GATR Journal of Finance and Banking Review
Journal homepage: http://gatrenterprise.com/GATRJournals/JFBR/vol8_2023_issue3.html
J. Fin. Bank. Review 8(3) 133–139 (2023)

The Influence of Strategic Maneuverability Practices on The Financial Performance of Bumiputera Contractors

Nur Aida Binti Hussin[1], Salina Daud[2]

[1, 2]Universiti Tenaga Nasional (UNITEN), Malaysia

ABSTRACT

Objective – There are limited studies on the impact of strategic maneuverability on the financial performance of construction companies, especially concerning Bumiputera contractors in Malaysia. The objective of this study is to investigate the impact of strategic maneuverability practices on the financial performance of Bumiputera contractors in Selangor.

Methodology – A questionnaire survey was distributed to 50 Bumiputera contractors in Selangor. The data was analyzed using SmartPLS 4 as part of the Structural Equation Modeling (SEM).

Findings – The analysis of the feedback from the 50 respondents revealed a strong and positive relationship between the implementation of strategic maneuverability practices and the financial performance of Bumiputera contractors. Therefore, it is imperative for companies to possess strategic maneuverability in order to navigate the ever-changing business landscape of the construction industry effectively.

Novelty – The findings of this study will encourage Bumiputera contractors to adopt strategic maneuverability practices to survive and remain competitive in the challenging environment of the construction industry.

Type of Paper: Empirical

JEL Classification: L25; M20

Keywords: Strategic planning; strategic maneuverability; financial performance; flexible; Bumiputera contractors.

Reference to this paper should be made as follows: Hussin, N.A.B; Daud, S. (2023). The Influence of Strategic Maneuverability Practices on The Financial Performance of Bumiputera Contractors, *J. Fin. Bank. Review*, 8(3), 133 – 139. https://doi.org/10.35609/jfbr.2023.8.3(3)

1. Introduction

The Malaysian construction industry has undergone substantial changes over the years, particularly following the country's protracted economic downturn in the 1980s. (Rahman & Rahmat, 2016) discovered that Bumiputera construction companies often face failures attributed to poor financial management, inadequate planning, subpar site management, lack of contractor expertise, issues with subcontractors, insufficient construction materials and machinery, labor supply challenges, ineffective communication among stakeholders, and errors during the construction phase. Furthermore, (Mulcahy, 1990) stated that the execution of clear objectives is a prerequisite for the success of a construction company. This subsequently highlights the pertinent importance of strategic planning in the construction industry.

* Paper Info: Revised: October 16, 2023
Accepted: December 31, 2023
* Corresponding author: Nur Aida Binti Hussin
E-mail: aidahussin@gmail.com
Affiliation: Universiti Tenaga Nasional (UNITEN), Malaysia

ISSN 2636-9176, e-ISSN 0128-3103 © 2023 **Global Academy of Training & Research (GATR) Enterprise. All rights reserved.**

Strategic planning involves the process of aligning a company with its surroundings to maintain competitiveness by ensuring that everyone in the organization is focused on achieving the company's goals. Companies in the construction industry face the challenge of developing strategic plans that possess the necessary flexibility to promptly adjust to shifting market conditions. To cope with strategic disruptions, companies must be flexible enough to maneuver the plan to achieve their goal. This leads to the emergence of strategic maneuverability as a rapidly growing area of research related to business performance. Like other businesses, the construction sector is facing stiffer competition and construction companies are currently struggling to survive in an unpredictable business environment (Balatbat et al., 2011) (Yesil & Kaya, 2013). Such condition necessitates them to work hard in finding ways to become competitive, resourceful, and innovative in order to survive.

In the context of Malaysia, construction companies have been reported to demonstrate a greater frequency of bankruptcies than those operating in other sectors. Conversely, it is crucial for Bumiputera contractors to improve their technical proficiency, networking, and financial capacity and performance while strategically aligning the company's objectives. Some scholars argue that businesses need to have strategic agility to effectively manage strategic disruptions, adjust their trajectory, and sustain their competitive edge. Therefore, it is important to conduct a study that examines the influence of strategic maneuverability practices on the financial performance of Bumiputera contractors in Selangor, particularly given that the state currently has the highest number of registered G7 Bumiputera contractors in the country. Such investigation shall offer insights for construction companies, especially those owned by Bumiputera in Malaysia, to revise the conventional strategic planning approach and embrace the concept of strategic maneuverability for effective navigation within the ever-changing business landscape. This serves as the main motivation of the pilot study reported in this paper.

