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## ***“Role of Bumiputra Developers in Housing Development Industry”***

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## **The Role of Bumiputra Developers in Housing Development Industry**

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### **ABSTRACT**

Since the colonization era, the immigrants from mainland China (and now their descendents) dominate the Malaysian housing industry. Their high entrepreneurial ethics stimulated early venture in all economic sectors to become dominant in business. To increase the participation of indigenous entrepreneurs in economic activities, Malaysian has practiced its own version of the affirmative policy since the 1970s which is known as National Economic Policy (NEP). Unlike other economic sectors such as construction, manufacturing and agriculture, the government has not provided special assistance (other than those that are generic in nature) for the indigenous population to penetrate and thrive in housing development. Consequently, their participation in this sector is conspicuous by their absence. The objective of this paper was to look into the involvement of indigenous housing developers in housing industry. In exploring these issues, the main variables covered were the demographic and entrepreneurial characteristics of the Bumiputera developer, their business set-up, the company performance, business strategy, networking and comparison with their main rivals.

The most significant findings suggest that a few of Bumiputera developers do have strong motivation and capability to succeed. The higher mean for proactive ness, ambiguity, independent, internal and acquisitiveness show that they possess some entrepreneurial characteristics. However, their late involvement might explain for their poor performance. In comparing the Bumiputera and non Bumiputera in the industry, one interesting result obtained shows that many Malay housing developers started from been hired or prompted by their companies, while for the Chinese, most of them started their business based on their own initiative and interest. Besides that, lack of support in the industry forces, Malays learn more about business by taking various courses after involved in the industry. In terms of entrepreneurial personality characteristics, the significant difference between both groups lies on proactive ness and innovativeness. Malay developers having the same qualities as Chinese in terms of acquisitiveness, internal locus of control, independence and tolerance for ambiguity except for risk taking propensity.

In terms of operation, one third of the Bumiputera companies can be classified as “successful”, operate on a medium and large scale with paid-up capital more than RM 1 million, having more than 10 employees and have business diversification.

Keywords: Bumiputera developers, Housing Industry, entrepreneur characteristic and performance.

## INTRODUCTION

In Malaysia, the rapid urbanization that has been taken place since 1970s renders the housing development sector one of the key engines of growth to Malaysia's economic prosperity. It essentially fulfills the social need of providing shelter for the citizens to live in peace and dignity. A well-functioning housing development sector must be productive, efficient, and responsive to the needs of the population, including the poor.

Private housing developers serve as the main actors in the housing sector in Malaysia. They are also the financial providers for these developments (Thillainathan 1997). According to Goh (1997), private housing developers are the single largest providers of medium and high-cost houses in Malaysia. It has also been acknowledged that the private sector also performs better than public housing provision through more efficient allocation of resources (Agus 2002). Compared to the public sector, the private sector has exceeded targets set for it over the last three Malaysia Plans (i.e. 1991-1995, 1996-2000 and 2000-2005). According to Othman (1999), one of the reasons for the high performance by the private sector is due to the economic conditions that allow the private sector to secure high returns.

Private housing developers are defined as entrepreneurs who construct houses for profit (Endan, 1988). In legislative context, housing developers are defined as any person, body of persons, company, firm or society (by whatever name described), who or which engages in or carries on or undertakes or causes to be undertaken a housing development. The Act also differentiates between licensed and non-licensed housing developers. According to the Act, licensed housing developers' means any housing developer under Section 5 to engage in or carry on or undertake a housing development and includes the holder of any power of attorney of such housing developer duly created under the Powers of Attorney Act 1949 [Act 424]. Section 5 of the Act forbids any housing development to be carried out unless the development is performed by licensed housing developers.

In this research, the term indigenous, Bumiputera and Malay is used interchangeably (For example Dana, 1999 and Jaafar et al., 2005). These three terms refer to the same group of people, i.e., the original people who occupy Malaysia. According to the Malaysian Companies Act 1965, an indigenous or Malay company is a company in which at least 51% of the shares are held by the Malays, and the majority of the company's Board of Directors are Malays.

1. Majority or at least 51% of the board of directors are Malays
2. Majority or at least 51% of the management teams are Malays
3. Majority of at least 51% of the shareholders are Malays
4. Majority of the workers or at least 51% of the workers (clerical and construction site) are Malays
5. Authorisation of company's cheques by Malays

The same definition has been used by Wahab et al., (2004) in their study on housing development industry.

## **SIGNIFICANT OF THE RESEARCH**

Why Malay entrepreneurs lack participation in the housing development industry? According to Hui et al. (2006), to be a real entrepreneur in this sector, one has to be innovative in terms of the use of capital, labour and design. This sector is said to deal with high amount of investment in relation to land and building development to fulfill the human needs in terms of providing houses, infrastructure and other facilities. For example in Hong Kong, construction and property businesses have been acknowledged as the most influential industry and had contributed to the breed of real “taipan” that makes Hong Kong today. The movement of the Chinese from mainland China to Hong Kong in the late 1940s and 1950s particularly has resulted in ‘entrepreneurial familism’ that bringing success to Chinese entrepreneurs. The same scenario also unfolded in Singapore; immigrants from mainland China during nineteenth and early twentieth century has contributed towards Singapore’s success story. Thus, through history, it has been proven that the growth of housing development, not only in Malaysia, but in the region, has been heavily dependent on the involvement and success of the ethnic Chinese.

