

LEVERAGING OF BUSINESS GROWTH STRATEGIES FOR SUPERIOR FIRM PERFORMANCE IN THE MALAYSIAN PROPERTY SECTOR

Kartinah Ayupp, Daw Tin Hla & Mohd Waliuddin Mohd Razali
Faculty of Economics & Business, UNIMAS

ABSTRACT

This paper aims to highlight the importance of choosing the correct types of business growth strategies to ensure a fit with the business environment for firm's superior performance. The Malaysian property sector was chosen due to its dynamic nature and its importance to the country's economic growth. The scope of the study covers seventy-six property-sector firms listed under Bursa Malaysia, with 15 years of time span coverage data used. Factors that affect the dynamics of growth strategy activities were studied to see the connection with a firm's superior financial performance. Both quantitative and qualitative data analysis were utilised, that are; the qualitative analysis for the level of growth strategy, while the panel data regression technique comprises the grouping of the time series data and cross-sectional data to examine performance and other relevant factors. The findings show that high performance firms adopt business growth strategies in the area of product development, new market and also practice risk management. Panel regression results indicate that these business growth strategies have a positive impact on the superior firm performance of the business.

INTRODUCTION

In a competitive business world, growth strategy can be analysed as an enterprise-level growth strategy and an industrial-level growth strategy. According to Johnson and Whittington (2006) strategy is "the direction and scope of an organization over a long period of time, which achieves advantage in a changing environment through its configuration of resources and competencies with the aim of fulfilling stakeholder expectations". While Barbero et al. (2012) and Prahalad and Hamel (1994) defined an effective growth strategy as one that could take advantage of the organization's resources and capabilities in order to grab the opportunities posed within its external environment. In other words, an effective growth strategy is a strategy adopted by organizations to expand their businesses, profitability, sales, and revenue and/or to achieve increased market share. Thus, for an organization that is competing within an industry that is facing changes and challenges such as the property industry, this means the ability to leverage a correct combination of resources, competitive advantage and core competencies so that it can deliver above average returns.

However, determining the most appropriate growth strategy to adopt is not an easy task because as an organization grows, the management of growth becomes more complex (Arbaugh and Camp, 2000). According to Hill and Westbrook (1997), due to the dynamic nature of the current business scenario, the systematic approach of using SWOT analysis as a method to guide strategic choice is inadequate. This is because managers do not only have to pay attention to the internal and external factors, but they also have to be concerned about the interplay and negotiations among the stakeholders and organizational players that does not necessarily follow a predetermined sequence of steps when doing strategizing (Bogner *et al*, 1996); Mason and Mitroff, 1981). As stated by Mintzberg (1990, 1993), strategy development and implementation can rapidly become less perfect as the competitors, economy, environment or strategic priorities change.

Be that as it may, growth is crucial for an organization if it is to survive in the very long term. And for a firm to grow successfully, it must be able to ascertain its limitations and strengths and leverage on those areas. Every organizations faces similar challenges when it comes to strategic decision making or which strategic process to pursue to grab the opportunities or to overcome significant problems. These complexities in a way lead to the robust nature of strategizing and provide a direction to management on the different strategic options or typologies that organizations can pursue (Henry, 2011).

Based on empirical researches, there are some major strategies that organizations can adopt in pursuing growth, namely internal development, strategic alliance, mergers and acquisitions (Johnson and Whittington, 2006). These growth strategies can be divided in two levels; corporate level (strategic alliances, mergers and acquisitions) and business level (internal development) strategies. Corporate level strategy focuses on the