2. Literature Review

Given the volatile and highly competitive nature of the construction industry, it is imperative to have a well-developed strategy in place to effectively steer construction companies on the right path. (Mulcahy, 1990) asserts that construction companies must possess a clear and specific objective to ensure their survival. According to a previous study by (Betts & Ofori, 1992), the construction industry began implementing strategic planning as a way to ensure long-term survival in the 1990s. However, the usage remains isolated as it is considered laborious, time-consuming, and costly. (Omar & Azmi, 2015) also observed that bankruptcies are common in construction businesses due to the dynamic and ever-changing nature of the construction industry. It aligns with (Ramli, 2017) who denoted that despite the various efforts by the Malaysian government to promote Bumiputera entrepreneurship, the number of Bumiputera-owned businesses is not growing at the same pace as the country's economic development. Therefore, construction companies must persistently adapt to the ever-changing business landscape for their survival.

Prior research demonstrated that strategic planning exerts a favorable and substantial influence on organizational performance (Babafemi, 2015) (Aldehayyat & Twaissi, 2011) (Skokan et al., 2013) (Gomera et al., 2018).

However, strategic planning has faced criticism for being a waste of funds marked by ongoing and heightened competition that necessitates flexibility, ingenuity, and expedited outcomes (Weber & Tarba, 2014). (Abuzaid, 2018) and (Hartmann & Stillings, 2015) argue that strategic planning alone is inadequate for driving business performance. To conform with the present business landscape, companies must possess the ability to adjust, maneuver, and react promptly.

Such flexibility is often influenced by the companies' ability to relocate easily, the environment that they operate in, and the level of strategic control that they possess. In a study on strategic maneuverability or strategic flexibility, (Gotcher, 1977) presumed that the process of long-term planning requires flexibility. Such concept originated from a comprehensive review of the strategic management literature regarding the theory of dynamic capabilities and strategic maneuverability, specifically focusing on the aspects of flexibility, agility, and responsiveness. It resulted in the emergence of a new concept of competitive strategic maneuverability, which is currently undergoing development of its dimensions and metrics for future research. To effectively deal with strategic disruption, several researchers asserted that firms possessing strategic agility have the ability to alter their direction to preserve their competitive advantage. (Weber & Tarba, 2014) defined organizational agility as the capacity of a company to consistently observe and react to shifts in the business environment, while also being able to modify the organizational structure to ensure the success of the implemented strategy. Additionally, (Kornelius et al., 2021) proposed that the theoretical framework of competitive strategic maneuverability establishes a link between the dynamic capability characteristics (flexibility, agility, and responsiveness) and strategic planning processes with the aim to improve the organizational performance in both financial and non-financial aspects.

A significant amount of research has been conducted in recent decades to investigate the correlation between strategic planning and business performance in small, medium, and micro enterprises (SMMEs) (Hakimpoor, 2014; (Dubihlela & Sandada, 2014); (Chavunduka et al., 2015); (Langat, 2015) (Monday et al., 2015) Pangarkar, 2015). The findings by Hakimpoor (2014) indicate that organizations that have implemented a strategic planning processidemonstrateisuperiori performanceicompareditoithose that are yet to engage in strategy formulation. Meanwhile, (Obonyo & Arasa, 2012) discovered a direct correlation between strategic planning and organizational performance, hence indicating a positive association that highlights the significance of implementing, monitoring, and evaluating the strategic planning process to determine organizational performance and success. (Chavunduka et al., 2015) found that strategic planning is positively correlated with key performance indicators of an organization, such as market share, net income, and return on investment. Furthermore, it has been noted that companies that possess exceptionalistrategyiimplementationiproceduresiexhibitisignificantlyistrongeriorganizationaliperformance than those with subpar or average strategy implementation process (Monday et al., 2015). These arguments therefore prompted the present study to propose the following hypothesis:

H1 – *Strategic maneuverability practices have a positive effect on the financial performance of Bumiputera contractors in Selangor*.

3. Research Method

The study's population consisted of 855 grade G7 Bumiputera contractors officially registered in Selangor. Their involvement in the study was voluntary and basic random sampling (Ezeah & Roberts, 2012) was used to select the respondents among a compilation of construction companies extracted from the Centralized Information Management System (CIMS), which was maintained by the Construction Industry Development Board (CIDB). A questionnaire survey was employed as the data collection instrument. (Cooper & Schindler, 2013) stated that the appropriate sample size for a pilot study can vary between 25 and 100 respondents depending on the chosen methodology. Therefore, the survey questionnaire was distributed via email to 73 grade G7 Bumiputera contractors in Selangor followed by an expert evaluation to assess the validity of the proposed instrument. A total of 50 questionnaires were received and deemed suitable for further analysis, giving a response rate of 68.5%.