With regards to the low participation of Malay people in the housing industry, a study on Malay developers is therefore timely. Furthermore, research on housing development in Malaysia is lacking compared to construction (Zainol and Abdul Aziz, 1999). In fact one of the important factors is entrepreneurial characteristics of the owner/ manager. Hui et al. (2006) and Lee and Chan (1998) conclude that certain entrepreneur characteristics had contributed towards the success of Hong Kong and Singaporean Chinese entrepreneurs.

## **RESEARCH METHODOLOGY**

### *Sampling*

This research had been conducted in 2 stages. The first stage of this research involved the carrying out of quantitative method of data collection and it was carried out between December 2006 and March 2007. The second stage of this research, involved the carrying out of qualitative method of data collection and it was carried out between March and April 2007.

A total of 838 housing developers throughout Peninsular Malaysia were selected as respondents for this study. Their addresses were obtained from four different sources: Chambers of Commerce from every state, REHDA’s annual directory, local authorities and the Ministry of Housing and Local Government. A total of 71 organisations returned the questionnaires, giving the response rate of 8.5%. From 71 organisations, 38 was identified as Malay companies (wholly and majority owned by Malays) while 33 was identified as Chinese (minority owned Malays and wholly owned Chinese). The sample excludes public-listed companies. The questionnaire survey approach has been used by many researchers in the industry, for example Zainol and Abdul Aziz (1999), Abdul Aziz et al. (2007a and b). Low response rate in the industry can be attributed to two reasons:

1. Many developer firms were no longer in operation (based on follow-up phone calls), and,
2. Many organisations were disinterested to take part in the survey.

In the second stage of this research, interviews were carried out after the postal survey with respondents who indicated in the returned questionnaires their willingness to be interviewed. In order to ensure representative information was gathered, the researcher ascertained that every state will have at least one representative to be interviewed. A total of 18 respondents from all over Peninsular Malaysia were selected as interviewees to gather information needed for this research.

## FINDINGS AND DISCUSSIONS.

*Demographic profile of Bumiputera housing developers.*

**Table 1: Summary of demographic profile for indigenous housing developers**

Description:	Criteria:	Frequency:	Percentage (%):
Position of respondents	Top ranked management level	22	57.9
	Middle ranked management level	16	42.1
Gender	Male	37	97.4
	Female	1	2.6
Educational background	Tertiary education	29	76.3
	Secondary education	9	23.7
Area of specialisation	Related to housing	23	60.5
	Not related to housing	15	39.5
Working experiences	Related to housing	26	68.4
	Not related to housing	12	31.6
Age	25-35 years old	7	18.4
	36-45 years old	9	23.7
	46-55 years old	13	34.2
	> 55 years old	9	23.7
Age as a housing developer	< 25 years old	8	21.1
	25-35 years old	13	34.2
	36-45 years old	11	28.9
	46-55 years old	5	13.2
	> 55 years old	1	2.6
How the business is initiated?	Own initiative	18	47.4
	Hired or prompted by company	11	28.9
	Inherited	5	13.2
	Others	3	7.9
	Own initiative and purchased business	1	2.6
Reasons for initiating the	Interest	21	55.3
	Wanted to make more money	6	15.8

business	Interest and wanted to make more money	6	15.8
	Loss of job	2	10.0
	Family tradition	2	5.3
	Business diversified	1	5.3

From Table 1, it can be said that the majority of the respondents are from top-ranked management level (22 or 57.9%) and are male (37 or 97.4%). In relations to educational background, more than half of them (29 or 76.3%) received their formal education up until tertiary level, i.e. college or institute and university education. Only 9 or 23.7% of the respondents received their formal education until secondary level. Most of the respondents were from construction-related specialisations (23 respondents or 60.5%) (e.g. building/planning/architecture, construction and engineering). The others (15 respondents or 39.5%) were from different disciplines (e.g. banking, accounting/finance and manufacturing of leather goods).

Seeing that most of the respondents specialised in areas related to construction therefore it is therefore not surprising to discover that 26 or 68.4% of the respondents ventured into the housing industry. Only 12 respondents or 31.6% of them did not have any working experience related to housing.

In terms of age, the majority of the respondents were between 46-55 years old (13 respondents or 34.2%), followed by between 36-45 years old and more than 55 years old (nine respondents or 23.7% respectively) and between the ages of 25-35 years old (seven respondents or 18.4%). The majority of the respondents became housing developers at the age of between 25-45 years old (24 respondents or 63.1%). This is followed by respondents who becoming housing developers at the age of less than 25 years old (eight respondents or 21.1%) and more than 46 years old (six respondents or 15.8%).

