

**CHALLENGES FACE BY MALAYSIA CONTRACTORS IN
INTERNATIONAL VENTURES**

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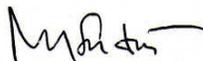
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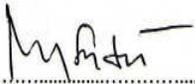
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CHALLENGES FACE BY MALAYSIAN CONTRACTORS IN
INTERNATIONAL VENTURES

ZARADIAH BINTI ABU BAKAR

A project report submitted in partial fulfillment of the
requirements for the award of the degree of
Master of Science (Construction Management)

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Specially dedicated to my late father, Abu Bakar bin Awang and
my beloved mother, Nor Edah binti Nasir
Thank you for your sacrifices, good deeds, generosity and giving hearts.

To my brother, Zaid and sisters, Zafe and Zareda
and not to forget my dearest, Fadzly
Thank you for your supports and aspirations

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ABSTRACT

It is critical for Malaysian contractor to venture in international construction project as our local market is getting saturated. However, participation in international construction market is a very challenging task. It requires Malaysian contractors to develop appropriate strategy to enable them to operate successfully abroad. Therefore this study has been taken to review the challenges face by Malaysian contractor that intended to venture in international project. Besides that the study also focuses on the success factor for local contractor to secure international project. The methodology adopted for the study includes interview and questionnaire survey with participation from professional that have vast background and involvement in international project. The result of the study has identified that securing financial aids and unstable global economic situation are the main challenges. A part from that joint venture with local partner is a very critical strategy to ensure success participation in overseas project.

ABSTRAK

Adalah amat penting untuk kontraktor Malaysia melibatkan diri dalam industri pembinaan di luar negara memandangkan keadaan pasaran tempatan yang semakin terhad. Walaubagaimanapun, penglibatan dalam projek pembinaan antarabangsa memiliki cabaran dan halangan yang besar. Ianya memerlukan kontraktor Malaysia untuk mengaplikasikan strategi yang sesuai untuk membolehkan operasi dengan jayanya di luar negara. Sehubungan dengan itu, kajian ini diperlukan untuk menilai cabaran yang dihadapi oleh kontraktor Malaysia yang melibatkan diri di dalam projek luar negara. Selain daripada itu, kajian ini juga memperlihatkan factor-faktor yang mendorong kepada kejayaan dan keupayaan bagi sesebuah project. Metodologi yang digunakan termasuklah temubual dan soal kaji selidik yang disasarkan kepada golongan professional dan individu yang arif dan berpengalaman luas dalam pelaksanaan projek di peringkat antarabangsa. Hasil kajian menunjukkan keperluan untuk mendapatkan dana bagi menyokong kewangan sesebuah projek and keadaan ekonomi yang tidak stabil merupakan antara cabaran utama. Selain daripada itu, kerjasama dengan wakil tempatan merupakan strategi yang kritikal yang boleh diambil bagi memastikan kejayaan sesebuah projek.

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CHAPTER I

INTRODUCTION

1.1 Background

Construction project involved with many unique features such as long period of work, complicated processes, various environment, financial intensity and dynamic organization structures. In addition, international construction projects usually involved multi national participants from different political, legal, economic and cultural background. Meanwhile, Malaysian construction industry is often justified as fragmented which is more into traditional process which involves players that are disconnected from each other task and work in isolation.

For Malaysian construction companies competing in the global market place, they already equipped and armed themselves with both technical and financial strength but yet the competition is very tough in bidding the projects. Malaysia construction companies are forced to compete with the well established players such as Japanese, Korean, United States, European and others which they have been in the market for a very long decade. Being a young player in the international construction market, a gestation period is needed to nurture the Malaysian construction companies to emulate the well-known giants. Malaysia government through their agency,

Construction Industry Development Board (CIDB), is also played a role in the in paving access for the Malaysian construction companies into the international market.

