies fulfill the requirements of contracts in all projects .

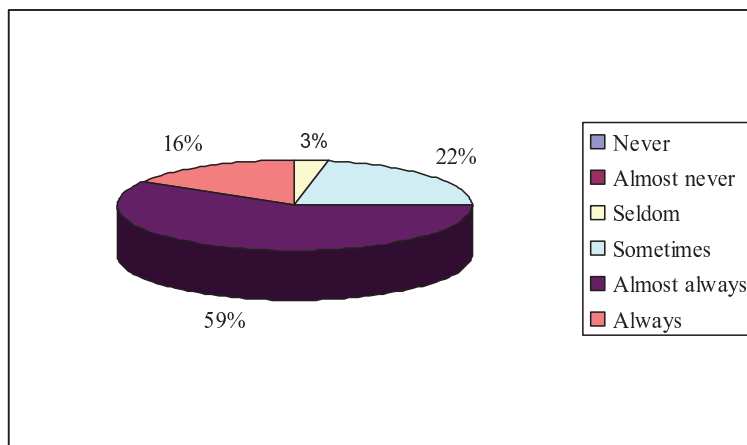


Figure 4: Does company fulfill the requirements of contracts in all projects?

A total of 81% of the respondents perceived that the workmanships of the projects satisfy their clients. The corresponding figure for satisfying the design consultants is 88%, which is somewhat similar to client's satisfaction (Figure 5). It was found that forty

Seven percent of the respondents perceived that almost always satisfy their consultants, 41 % and 13 % perceived sometimes and always respectively (Figure 6) and at least 82% of the respondents perceived that their companies execute the project on time (Figure 7).

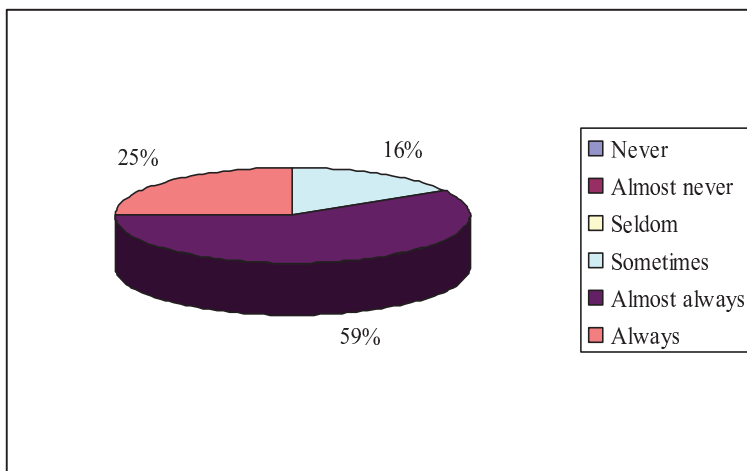


Figure 5: Do the workmanships of the projects satisfy the clients?

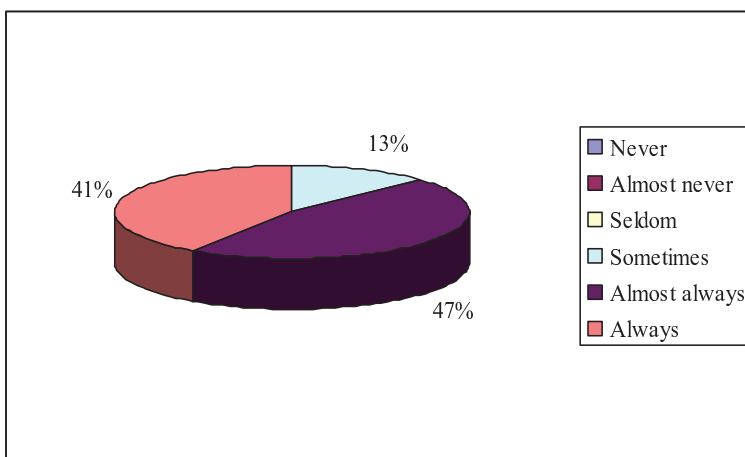


Figure 6: Do the workmanships of the projects satisfy the design consultants?