This study commenced by examining the existing body of knowledge in strategic management, specifically focusing on the Theory of Dynamic Capabilities, strategic flexibility, strategic agility, and organizational responsiveness. Such interaction resulted in the emergence of the novel concept of competitive maneuverability, which entailed the development of metrics and dimensions specifically designed for subsequent empirical investigation. The proposed hypothesis was later tested using statistical analysis to establish the connections between the variables under investigation.

The present study utilized multi-dimensional measures based on a literature review of previous research, which were adjusted and altered slightly to suit the research purpose. To assess strategic maneuverability, this study employed the metrics of organizational flexibility, organizational agility, and organizational responsiveness derived from the works of (Evans, 1991), (Miller, 2002), (Cegarra-Navarro et al., 2016), and (Nafei, 2016). Company performance was assessed using the multi-dimensional scale derived from the works of (Epstein & Roy, 2003), (Chow & Chen, 2012), (Manaff et al., 2019), and (Asha'Ari, 2020). Responses to the multi-level questions were gathered using a five-point Likert scale ranging from 1 (Strongly disagree) to 5 (Strongly agree).

The data gathered from 50 respondents was analyzed using Partial Least Square Structural Equation Modeling (PLS-SEM) using the SmartPLS version 4 software and involved the process of descriptive statistics, evaluation of measurement and structural model, and hypothesis testing.

4. Results and Discussions

The results demonstrated that the respondents differed in their demographic profiles. It was found that 8 companies (16%) had a firm age between 5 to 10 years while the remaining 9 companies (20%) and 32 companies (64%) have been operating for 11 to 15 years and over 15 years, respectively. Regarding the type of company, 19 companies (38%) were operating in Civil Engineering, 16 companies (32%) were in Building Construction, 8 companies (16%) were in Facilities, and 7 companies (14%) were in Mechanical Engineering. The respondents were mostly Chief Executive Officers (CEOs) (58%), followed by managers (24%) and senior managers (18%).

4.1 Measurement Model Evaluation

The evaluation of a reflective measurement model primarily examines its construct validity and reliability. It encompasses various aspects including convergent validity, discriminant validity, indicator reliability, and composite reliability (Hair, Hult, Ringle, & Sarstedt, 2017). Table 1 displays the high validity of all variables in this study, as indicated by their average variance extracted (AVE) scores that exceeded the threshold of 0.5. Furthermore, all values for Cronbach's α, composite, and reliability during the assessment of measurement reliability exceeded 0.7, which was considered acceptable given that the AVE value exceeded the 0.5 threshold (Hair et al., 2010). Therefore, allimeasurementiinstrumentsiutilizediinithisistudyipossessia suitable degree of validity and reliability. Meanwhile, discriminant validity necessitates the square root of AVE to exceed the correlation value between the variables. Table 2 demonstrates that all measurement variables satisfied the Fornell-Larcker criterion for discriminant validity.

Table 1: Results of Reliability and Convergent Validity Tests

Descriptive	Cronbach's α	C Reliability	AVE	Loading	p-values	Conclusion
Competitive Strategic Maneuverability	0.92	0.94	0.53			Reliable

CSM 1				0.39	< 0.001*	Valid
CSM 2				0.68	< 0.001*	Valid
CSM 3				0.78	< 0.001*	Valid
CSM 4				0.76	< 0.001*	Valid
CSM 5				0.58	< 0.001*	Valid
CSM 6				0.60	< 0.001*	Valid
CSM 7				0.90	< 0.001*	Valid
CSM 8				0.81	< 0.001*	Valid
CSM 9				0.81	< 0.001*	Valid
CSM 10				0.73	< 0.001*	Valid
CSM 11				0.80	< 0.001*	Valid
CSM 12				0.72	< 0.001*	Valid
Financial Performance	0.90	0.91	0.63			Reliable
CSP1				0.85	<i0.001*	Valid
CSP2				0.79	<i0.001*	Valid
CSP3				0.68	<i0.001*	Valid
CSP4				0.86	<i0.001*	Valid
CSP5				0.80	<i0.001*	Valid
CSP6				0.76	<i0.001*	Valid
CSP7				0.82	<i0.001*	Valid

Note: * Indicatesisisignificantiati1%ileveliofisignificance. Very strong evidence against the null hypothesis.