Nearly half of the respondents (18 or 47.4%) started their businesses as housing developers with their own initiative. 28.9% of the respondents (11 respondents) were hired or promoted by their companies, 13.2% (five respondents) inherited the businesses while the remaining started their businesses through other means (e.g. partnership, business acquisition, etc.) (four respondents or 15.3%). When the respondents were asked on the reasons for initiating the business, many answered interest in the field (21 respondents or 55.3%) as their first reason followed by wanted to make more money and both (each six respondents or 15.8% respectively). Only a small number of respondents went into the businesses because of family tradition (two respondents) and for other reasons (e.g. dissatisfied with former job, loss of job and business diversification) (three respondents).

*Company profile of indigenous housing developers.*

The profile of the 38 indigenous housing developers are summarised in Table 2.

**Table 2: Summary of the indigenous housing company profile in Malaysia**

<b>Description:</b>	<b>Criteria:</b>	<b>Frequency:</b>	<b>Percentage (%):</b>
<b>Company's duration</b>	1-5 years	7	18.4
	6-10 years	15	39.5
	> 10 years	16	42.1
<b>Legal status</b>	Private limited	37	97.4
	Partnership	1	2.6
<b>Core activities</b>	One only	14	36.8
	Two activities	17	44.7
	Three activities	6	15.8
	More than three activities	1	2.6
<b>Type of core activities of the company</b>	Related to housing (mix development, property, consultancy and construction)	34	89.5
	Non related to housing (poultry, manufacturing and petrol retailing)	4	10.5
<b>Business paid-up capital</b>	< RM250 000	11	28.9
	RM250 000-RM500 000	9	23.7
	RM500 001-RM550 000	1	2.6
	RM550 001-RM1 000 000	10	26.3
	> RM1 000 000	7	18.4
<b>Number of workers</b>	1-10 peoples	27	71.1
	11-20 peoples	5	13.2
	> 20 peoples	6	15.8

From Table 2, it can be concluded that the majority of the housing development companies that took part in this research had been in operation for more than 10 years (16 firms or 42.1%). This is followed by companies which had been in operation between 6-10 years (15 firms or 39.5%) and between 1-5 years (six firms or 15.8%). In terms of legal status, only one company opted for partnership while the remaining 37 firms opted for private limited companies.

Most of the companies started their businesses with build-up capital of less than RM250,000 and between RM550,001-RM1,000,000 (11 or 28.9% and 10 or 26.3% companies respectively). This is followed by companies with build-up capital of between RM250,000-RM500,000 (9 or 23.7% companies), more than RM1,000,000 (seven or 18.4% companies) and between RM500,001-RM550,000 (one or 2.6% company). In terms of workers, 27 or 71.1% of the housing companies have less than 10 workers, six



or 15.8% firms have more than 20 workers and five or 13.2% firms have between 11-20 workers.

In terms of core activity, the majority of housing developers companies in Malaysia are also involved in few other activities related to housing development (34 or 89.5% firms) such as mix development, property, consultancy and construction while only 4 or 10.5% are also actively involved in non-housing related activities such as poultry, manufacturing and petrol retailing.

The results of the cross tabulation test between company's profile and firm performance is summarised in Table 3.

**Table 3: Summary of results from cross tabulation test between company's profile and firm performance**

No:	Variables:	Cross tabulation value:
1.	Number of permanent workers	0.817
2.	Type of housing development	0.434
3.	Housing development in urban areas	0.744
4.	Duration of a company as a housing developer	0.422
5.	Core activities of the company	0.063*

\* Significant at the 0.1 level

For the variables in the company's profile, results from Table 3 showed that only one item, i.e. core activities of the company had a weak significant relationship with firm performance at the level of 0.1. The rest of the items were rejected.

#### *Owner/manager characteristics*

**Table 4: Summary of results from correlation tests between demographic profile and firm performance**

No:	Variables:	Correlation value:
1.	Highest level of education	-0.102
2.	Area of specialisation	0.029*
3.	Attend courses before initiating the housing business	0.139
4.	Attend courses after initiating the housing business	-0.116

\*Correlation is significant at the 0.05 level

From Table 4, all four items of the demographic profile did not have any significant relationship with firm performance except for area of specialisation.

Table 5

Cross tabulation between demographic profile and business activity

<b>No:</b>	<b>Variables:</b>	<b>Cross tabulation value:</b>
1.	Age of the owner manager and core activities of the company	0.621
2.	<b>Age of the owner and business paid-up capital</b>	<b>0.076</b>
3.	Level of education and core activities of the company	0.331
4.	<b>Level of education and business paid-up capital</b>	<b>0.070</b>
5.	Area of specialisation and core activities of the company	0.630
6.	Area of specialisation and business paid-up capital	0.379
7.	Duration of the company and business paid-up capital	0.684
8.	Duration of the company and number of permanent workers	0.492

From Table 5, only the age of the owner and level of education were linked to the business paid-up capital. Most of the respondents participated in the survey started the housing business quite late after having accumulated sufficient wealth to start the business. Indirectly, they have the strong capital to start the housing business and money to invest into the business. In addition, level of education was also linked to the business paid-up capital because the higher an individual's level of education, the higher he is able to accumulate wealth to start in the housing business.