The Malaysian Construction Industry Plan (2007) by CIDB well stated that in 2006 itself, there were close to 63,000 registered contractors including the lowest grade, G1. For the past five years, Malaysia companies majoring and encompasses in construction industry has shown tremendous performance in securing and completing international construction project. The local construction companies have revisited their expansion strategy and re-positioned themselves by securing project in targeting countries such as India, Sri Lanka, Middle East and others countries which offered significant opportunities.

Client of international and global construction project often seek demand in the global environment for higher quality construction which is often associated with a strong brand name. Without any denial, it was found that the strength of Malaysian contractors is in roads, highways and bridges. This strength had eventually put Malaysia has as the “preferred contractor” for the ASEAN region where the region still offers significant opportunities or chances in securing projects.

However, local contractor companies may face difficulties in managing construction project in international level because they are unfamiliar with the new business operating environment which may includes the legal system, language, culture, existence of trade and others that could be considered before and while securing the project.

In this study, writer will investigate the key success factor to increase the performance in the international market through the discussion of challenges faces by Malaysia contractors in international project.

1.2 Problems of Statement

With the many opportunities in international construction market, Malaysia construction companies are expected to enter it globally. Contracting and accepting project outside's one home country is usually considered as a high risk business. Mostly, it happened because of lack of adequate overseas environmental information and overseas construction experiences. To perform well in the international or global market, deep and core understanding on the type of project management could lead to a project success.

As referred to the CIDB Malaysian Construction Industry Master Plan, 2007, it is clearly stated and justified that some of the main reasons which incurred on the challenges face by Malaysia contractor in international project ventures are as following details:

- (i) Opportunities – availability of projects.
- (ii) Chances of securing projects.
- (iii) Business environment – Legal system, language and others.
- (iv) Funding – whether the projects are government funded, multilateral agency funded or privately funded.
- (v) Level of risk ranging from security risk to infrastructure risk.
- (vi) Ease of entry/exit – existence of trade and non-trade barriers and ease of repatriating profits.

Therefore, in order to resolve the problems, one of the unique strategies to integrate all the challenges face by Malaysian contractors is through partnerships among the various players. Partnering approach will allows more conductive manner of working and aims at achieveing common goals at “win-win” collaborations. Encouraging a collaborative attitude will bring all the construction players together to achieve shared goals and resources, and to encourage free flow of communication.

By partnering, it could bring such improvements in cost and quality control and enable the construction players to another total solution to their clients.

1.3 Objectives of Study

The main aim of this study is to investigate the problems face by Malaysian contractors in venturing into international projects with a specific focus on partnering approach. Meanwhile, the objectives of the study are:

- (i) To investigate the involvement of Malaysia contractor in international project.
- (ii) To identify challenges faces by Malaysian contractor in international project.
- (iii) To determine the success factor of securing in international project.

1.4 Scope and Limitation of Study

The scope of the study focused on the potential problems which may occurred in the international ventures stage with regards to the following aspects only:

- (i) It is only focusing on the challenges face by Malaysian contractors involved in international projects.
- (ii) The respondents are performed to practitioners having experiences involved

in international projects especially in Middle East Region to ensure the relevance of the responses.

- (iii) The data was collected from the respondents which comprised of local contractors who are currently undergo construction works in overseas.
- (iv) The study also focusing on the potential strategy of using joint ventures or partnering for local contractors to penetrate the international market.

1.5 Importance and Contribution of Study

Knowledge and deep as well as core understanding on the challenges faces by the Malaysia contractor in international project ventures with joint venture or partnering approach are important. Results and research findings formulated in this study can be used by other researchers in the future as well as Malaysia contractors who wish to embark in the international construction as an informational and useful guide or references in conducting a project globally. Furthermore, it might be implemented in the future projects.

The information on the success factor of securing project through partnering approach can also be obtained and attained through this study. It covered the application of practice in various project and recommendations elements where various side and party could use it in the future.

1.6 Brief Research Methodology

The flowchart as shown in Figure 1.1 indicated the flow of work that have been conducted and presented.