Table 2: Discriminant Validity

	Competitive Strategic Maneuverability	Financial Performance
Competitive Strategic Maneuverability	0.72	
Financial Performance	0.71	0.8

4.2 Structural Model Evaluation and Hypothesis Testing

Analysis of the structural model revealed the coefficient of determination (R2) value of 0.774, which indicated a moderate level of predictive accuracy since it exceeded 0.7. The standardized root means square residual (SRMR), chi-square, and normed fit index (NFI) values presented in Table 3 fall within an acceptable range. This indicates that the research model has a strong fit as determined by the calculations (Hair et al., 2017). The results further corroborated the hypothesis that strategic maneuverability has a positive effect on the financial performance of Bumiputera contractors in Selangor.

Table 3: Model of Goodness Fit

Parameter	Value	Criterion	Conclusion
SRMR	0.13	< 0.1	Moderate
Chi-square	465.53	> 7.37	Good
NFI	0.52	> 0.9	Moderate

The hypothesis testing results in Table 4 revealed that the hypothesis was supported by the empirical data at the significance level of 95% and 99% with its P value below the acceptable significant level of 0.05.

Table 4: Hypothesis Testing Results

	Path Coefficient	Std. Deviation (STDEV)	T value	P value	Conclusion
H_1: Strategic maneuverability practices → Financial Performance CSM	0.8	0.12	6.76	0.00*	Supported

Note: * indicatesisignificantiati1%iandi 5%ileveliofisignificancei(one-tailed).

4.3 Conclusion

This study examined the relationship between strategic maneuverability and the financial performance of construction companies based on a sample of 50 Bumiputera contractors in Selangor. The results showed a significant and positive relationship between the two variables. This implies that strategic maneuverability is crucial for companies to navigate through a dynamic business environment, predict market changes, and improve profitability, growth, and survival. Furthermore, companies should emphasize on developing their organizational agility, flexibility, and responsiveness to gain a competitive edge and increase business performance. The outcome of this study is in line with past research that reported the positive impact of strategic maneuverability on firm performance (Nzewi & Moneme, 2016) (Asil, 2019) (Dubey et al., 2019) (Kornelius et al., 2021). These findings help relevant stakeholders to better understand the impact of strategic maneuverability on the financial performance of Bumiputera contractors in Malaysia.

References

Abuzaid, A. N. (2018). Scenario planning as approach to improve the strategic performance of multinational corporations (MNCs). *Verslas: Teorija Ir Praktika*, *19*(1), 195–207.

Aldehayyat, J. S., & Twaissi, N. (2011). Strategic planning and corporate performance relationship in small business firms: Evidence from a Middle East country context. *International Journal of Business and Management*, *6*(8), 255.

Asha'Ari, M. J. (2020). *Green Practices and Corporate Sustainability Performance of Chemical Manufacturing Organisations In Malaysia: The Moderating Role Of Islamic Work Ethics, Organisation Size, And Organisation Age*.

Asil, A. (2019). Design and implementation of strategic agility evaluation model with structural equation modelling approach. *Academy of Strategic Management Journal*, *18*(1), 1–16.

Babafemi, I. D. (2015). Corporate strategy, planning and performance evaluation: A survey of literature. *Journal of Management Policies and Practices*, *3*(1), 43–49.

Balatbat, M. C. A., Lin, C., & Carmichael, D. G. (2011). Management efficiency performance of construction businesses: Australian data. *Engineering, Construction and Architectural Management*, *18*(2), 140–158.

Betts, M., & Ofori, G. (1992). Strategic planning for competitive advantage in construction. *Construction Management and Economics*, *10*(6), 511–532.

Cegarra-Navarro, J.-G., Soto-Acosta, P., & Wensley, A. K. P. (2016). Structured knowledge processes and firm performance: The role of organizational agility. *Journal of Business Research*, *69*(5), 1544–1549.

Chavunduka, D., Sifile, O., & Chimunhu, P. (2015). *Strategic planning intensity and firm performance: A case of Zimbabwe mining development corporation*.

Chow, W. S., & Chen, Y. (2012). Corporate sustainable development: Testing a new scale based on the mainland Chinese context. *Journal of Business Ethics*, *105*, 519–533.

Cooper, D. R., & Schindler, S. (2013). *Business Research Methods*. Boston: Mcgraw. Hill International Edition.