**Table 6: Summary of results from correlation tests between entrepreneurial characteristics and firm performance**

<b>No:</b>	<b>Variables:</b>	<b>Correlation value:</b>
1.	Proactive ness and innovativeness	0.105
2.	Powerful others	-0.074
3.	Independent	0.073
4.	Acquisitiveness	0.075
5.	Propensity to take risk	-0.365*
6.	Internal locus of control	-0.168
7.	Tolerance for ambiguity	0.065
8.	Ability to learn from failure	-0.091

\* Correlation is significant at the 0.05 level

As shown in Table 6, only one item i.e. propensity to take risk showed a negative significant relationship with firm performance. This implied that the more an individual willing to take risk, the more negatively it will affect the performance of the firm.

Table 7: Summary of Bumiputera developers' entrepreneurial characteristics

No:	Variables:	Mean:	Std. Deviation:	Level of importance:
1.	Proactive ness and innovativeness	4.14	0.455	Important
2.	Tolerance for ambiguity	3.63	0.786	Important
3.	Independent	3.59	0.979	Important
4.	Internal locus of control	3.59	0.761	Important
5.	Acquisitiveness	3.57	0.887	Important
6.	Ability to learn from failure	3.36	1.144	Moderately important
7.	Propensity to take risk	2.89	0.981	Moderately important
8.	Powerful others	2.67	1.043	Moderately important

Notations used for level of importance: less than 1.49 = unimportant; 1.5-2.49 = little important; 2.5-3.49 = moderately important; 3.5-4.49 = important; and 4.5-5.0 = very important.

As shown in Table 7, the most important characteristic that was possessed by the respondents was proactive ness and innovativeness. This was followed by tolerance for ambiguity, independent, internal locus of control and acquisitiveness.

### ***Business strategy***

The companies' future plans were measured in terms of geographical, housing niche markets, business activities and business sales aspects. The results are summarised in Table 8 below.

Table 8: Plans of the Bumiputera companies in the next five years (from year 2006 to 2010)

Descriptions:	Criteria:	Frequency:	Percentage (%):
<b>Geographical aspect</b>	Diversify into other states	10	26.3
	Maintain current states	27	71.1
	Diversify and maintain states	1	2.6
<b>Housing niche markets aspect</b>	Diversify into other housing niche markets	14	36.8
	Maintain current niche markets	19	50.0
	Exit from certain housing niche markets	5	13.2

<b>Business activities aspect</b>	Diversify into other business activities	14	38.8
	Maintain the same business activities	21	55.3
	Exit from certain business activities	2	5.3
	Diversify and maintain business activities	1	2.6
<b>Business sales aspect</b>	Intend to increase the business sales in the next five years	34	89.5
	Maintain the same business sales in the next five years	3	7.9
	Intend to shrink the business sales in the next five years	1	2.6

From Table 8, it can be said that with the exception of business sales, the majority of the Bumiputera housing development companies in Malaysia preferred to maintain in the states they currently involved in (27 companies), maintained the same housing niche markets (19 respondents) and maintained the same business activities (21 companies). From the business sales aspect, majority of the companies (34 companies) had the intention to increase their business sales in the next five years and only three companies intended to maintain their business sales. Other than maintaining the states they currently involved in, maintaining the same housing niche markets and business activities, there were some companies that had the intention to diversify into other states (10 companies), diversify into other housing niche markets and business activities (14 companies respectively). Only a small number of the sampled housing companies intended to exit from certain housing niche markets (five companies), exit from certain business activities (two companies) and had the intention to shrink their business sales in the next five years (one company).

From the interviews, the researcher discovered that most of the interviewees preferred to maintain in the states they currently involved in. According to these interviewees, the business opportunities in the states they particularly in were still numerous and they were not required to go out from there to seek business opportunities elsewhere. An interviewee from Selangor/KL claimed he preferred to maintain in the same states because he was already familiar with its rules and regulations. He reported:

*“...we are familiar with the system in Selangor especially the local authorities. Different states will have different kinds of local authorities that we have to deal with...so in that context, we still prefer here in Selangor...”. (Translated from Bahasa Malaysia, ad verbatim).*

The interviews also revealed that one of the most popular measures taken to promote the business sales of their company was through advertisement. Their modes of advertisements included distributing brochures, banner, newspapers and the media. Other than advertisement, all interviews claimed there were many customers who bought houses based on recommendations from other buyers who had bought houses

from the developers before. There were even some cases in which the buyer who introduced potential buyers to the developers asked for commission for bringing in customers for them. Interviewee D from Perak reported:

*“...there are also some cases in which the introducer asked for commission because they introduce other buyers to us. This is normal. Sometimes we give, sometimes we don't give...” (Translated from Bahasa Malaysia, ad verbatim).*

Table 9 summarises the results obtained from the cross tabulation test between business strategy and firm performance.

**Table 9: Summary of results from cross tabulation test between business strategy and firm performance**

No:	Variables:	Cross tabulation value:
1.	<b>Plans for the next five years in terms of geographical aspect</b>	<b>0.057*</b>
2.	Plans for the next five years in terms of housing niche markets aspect	0.340
3.	Plans for the next five years in terms of business activities aspect	0.764
4.	Plans for the next five years in terms of business sales aspect	0.165

\* Significant at the level 0.1

From Table 9, for the company's business plans in the next five years, only one item, i.e. plans for the next five years in terms of geographical aspect.

