

R

ACI-0406  
INVC...nms 10/2/01

PERPUSTAKAAN UNIVERSITI MALAYA

**CREATING SUSTAINABLE COMPETITIVE  
ADVANTAGES IN A GLOBAL ENVIRONMENT:  
A SURVEY OF MALAYSIAN ADVERTISING AGENCIES**

**Wong Wai Cheng**

**Bachelor of Science  
University of Malaya  
1981**

**Submitted to the Faculty of Business and Accountancy,  
University of Malaya, in partial fulfillment  
of the requirements for the Degree of  
Master of Business Administration**

**February 1999**

Perpustakaan Universiti Malaya



A510144444

Dimikrofilkan pada.....05.02.2002  
No. Mikrofis.....15345  
Jumlah Mikrofis.....2

HAMSIH BT. MUHAMMAD ZAHARI  
UNIT REPROGRAFI  
PERPUSTAKAAN UTAMA  
UNIVERSITI MALAYA

UPR

## **ACKNOWLEDGEMENT**

The last three years spent on the MBA programme have been extremely strenuous but rewarding. It is through the inspirations and support of the people closest to me that have kept the fire burning. My heartfelt gratitude to my parents, Wong Lee Wah and Wu Ah Mei, who have acted as surrogate parents to my daughter, Ong Lin Ming, whom I hope has learned from their fine examples. My thanks to Christina Kwok, who has been a supportive and understanding boss in providing the time off for exams despite tight work deadlines. My grateful thanks also to Gerald Kwok who has provided valuable insights and for proof reading my thesis.

I extend my gratitude to my supervisor, Prof Madya Mohd Nor Othman for his advice, guidance and time spent editing the paper.

I would like to thank the other academic staff at the Faculty of Business and Accountancy, University of Malaya, who have directly or indirectly, provided inspiration and guidance one way or the other.

It has been an honour to have met fine people in the course of the programme that I can now refer to as friends.

Last but not least, I thank all the people unnamed here but forever remembered for their contribution in little ways

## **ABSTRACT**

With the world economy opening up, facilitated by technological advancements, a knowledge era and lower tariffs, Malaysian advertising agencies face the inevitable prospect of globalisation. In addition, they have to compete with international agencies with their managerial and knowledge capabilities built over the years. These capabilities have developed into sustainable competitive advantages that contribute to the success of the international agencies.

This paper examined the philosophies and practices that lead to success to find if differences exist between international and local agencies. Although the sample size was small, the research found no differences exist except in the areas of staff recruitment, some agency-client relationship factors and strategies for addressing the economic downturn. It was concluded that local advertising agencies, in principle, subscribed to the same competencies as international agencies but, lacked factors such as international networks, financial resources, account stability and human resources to compete on a level playing field. Until local agencies overcome these factors, their ability to compete globally with the international agencies will remain at a disadvantage.

## TABLE OF CONTENTS

Acknowledgement	i
Abstract	ii
chapter	page
1. INTRODUCTION	1
1.1. Objectives of the Study	2
1.2. Scope of the Study	3
1.3. Significance of the Study	3
1.4. Growth of Services Worldwide	3
1.5. Services in Malaysia	6
1.6. External Environment / Government's Role	8
1.6.1. Services As the New Competitive Landscape	9
1.6.2. Growth Strategies for Services	10
1.6.3. Government's Role	15
2. ADVERTISING	17
2.1. Trends in Advertising	17
2.1.1. Types of Advertising Agencies	19
2.1.2. Structure and Organisation of Advertising Agencies	20
2.1.3. Compensation Methods	20
2.2. Advertising Industry in Malaysia	23
2.2.1. Historical Background	23
2.2.2. Growth	25
2.2.3. Structure of Malaysian Advertising Industry	27
2.3. Advertising Awards	30
2.3.1. Creative Awards in Malaysia	32

chapter	page
3. LITERATURE REVIEW	35
3.1. Agency-Client Relationship	35
3.1.1. The Agency-Client Life Cycle	36
3.1.2. Duration of the Agency-Client Relationship	40
3.2. Organisation Factors	40
3.2.1. Resources	41
3.2.2. Leadership and Corporate Culture	43
3.3. The Research Model	43
3.3.1. Measures of Success	44
4. RESEARCH METHODOLOGY	48
4.1. Questionnaire Design	48
4.2. Sample Design	49
4.3. Data Collection Technique	50
4.4. Analytical Techniques	50
5. RESEARCH RESULTS	51
5.1. Respondents' Characteristics	51
5.2. Growth in Billings	53
5.3. Human Resources	54
5.4. Awards	55
5.5. Importance of Computerisation	56
5.6. Agency-Client Relationship	56
5.7. Client Longevity	59
5.8. Corporate Strategies	59

chapter	page
6. CONCLUSION	62
6.1. Overview of the Study	62
6.2. Implications of the Study	63
6.3. Recommendations	70
6.4. Limitations of the Study	71
6.5. Suggestions for Additional research	72
6.6. Conclusion	72
Bibliography	74
Appendices:	
APPENDIX A: Leading U.S. Consolidated Agencies	79
GDP Output by Activity in Developing Countries	79
Table A5. Developing Countries: Real GDP	80
APPENDIX B GDP Output by Activity and Employment	
Statistics in Malaysia	81
APPENDIX C The First Advertising, Publicity and Market	
Research Specialists in Singapore in 1934	82
APPENDIX D ADEX in Malaysia	83
APPENDIX E 4As Membership	91
APPENDIX F The Kancil Awards	93
APPENDIX G Questionnaire	94
APPENDIX H Code Book	102

## **LIST OF TABLES**

<b>Table</b>		<b>page</b>
1.1	Malaysia-Service Sectoral Performance in Constant 1978 Prices	7
1.2	Customisation and Judgement in Service Delivery	14
2.1	Types of Advertising Agencies in Malaysia	28
5.1	Respondents' Characteristics	52
5.2	New Business Pitches	53
5.3	Human Resource Factors	54
5.4	Advertising Awards	55
5.5	Importance of Computerisation	56
5.6	Dissatisfaction Factors	57
5.7	Loyalty Factors	57
5.8	Satisfaction Factors	58
5.9	Agency Switch factors	58
5.10	Core Competence	60
5.11	Competitive Edge	60
5.12	Strategies for Economic Downturn	60
5.13	Globalisation Strategies	61
5.14	Export of Services To Other Countries	61
6.1	1992 Top Nine Agencies and Total Estimated Media Billing	65

## LIST OF FIGURES

Figure		page
1.1	Annual Percent Change of real GDP, Manufacturing and Services in Developing Countries	4
1.2	Contribution of Services to GDP in Malaysia	6
1.3	Employment in Services Sector in Malaysia	8
1.4	Understanding the Characteristics of the Service	11
1.5	How Product Qualities Affect Ease of Evaluation	12
1.6	Product Mix For A Professional Service Firm	15
2.1	Advertising Expenditure Trend in Malaysia from 1980 - September 1998	26
2.2	The Growth of Accredited Advertising Agencies in Malaysia	27
2.3	Local Awards Won by Type of Advertising Agencies from 1992-1996	33
3.1	The Agency-Client Life Cycle	36
3.2	Pathway to Sustainable Competitive Advantages	41
3.3	Factors Contributing to the Success and Competitive Advantages in Advertising Agencies	44