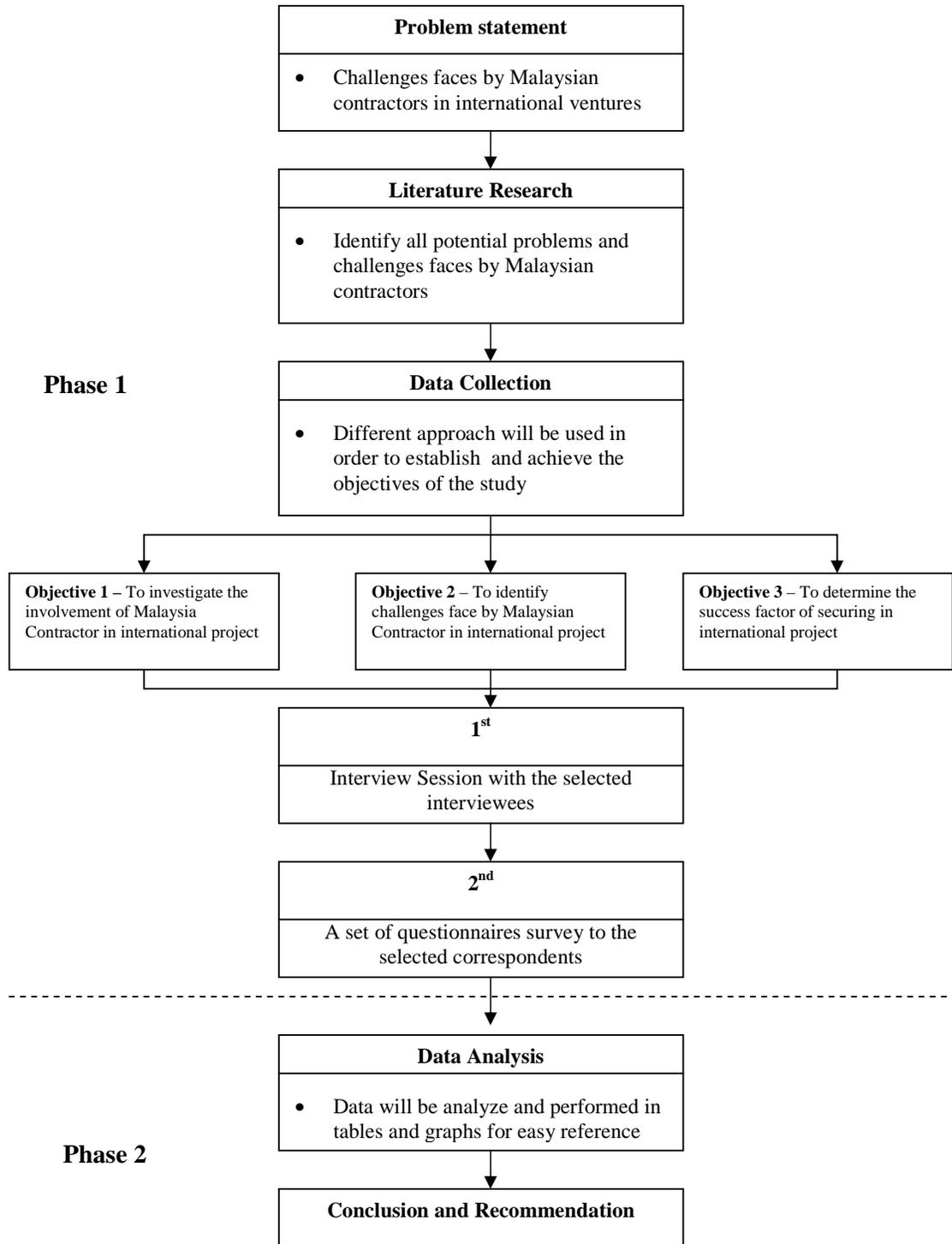


Figure 1.1 : Flow Chart of Study Methodology