Table 10 summarises the results from correlation test between external parties and firm performance.

**Table 10: Relationship between the Bumiputera housing developers and external parties**

No :	External parties:	Mean :	Std. deviation:	Rank:
1.	Officers in local authorities	3.95	0.837	Important
2.	Contractors	3.92	0.784	Important
3.	Lawyers	3.92	0.850	Important
4.	Material suppliers	3.87	0.844	Important
5.	Acquaintances	3.82	0.801	Important
6.	Consultants	3.76	0.634	Important
7.	Family/relatives/close friends	3.74	0.921	Important
8.	Bankers	3.66	0.966	Important
9.	Chamber of commerce/other societies	3.26	1.349	Moderately important

10.	Politicians	3.16	1.103	Moderately important
11.	Competitor's top management	3.05	1.012	Moderately important
12.	Competitor's employees	2.71	0.768	Moderately important

Notations used for level of importance: less than 1.49 = unimportant; 1.5-2.49 = little important; 2.5-3.49 = moderately important; 3.5-4.49 = important; and 4.5-5.0 = very important

From Table 10, it can be said that Bumiputera housing developers in Malaysia had a strong relationship with officers in local authorities (mean=3.95). This is followed by contractors (mean=3.92), lawyers (mean=3.92), material suppliers (mean=3.87), acquaintances (mean=3.82), consultants (mean=3.76), family/relatives/close friends (mean=3.74) and bankers (mean=3.66).

From interviews, the researcher discovered that all the interviewees agreed they had good relationships with the external parties. Eight interviewees agreed that it is important to have a good relation with the local authorities. This was because, more often than not, good relations with these officers can help to shorten the approval process and any problems occurred during the process can be solved quickly.

Eight interviewees also claimed that they had good relationship with the contractors. One of the reasons was because they did not deal with the suppliers themselves. They leave it to the contractors to handle matters that were related with the suppliers. Interviewee B from Selangor/KL exclaimed: *"supplier nothing to do with me...with the contactor"*. (ad verbatim). The developers just engaged the main contractors and leave everything else to the contractors to decide. Therefore, it is important to have contractors that can be trusted. Nonetheless, the developers still had to be in touched with the material suppliers to ensure that the supplies were within the budget and good quality. Interviewee M from Perlis stated that it is important for him to have good relation with the material supplier as he always gathered information on new products and suppliers in the market. He reported:

*"...yes, I learn a lot from the suppliers...for example paint. They can give you many advices on the paint, which one is good, which one is better, what is the advantages of this paint compared to another, things like that"*. (Translated from Bahasa Malaysia, ad verbatim).

Interviews revealed that good relations with the lawyers on the other hand will enhance their knowledge on rules and regulations related to housing. In addition, good relations with lawyers enabled them to handover all the company's legal matter to their lawyers, e.g. agreement between the buyers and the banks. Interviewee G from Selangor stated:

*"The lawyer is always with us. Sometimes there are some letters that I will ask my lawyer to send on behalf of me...and if it has reached a level where we need legal interpretation and the other party used lawyer service, then we will do the same thing"*. (Translated from Bahasa Malaysia, ad verbatim).

The researcher also asked the interviewees how they maintain their relationship with these external parties. Some of the respondents claimed that good relations with external parties not only took place during office hours in a formal sense but goes beyond than that. Interviewee D from Perak reported:

*“If there is any function that we are invited, then we should go and attend. For example, during Hari Raya, there must be open house right. So we attend. That’s how we maintained a good relationship”. (Translated from Bahasa Malaysia, ad verbatim).*

Interviewee B from Selangor/KL on the other hand, reported:  
*“Contact with them is no problem. There is so many ways to do it. You can ask them out for lunch, drinks, it’s not that hard...”. (Translated from Bahasa Malaysia, ad verbatim).*

## **DISCUSSIONS**

Although 42% of the respondents were middle-ranked managers, but from interviews, the researchers discovered that in some companies, they were given full responsibility to run the entire operation of the company from administration to technical works with exception of matters involving finance. These people can be categorised as ‘entrepreneurs (Hui et al. 2006) where they are also similar with entrepreneurs in that they demonstrate initiative, innovativeness, risk taking propensity and ability to implement new ideas within the organisation. Only the difference between them is entrepreneurs are neither originators nor founders of the business (Pinchot, 1985). This is supported by one of the interviewee which stated that:

*“I make all decisions except for things involving accounts...even technical matters with government also I decide. If that thing is too difficult, then only I will refer to him for advise, but I still make the decision. If it is regarding account, then the Chairman is in charge”*

From the above analysis, most of the indigenous developers are well-educated. They either specialised in business, management or other areas related to housing and construction industry. However, from the interviews, four interviewees commented that having lower formal education did not prevent them from becoming housing developers. What is more important are experience and capital, not high education. Two interviewee stated:

*“He is from a business family. His father opens up a business, then gave to his children to handle. His first business was in retailing, then many more...food stall...stationary...printing...ready mix...then he bought over a housing company, and became a developer. To him, housing is another diversification of his business and it gives good returns”*

*“I love challenge. It so happened one day I have a Chinese friend. He challenges me to buy over his land and develop into housing estate. I*

*accept the challenge, I did it. So that's how I started in housing...but I can't deny, housing give good returns...high risk, but also high returns"*

It is possible that their earlier involvement in the industry stimulates their interest to seriously delve into housing development. The interviews reveal that interviewees become housing developers at such an early age because they were either promoted or hired by the companies they work in or inherited. For those who were promoted by the company, they were offered the job on the basis that they had many working experiences in related field and construction. Two interviewees stated:

*"...he appointed me into this company when he wanted to start this business because of my experience...construction, development"*

*"I am just having my secondary education but I have lots of working experiences...wholesale, technical works, market and research company, housing...based on my this, they hire me to run the operation"*

But few of them inherited the business they were expected to continue and expand. They have been exposed to this world from young and they purposely underwent training and specialised in housing related field. This preparation was necessary for them to face any challenges when they take over the business. One of the interviewee stated:

*"I followed him wherever he went since young...from there, I'm interested in the business...I studied in building architecture, I went for training...all these just for training purposes for getting the experience"*

Another interviewee reports:

*"This is my family business. My dad is still around but he's old...he leaves everything to me and expect me to continue and expand this tradition, but he is still one of the Managing Directors"*

Most of the respondents indicate their early involvement in housing industry at young age. They might probably think that the question refers to their start up carrier in housing development. Many of them either inherit the business or have been prompt by the company by taking into consideration their vast experience in the industry. But there are a few of them started the business quite late i.e. after having accumulated sufficient wealth either from working as a government sector, in private sector or have other businesses beforehand. They regard their actions as a form of business diversification and investments. These interviewees consider housing as a profitable business. Two interviewees stated:

*"I was a government servant. I have some savings, I opted for early retirement...one of the reasons I am in this industry because I have the experience in related field and this field promise good returns...it's risky but it has good returns"*

*"...I was a professional architect...after twenty years, you get burned out doing the same thing, you want something different, something that is*



*related to your field, something that is profitable...I got the opportunity in housing, so here I am”.*

It can be seen from the above discussion that their main aim of becoming a developer was because of interest and intention to make more money.

### ***Entrepreneurial characteristics***

In terms of proactive ness, the respondents agreed that proactive ness is one of the important characteristic that must be possessed by housing developers in order to make them more competitive. There are some respondents who became proactive by practicing joint ventures with land owners and the state government in developing housing project, while others purchased cheap land during bank's auction. There was one developer who initiated proactive ness by buying other companies that were about to go out of business, taking over the businesses to produce similar products. However, before he bought over any company, he would do a background search on the company. One interviewee responded:

*“Purchasing business from others is ok. We buy over other's business. That firm has a potential but they are facing financial and management weaknesses, so, we just buy over....”*

Findings from the interview indicated that 6 out of 10 respondents agreed that innovativeness is one of the important characteristic in order to be a housing developer. The respondents practiced all sorts of innovation in order to be more aggressive and competitive. There were some respondents who practiced innovation in terms of finance whereby they included all the services the buyers need, e.g. stamping and lawyer fees as a package in the selling price.

Other than finance innovation, the respondents also innovated through their product performance and system. Here, the respondents try to fulfill the market demands by offering more amenities and new designs to the consumers within the affordable range. There were also some respondents who practiced innovation in terms of delivery whereby they produce houses with some space at the front and back of the house for extension. They were of the opinion that other than housing design, the buyers also like to have some space for extension. One of the interviewees replied:

*“Like in our place, design is one criterion, and another criterion is the area of the house. People could buy it because they need to extend the house after 10 or 20 years later....”*

Need for achievement motivation was identified as an important characteristic in order to be a developer. The majority of the respondents were highly motivated because they were willing to attend courses before and after starting their housing companies in order to learn more about managing their business successfully. Other than that, seeing that housing developers are profit-driven, some of the respondents used money as a motivation to engage themselves in housing industry. According to one interviewee:

*“As I said earlier.....interest. if can, we can make more money in whatever we involved must have certain amount of profit...”*

Findings from the interviews also indicated that the respondents were willing to face ambiguous situations. They were willing to take the risks and venture themselves in situations where they themselves do not know what is going to happen next. Although the respondents were willing to take risks, this does not mean they enjoyed taking risks. Before venturing in risky and ambiguous situations, they would study the current market trend beforehand and try to predict how far the outcome from their action will influence the future market trend. One interviewee stated:

*“Actually, in housing development, we use the term calculated risk.....so we have to assess the risk. Don't jump into the wagon until after you check the condition of the wagon la.”*

### **Company operation**

Most of the companies were started in the 1980s, i.e., 10 years after NEP. Perhaps the impact of NEP has not been so significant in the housing industry unlike in the contracting sector (see Jaafar et al., 2004). For example, indigenous entrepreneurs need to have high capital to start a housing development. Furthermore, they also have to take high risk, especially when they cannot make good sales from their development. As discussed earlier, most of the interviewees were also involved in construction or housing-related businesses other than housing per se. Nevertheless, they were also involved in other activities such as mining, property development, petrol retailing, transportations, manufacturing and consultancy (one interviewee respectively).

