RESOURCE-BASED VIEW AND CRITICAL SUCCESS FACTORS: A STUDY ON SMALL AND MEDIUM SIZED CONTRACTING ENTERPRISES (SMCEs) IN MALAYSIA

Mastura JAAFAR ¹ and Abdul-Rashid ABDUL-AZIZ ²

¹ School of Housing, Building and Planning, Universiti Sains Malaysia, 11800 Minden, Penang, Malaysia. E-mail: masturaj@usm.my
² School of Housing, Building and Planning, Universiti Sains Malaysia, 11800 Minden, Penang, Malaysia. E-mail: arashid@usm.my

Abstract
This article reviews the resource-based view theory and factors relating to the performance of small and medium sized contracting enterprises (SMCEs) in Malaysia. The strength of this theory lies in its ability to explain the usefulness of the firm’s resources to its performance. By using multiple regression, this study proposes empirically that SMCEs should place greater emphasis on managerial capabilities in finance, project, and marketing and supplier relationships in order to enhance company performance. However, unique to this industry, the research found that owner/manager characteristics are not significant factors in explaining firm performance. The findings of the research provide evidence that the survival of the firm relies greatly on its main resources, i.e. effective and efficient managerial capabilities, to formulate strategies in order to achieve sustainable competitive advantage in the industry.

Keywords
Resource-Based View Theory (RBV), Construction Industry (CI), small and medium contracting enterprises (SMCEs), performance and owner/manager.

INTRODUCTION

The construction industry (CI) has some unique characteristics compared to other industries: fragmentation among firms, high sensitivity to economic cycles and intense competition (Kangari, 1988). To enter the industry, individuals only need to have a low amount of capital compared to other industries. Thus, this industry is considered as having a low entry barrier. All these characteristics help to give rise to the preponderance of small firms in the CI. In most countries, more than 90% of contracting firms operate on a small-scale basis. (Ganeson, 1982; Upson, 1987). Likewise in Malaysia, of the total 37,805 contracting firms registered with the Construction Industry Development board (CIDB) in 2004, 84.4% were classified as small enterprises while another 10.1% as medium sized firms. CIDB was formed in 1994 to regulate the industry so that it would develop in a more systematic manner.

The high number of small and medium sized contracting enterprises (SMCEs) leads to intense competition and a high business failure rate. Kangari (1988) concludes that a contractor faces a far higher risk of failure than his counterpart in almost any other industries due to a combination of external and internal factors. In Malaysia, SMCEs are presently facing an uncertain economic situation that threatens their very survival. The percentage growths of the Malaysian CI were only 1.9% in 2003, -1.9% in 2004 and predicted to be -1.0% in 2005. Yet, they, together with other participants of the industry, are expected to play a role in ensuring that Malaysia achieves developed status by 2020. It is against this economic backdrop that this study was conducted