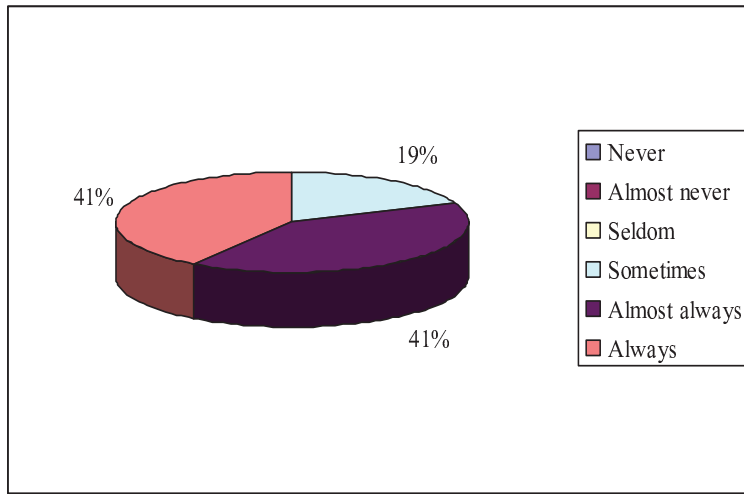


Figure 7: Does company complete executing projects on time?

A total of 81% of the respondents perceived that the quality of workmanships on site satisfies the clients (Figure 8). Eighty one percent of the respondents perceived that the quality of workmanship on site satisfy the

design consultants. However, the remaining 19 percent of the respondents perceived that their organizations satisfy their design consultants moderately (Figure 9).

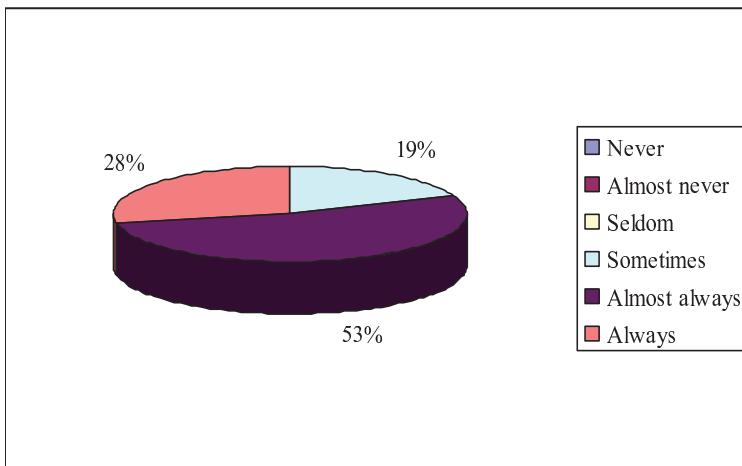


Figure 8: Does the quality of the workmanships on site satisfy the clients?

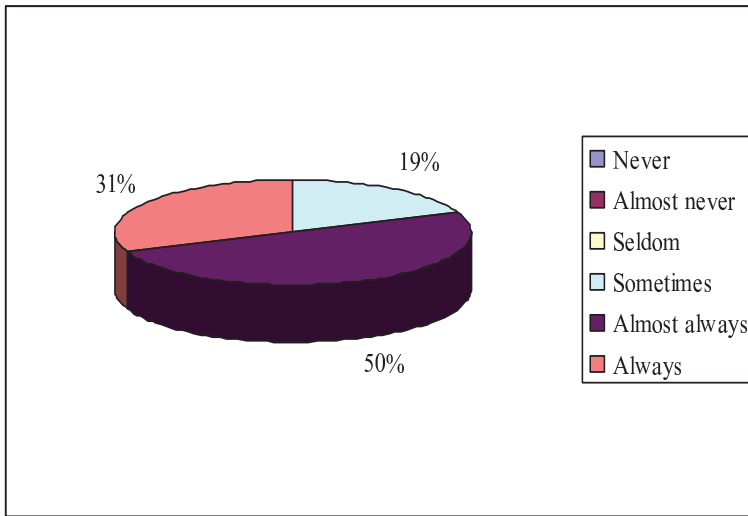


Figure 9: Does the quality of the workmanships on site satisfy the design consultants?