The result from an interview supports the quantitative result. One of the interviewees revealed that

*“My chairman is from a business family...he has many businesses...grocery store, food stall, rent houses...but now, he sells most of his business and diversify to other businesses...among the remaining and active businesses that he have other than housing and construction are stationary, printing and ready-mix”.*

However, looking at their early involvement in more than one core activities, it is not surprisingly to find that quite a number of the respondents can be categorised as medium size with paid up capital of more than RM500,000.00 and having more than ten employees.

### **Business strategy.**

In terms of business strategy, the Bumiputera developers focusing on medium cost houses and mixed development. They normally maintain their current housing niche market. This strategy might be useful since housing business is heavily dependent on the location factors to success. Furthermore, with small sized scale, private housing

developers possessed a limited resource that limits them to expand in terms of development location.

### *Relationship with external parties*

Results from the postal survey indicated that the developers have good relationships with officers in local authorities and other external parties including contractors, lawyers, material suppliers, acquaintances, consultants, family/relatives/close friends and bankers.

In housing industry, local officers play an important role because they are involved in every stage of a housing development project from the land acquisition stage to the development stage. In addition to this, their advices can also help the developers to run the project more smoothly. By having a good foundation with the local authorities, the officers will continue to offer help and advice either in a formal sense or voluntarily when there is a need to do so.

Other than that, good relationships with other external parties can help the developers to build up good rapport in order to strengthen their business. Nevertheless, developers must maintain the relationship with these external parties not only in a formal sense but also informally to ensure the success of their business.

### *Bumiputera Vs Non Bumiputera: What are the differences?*

From the comparison of the demographic profile of the two ethnic groups, it can be said that these two ethnic groups are sharing the same personal characteristics on educational background, area of specialisation, working experience and age as a housing developer. However, there are few significant results can be discussed. One interesting result obtained shows that many Malay housing developers started from been hired or prompted by their companies. With specific educational background related to housing, they started to learn on project development and learn to become developers during their working period, before being promoted and been given authority to manage the firm. It could be hypothesised that, the involvement of Malays in the housing industry is more based on the chances that they have after finishing their tertiary educational level in housing related disciplines. It is possible that their earlier involvement in the industry might stimulate their interest to seriously delve into housing development. Then, their interest to own business might follow after they have been actively involved in the industry.

As for the Chinese, most of them started their businesses based on their own initiative and interest. This provides support to Lee and Chan (1998) who found their involvement in business stemmed from the desire for autonomy and independence, and family business backgrounds. Furthermore, they also found that networking and diligence are the basic values underlying Chinese entrepreneurship. Family business background is the most influential factors that motivate them to start their own business. Due to the industry's connection with hundred over sectors (Chan, 1986), strong networking in the

business is very much important in the housing industry. With strong network support, it is not possible that Chinese group can excel in business faster compared to Malays. Among the crucial support needed for housing developers are related to finance, land, building material and consultant services.

However, this study supports Lee and Chan (1998). They found that the second generation Chinese entrepreneurs have strong back up by their family members. The strong network and support especially among Chinese entrepreneurs have provided them with strong basis and easier path to succeed. According to Zainol and Abdul Aziz (1999), Malay developers are afraid to involve in this industry to avoid the risk of losses. This could be due to inefficient knowledge and specialties related to the industry (Buang, 1997). Furthermore, they have to heavily rely on non-Malays in construction work (82.7%), supply of construction material (82.7%) and external expertise (58.8%) unlike Chinese. Furthermore, their Lack of financial capability and weak network among Malays businesses due to their fairly recent involvement in this sector could be a good reason to explain their low achievement in the industry.

Malay entrepreneurs believed that attending courses after business set up is important compared to Chinese entrepreneurs. Indigenous entrepreneurs started their businesses at a time when non-indigenous are already running these businesses after one or two generations. So, attending courses after setting up their businesses might helping them in mastering their business skills. While for Chinese, most of them already been groomed to involve in the business since young, this might helps them to master the business skills even faster.

In terms of entrepreneurial personality characteristics, the significant difference between both groups lies in proactive ness and innovativeness. The result provides support to Elias and Pihie (1995), but contradicts the findings of Chan (1986) and Yusof (2001). Besides that (even the T-test does not show any significant result); from the mean values, Malay developers can be said to have higher mean for certain personality characteristics such as independence, acquisitiveness, internal locus of control and tolerance for ambiguity compared to Chinese (table V)

Bateman and Grant (1993) define proactive ness as a behaviour that directly alter environment and bring changes to the environment. Proactive ness influences the housing developer's thinking in transform the natural environment into attractive areas to fulfill human needs. For example nowadays, a big development scheme will not only provide houses but also all the related facilities that sometimes can grow into a new township.

