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## INTRODUCTION

The construction industry is a major contributor to Malaysia's economic growth. It has accounted for an average of 5% of Malaysia's GDP (see fig1.1). The construction industry has been booming until the financial crisis in 1997, which led to recession in 1998.

The construction sector was the worst hit during the economic downturn, registering negative growth in the two consecutive years i.e. -23% in 1998 and -5.6% in 1999 ( see fig 1.2). In 1998, the rapid deterioration in our ringgit has led to huge amount of debts in the industry. This situation was made worse with the completion of several large projects such as the Kuala Lumpur International Airport, The Light Rail Transit Phase 1, The Sepang International Formula One Circuit and The Commonwealth Sports Complex. At the same time, new infrastructure projects worth Rm 65.5 billions were shelved. As a result, the industry and hence its players face serious financing, liquidity and cash-flow problems (Journal of Master Builder 1999) .

Although our economic has recovered the construction industry and its players are still facing problems. Basically, problems arise as a result of the sharp decline in construction starts of high-rise commercial buildings, particularly office space and retail outlets and cancellation or postponement of privatized government projects (Journal Of Master Builder 1998) .

The shrinkage of construction market has led to overcapacity in the contractors. Perhaps it's blessing in disguise, the recent financial crisis

Fig 1.1

## Malaysia Construction and GDP 1967-96

Year	Value of Construction GDP	% Share in Total GDP	% Grown in Construction GDP
1967	343	)	Not available
1968	347	)	1.2
1969	351	) 3.8 to 4.1	1.2
1970	384	)	9.4
1971	430	)	12.0
1972	477	)	10.9
1973	651	4.4	14.0
1974	729	5.0	12.0
1975	654	5.0	-10.3
1976	713	5.0	9.0
1977	800	5.0	12.2
1978	919	4.0	14.9
1979	1,027	4.3	11.8
1980	2,066	4.64	17.3
1981	2,367	4.97	14.6
1982	2,598	5.15	9.8
1983	2,867	5.35	10.4
1984	2,988	5.17	4.2
1985	2,738	4.79	-8.4
1986	2,355	4.07	-14.0
1987	2,077	3.41	-11.8
1988	2,133	3.22	2.7
1989	2,380	3.29	11.6
1990	2,832	3.57	19.0
1991	3,240	3.76	14.4
1992	3,619	3.89	11.7
1993	4,023	3.99	11.2
1994	4,589	4.18	14.1
1995	5,385	4.47	17.3
1996	5,870	4.50	9.0

1 Figures for 1967-72 are in current prices, for 1973-79 are in 1970 constant prices and for 1980-96 are in constant 1978 prices

Sources: Ministry of Finance (1974 to 1997)

has served as a wake up call for construction players. As the local market shrinks tremendously, the players have to contend hard for their tenders. It's urgent that players think hard about expanding their market, regionally or globally at large, in order to survive and to maintain growth thereafter.

## **1.1 OBJECTIVES**

Sunway Construction Berhad (SWCB), being a dominant player in the local construction industry, faces tough challenges brought by the financial crisis. Although the company is growing well before the financial crisis, it was badly hit by the crisis. The objective of this research is to study Sunway Construction Berhad's (SWCB) survival strategy in the construction industry during the financial crisis. This is done by examining and analyzing the present key strategy action plan of the company, revealing its strength, weakness and the direction that it is going.

## **1.2 SCOPE OF MY STUDY**

The scope of the study will be focused on the contracting services only, as it is the core business of the group.

Thus, this study does not include the group's subsidiaries such as Sunway M & E Sdn Bhd (Contracting in mechanical and electrical works), Sunway Engineering Sdn Bhd (Contracting in mechanical and electrical works), SWC Machinery Sdn Bhd (Renting of machinery and site equipment), Binajelata Sdn Bhd (Management and renting of properties), Identiti Jelata Sdn Bhd (Management and renting of properties), Target Beam (M) Sdn Bhd (Management and renting of properties), Muhibbah Permai Sdn Bhd (Property development) .

Fig 1.2

Construction Volume at Current Price (in RM 000,000)

Year		1997	1998	% Change	1999	% Change
Infrastructure	Total	16,663	11,792	-29.2	20,053	70.1
	Public	7,011	3,233	-53.9	12,827	297.8
	Private	9,653	8,559	-11.3	7,226	-15.6
Non Residential	Total	32,989	12,382	-62.5	13,131	6.0
	Public	6,918	3,481	-50.6	7,588	118.0
	Private	26,070	8,901	-65.9	5,543	-37.7
	Total	10,825	5,243	-51.6	8,977	71.2
Residential	Public	332	1,352	307	1,987	47.0
	Private	10,493	3,891	-62.9	6,990	79.6
	Total	2,500	573	-77.1	1,048	82.9
Mix Development	Public	63	18	-71.4	58	222.2
	Private	2,437	555	-77.2	990	78.4
Total Construction Volume		62,978	29,990	-52.4	43,209	44.1

\*Percentage change in construction Volume compared to the previous year

Source: Construction Industry Development Board

### **1.3 ORGANISATION OF THE STUDY**

There are altogether seven chapters. Chapter 1 includes introduction of the study, its objective, scope & limitation and so on. Chapter 2 describes the brief history of the company and its vision, mission and its overall strategy especially focused on its survival strategy. Chapter 3 discusses the methodology and analysis tools used to achieve the objective of the study. Chapter 4 is the analysis of the organization under study. Chapter 5 is the analysis of the regional as well as global markets. Finally, the last 2 Chapters conclude, summarize and discuss the recommendations.