This study found an interesting finding that 28% of the respondents responded that their organizations had never committed to any major reworks, remedies etc during the Defect Liability Period (Figure 10). However,

six percent of the respondents responded that their organizations had always committed to rectification works during the Defect Liability Period.

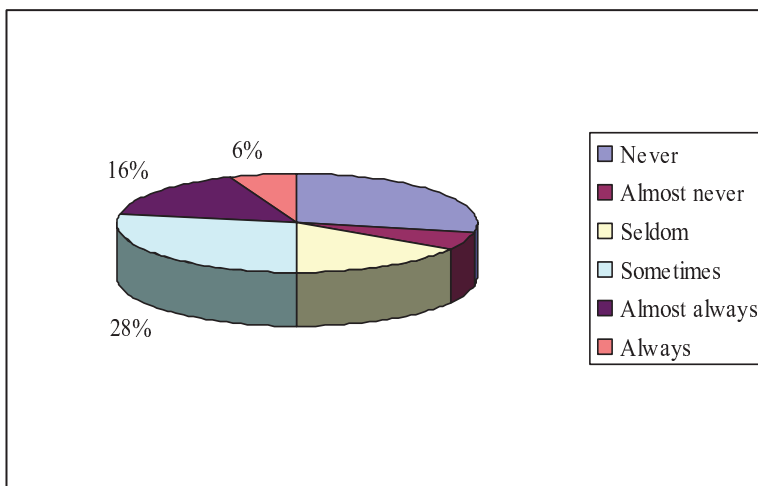


Figure 10: Are there any major reworks, remedies and rectification works during the defect liability period?

6.0 Discussion of the findings

The main purpose of this study is to identify and evaluate the critical success factors (CSFs) mechanism used by the Kelantanies contractor operating outside Kelantan in running their construction projects. The CSFs concept is very important nowadays in the industry due to higher competition among contractors. All the companies that studied were classified under G07. Majority of companies (91%) were of Bumiputra type. None of the companies had Quality Management System Certification although 31% of the companies were in process of obtaining it. The area of specialization for majority of companies were building (62.5%) followed by civil engineering (25.0%), specialist work (9.4%) and other types (3.1%). Most of the companies were incorporated only in the 2000s. The companies were small with majority of them employ 11 to 15 (44% of companies) staff and 6-10 (38%) staff. The number of technical staff are ranging from 4-6 (44%) and 1-3 (41%).

6.1. Management Commitment

This study found that 78 percent of the respondents felt that top management stress importance of meeting client's need. There seems to be reasons why management commitment is becoming a more critical factor in many companies. For instance, top management must demonstrate their commitment to quality and customer satisfaction through deeds, personal involvement in the quality and service programs, and maintaining close contact with those responsible for implementing these programs. In the survey, the results showed that most of the respondents (81%) stated that top management stress

the importance of meeting statutory and regulatory obligations. These imply that by providing good strategies for management commitment; top management will stress on the importance of meeting client's needs. One of the most effective strategies is to improve management commitment is through Total Quality Management (TQM). Furthermore, the majority of the respondent agreed that their company establish company objectives. The results also revealed that the majority of respondents (59%) felt that the company should conducts management review of the administration of the organization to ensure success.

6. 2. Customer Focus

The majority of the respondent agreed that their companies fulfill the requirements of contract in all projects, by means of ensuring the workmanship of the projects satisfy the clients. On the other hand, the contractors also need to satisfy the design consultants and ensure client's satisfaction. The contractors seem to agree that their companies execute projects almost on time. In general, the respondent gave the whole range of responses from never to always for if there were any major reworks, remedies etc during the Defect Liability Period. Equal number of respondents (28%) gave the responses 'never' and 'sometimes'. The figures for 'almost always' and 'always' were 16% and 6% respectively. This phenomena seem to happen due to the complexity of projects, size and location.

7.0 Conclusion

In conclusion, it can be deduced that the Kelantanies contractors operate outside

Kelantan use CFSs tools in managing the projects although none of the companies are Quality Management System certified companies. Most company obtained success from the completion of project and it differs by individual characteristics. However, these

companies need to manage several success factors such as customer satisfaction; customer focus, management commitment and other related factors in order to make them more successful.

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