Dubey, R., Gunasekaran, A., Childe, S. J., Fosso Wamba, S., Roubaud, D., & Foropon, C. (2019). Empirical investigation of data analytics capability and organizational flexibility as complements to supply chain resilience. *International Journal of Production Research*, 1–19.

Dubihlela, J., & Sandada, M. (2014). Impact of strategic planning on small and medium-sized enterprises'(SMEs) performance: The role of employee participation, implementation incentives and evaluation and control. *Journal of Economics*, *5*(1), 45–55.

Epstein, M. J., & Roy, M.-J. (2003). Improving sustainability performance: specifying, implementing and measuring key principles. *Journal of General Management*, *29*(1), 15–31.

Evans, J. S. (1991). Strategic flexibility for high technology manoeuvres: a conceptual framework. *Journal of Management Studies*, *28*(1), 69–89.

Ezeah, C., & Roberts, C. L. (2012). Analysis of barriers and success factors affecting the adoption of sustainable management of municipal solid waste in Nigeria. *Journal of Environmental Management*, *103*, 9–14.

Gomera, S., Chinyamurindi, W. T., & Mishi, S. (2018). Relationship between strategic planning and financial performance: The case of small, microand medium-scale businesses in the Buffalo City Metropolitan. *South*

African Journal of Economic and Management Sciences, *21*(1), 1–9.
Gotcher, J. W. (1977). Strategic planning in European multinationals. *Long Range Planning*, *10*(5), 7–13.
Hartmann, D., & Stillings, C. (2015). Using scenarios in multinational companies across geographic distances–a case from the chemical industry. *Foresight*, *17*(5), 475–488.
Kornelius, H., Supratikno, H., Bernarto, I., & Widjaja, A. W. (2021). Strategic planning and firm performance: The mediating role of strategic maneuverability. *The Journal of Asian Finance, Economics and Business*, *8*(1), 479–486.
Langat, J. C. (2015). *Relationship between strategic planning and organizational performance of medium sized enterprises in Nakuru Town, Kenya*. Egerton University.
Manaff, M. I. A., Lokman, N., & Tahir, N. S. (2019). Does Size Moderate Sustainability Practices and Performance of Construction Companies in Malaysia? *International Journal of Social Sciences Perspectives*, *4*(2), 48–61.
Miller, K. D. (2002). Knowledge inventories and managerial myopia. *Strategic Management Journal*, *23*(8), 689–706.
Monday, J. U., Akinola, G. O., Ologbenla, P., & Aladeraji, O. K. (2015). Strategic management and firm performance: A study of selected manufacturing companies in Nigeria. *European Journal of Business and Management*, *7*(2), 161–171.
Mulcahy, J. F. (1990). Management of the building firm. *Proceedings CIB 90, Joint Symposium on Building Economics and Construction Management*, 11–21.
Nafei, W. A. (2016). Organizational agility: The key to organizational success. *International Journal of Business and Management*, *11*(5), 296–309.
Nzewi, H. N., & Moneme, P. (2016). Business agility and competitive advantage of selected commercial banks in Anambra State, Nigeria. *Pyrex Journal of Business and Finance Management Research*, *2*(8), 81–88.
Obonyo, P., & Arasa, R. (2012). The relationship between strategic planning and firm performance. *International Journal of Humanities and Social Science*, *2*(2).
Omar, C. M. Z. C., & Azmi, N. M. N. (2015). Factors affecting the success of Bumiputera entrepreneurs in small and medium enterprises (SMEs) in Malaysia. *International Journal of Management Science and Business Administration*, *1*(9), 40–45.
Rahman, I. A., & Rahmat, N. I. (2016). Causes of failure among Bumiputra contractors. *ARPN J. of Engineering and Applied Sciences*, *11*, 9882–9886.
Ramli, S. (2017). Government Related Companies Economic Empowerment Agents. *Economic Hall, Language and Library Hall*, 7–9.
Skokan, K., Pawliczek, A., & Piszczur, R. (2013). Strategic planning and business performance of micro, small and medium-sized enterprises. *Journal of Competitiveness*, *5*(4).
Weber, Y., & Tarba, S. Y. (2014). Strategic agility: A state of the art introduction to the special section on strategic agility. *California Management Review*, *56*(3), 5–12.
Yesil, S., & Kaya, A. (2013). The effect of organizational culture on firm financial performance: Evidence from a developing country. *Procedia-Social and Behavioral Sciences*, *81*, 428–437.