Hui et al (2006) suggested that entrepreneur must have innovative behaviours especially when it comes to the use of capital, labour and design. Innovativeness is a very important characteristic for housing developers because only innovative developers can bring added values to customers. Many new concepts in the housing industry, for example gated and guarded housing area, house in the garden and resort homes look attractive to the customers and can be sold in higher price. Besides the location (which

is the main concern to the customers), housing design, price, free interior decoration, electrical equipment, etc. act as marketing strategies which appeal to the buyers.

Among the reasons for the significance of proactiveness and innovativeness and higher mean values for certain entrepreneurial psychological characteristics could be because of the stiff competition Malay developers have to face, which has forced them to acquire and act entrepreneurially in order for them to be able to survive in the industry. In Malaysia, housing development is not a popular business among the Malays. Majority of Malay entrepreneurs are keener to grab opportunities in contracting sector which has been given priority in terms of subsidies and government support. In contrast, Malay developers involved in this industry have to struggle in getting and managing resources. Greve and Salaff, (2003) argued that establishing a business requires different contacts and resources.

Besides that, Hui et al. (2006) found that non-indigenous have been pushed by a combination of personal and interpersonal Chinese culture values and the careful application of strategies that contributed to their success in the business environment. Values refer to moral (or cultural) values and personality traits that are traditionally inherited by Chinese group but are missing from Malay people. One interesting points to note that for variable risk taking, the mean value for Chinese is higher compared to Malays. Lee and Chan (1998) associate the “achiever” with the tendency to take risk which the risk taking tendencies of the achiever is reflected in the high need for achievement among younger Singaporean entrepreneurs. While, most of the Malays are afraid of taking high risk in doing project development. Even people manage to responds can be said to have high risk taking over the normal Malay counterparts.

With that argument, it can be said that even indigenous developers which manage to survive have higher personality traits, but interpersonal culture value is missing from them. From the early generation, majority of indigenous people earn income by working in the government, agricultural and fisheries sector. Business to them is so difficult and very challenging. Only after the implementation of the New Economic Policy in 1970 was the encouragement for indigenous to get involve in business implemented. Unfortunately, the enforcement was heavily focused on the construction sector. In the housing development industry, the task to inculcate the indigenous entrepreneurs was left to government link companies (GLC). The existence of GLCs today have been questioned by many people for their inability to nurture the Malay developers (Abdul Aziz et al., 2007a).

In relation to business strategy, the non-Bumiputera was bolder than the Bumiputera in terms of housing niche markets. They were more willing to diversify their business in other housing niche markets compared to the Bumiputera. This is because majority of the non-Bumiputera companies operated in major cities like Selangor and Johor compared to the Bumiputera companies. Therefore, the Bumiputera developers did not feel any strong competition in their business and were more relaxed compared to the non-Bumiputera.

Nonetheless, both ethnic groups preferred to maintain their business in the states that they were currently involved in. This is because they were comfortable with the local authority's rules and regulations. If they were to move somewhere else, they will have to start all over again. But then, there were some respondents who had the intention to diversify into other states especially Selangor and Kuala Lumpur. These developers were into the perception that Selangor and Kuala Lumpur are gold mine countries, whereby whatever kind of business they operate; they will be successful over there. This was agreed by interviewees from Selangor/KL. They claimed that since Selangor and KL are heart of Malaysia, all type of developments focused on there. Therefore, whatever businesses that took place in these states will be absorbed quickly.

## **CONCLUSIONS AND RECOMMENDATION**

There is no way that the indigenous commercial community can catch up with their non-indigenous counterparts who have made great strides during these 50 years after independence, to the extent that they are now exporting their services in places as far as the U.S., South Africa and Australia. Closer to home, they have made their mark in countries like India, China, Cambodia and Vietnam.

This study has extent the research on entrepreneurship with looking at the entrepreneurial characteristics possesses by two most important ethnic in housing development sector in Malaysia. From the demographic profile it can be said that Malay respondents started their businesses based on their own initiative and been promoted by their bosses after some working experience in the industry. While for the Chinese, they venture into this business based on their own initiative. But the strong cultural business values lies in Chinese ethics do play a significant impact on their success and survival.

Even so, the interview results indicate that a few of them do have strong motivation and capability to succeed. The higher mean for proactiveness, ambiguity, independent, internal and acquisitiveness show that they possess some entrepreneurial characteristics. Their late involvement might explain for their poor performance. They entered the industry late in their careers while competing with many established non-indigenous housing developers. Thus, whatever initiatives that are put in place can only aspire to marginally narrow the gap between the bumiputera and non-bumiputera participation in housing development.

Local authorities, economic state agencies and government-linked companies (GLCs) should constantly partner with private businesses to help them develop houses mainly due to limited internal resources. Such public organisations should be made to be more amenable to indigenous housing developers than they already are, even first-time players. Of course, safeguards must be put in place to ensure that the interests of the public organisations are protected, especially scarcest and most valuable resource that the public organisations offer – land. Another possible way of augmenting bumiputera

participation in housing development is for bumiputera entrepreneurs to team up with their non-bumiputera counterparts in a genuine win-win partnership.

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