

SOCIAL NETWORK THEORY AND PRIVATE HOUSING DEVELOPERS IN MALAYSIA

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Abstract

This paper examines the operations of private housing developers (PHDs) based on Social Network Theory. PHDs need to choose the best consultants, contractors and suppliers (CCS) to make sure the project run and complete successfully. PHDs gather the scarce resources from the external environment through personal network. This research used the social network method which relies on alliances based on network, social, tie and trust. The more people/firm PHDs network with, the better chances of finding the right CCS.

Keywords: *Consultant, contractor, private housing developer, social network theory, supplier.*

1. Introduction

In Malaysia, private housing developers (PHDs) play an important role in providing houses for the citizens. Since the independence of Malaysia in 1957, private housing developers have been the dominant suppliers of housing in the country. Private housing developers refer to entrepreneurs who construct houses for profit [1].

In undertaking development projects, PHDs usually outsource several activities to independent businesses such as consultants, contractors and material suppliers (CCS). Broadly speaking, there are two ways for PHDs to select CCS, through social and non-social means. The non-social method evaluates prospective CCS based on firm characteristics, price factor, and market conditions. The PHD usually awards contracts to CCS who offer the lowest price [2]. It has been said that, awarding projects based on the lowest price is the main factors that contribute to the project failure. Based on this traditional procurement, CCS always failed in meeting client's objective in terms of many projects completed with cost overrun, delay in the planned schedule and with poor quality.

The social method which relies on alliances [3] selects CCS based on certain social characteristics which are the focus of this research. The clients need to revise their evaluation criteria in selecting CCS through the social network method. The social method is said to bring benefits such as risk reduction, profit maximisation and sustaining business relationships over an extended period of time. In this research, social network has been given priority in CCS selection. By using social factors, researches argue that the selected CCS produces higher quality work, timeliness, trustworthiness and can contribute to the overall project [2], [4], [20]. This research attempts to determine the extent to which social network is used in selection of CCS by housing developers.

The study population for the study are the bumiputera PHDs which are the less dominant players in the industry [4]. Not only are they fewer in number, they also tend to be small and medium in size, in comparison to the non-bumiputera PHDs which are dominant in the industry. Most of the former are also not as established and well known compared to their non-bumiputera counterparts; hence they are still considered as new players in housing industry [5]. All these are evident from the lesser number of bumiputera PHDs that are listed in Bursa Malaysia in contrast to the non-bumiputera PHDs [6].

The social network analysis promises to provide a fresh line of enquiry on the relationship PHDs have with their CCS. It attempts to look at the social dynamics of business relationships, thereby further adding to our understanding of how PHDs behave.

2. Social Network Theory

This paper employs the Social Network concept to look at the social dynamics of business relationship relating to the PHD's selection of CCS. The Social Network Theory was first introduced by Barnes in 1954 from the outflow of his study of a Norwegian island parish in the early 1950s. This paper adopts the definition of social network theory by Barnes (1954) and Brass (1992):

“Social network is a notion in social science that discusses about the connection and relationship in social structure [7] and focus to a set of nodes or actors that are connected by a set of social relationship or ties [8]”.

It is said that the PHDs as the entrepreneur often rely on social networks for advice, information and resources to identify constructive opportunities for launching the new businesses [9], [10]. The ties that link the network may still be effective even though no contacts may have been made in recent years. The ties has been pointed out to bring intangible resources such as business information, advice, problem solving, and emotional support and so on. These are exchanged via inter-personal and inter-organisational relationships working as the media between the network actors.

This study defines network as specific sets of linkages among a defined set of persons, with the additional property that this linkages as a whole maybe used to interpret the social behaviour of the persons involved [12]. A study by Licht and Siegel [35] developed a social dimension construct of entrepreneurial orientation with sub-dimension to create the ties. The ties may help the entrepreneur in accessing the diverse market information necessary to evaluate the best CCS [24]. The willingness to rely on exchange information from ties can be said to be built on trust [36].

The content of social network tries to describe what kinds of people are attached to the social relationship and to understand the flow implication [12]. The sum of the individual networks can be used to describe as the inter-personal or inter-group relations within an organisation and they map out flows between individuals or organisation [11]. The flow implication contains an advice, information, friendship, career or emotional support, motivation and cooperation between objects and nodes. [13]. The social network of individuals is dynamic and recognised as an important factor in determining the adjustment and career success of the newcomer to the organisation [14].

3. The Role of CCS

The PHDs are the key players in providing housing for Malaysian citizens. The selection of CCS must be in the context of their potential for achieving the PHDs' requirements and objectives.

3.1 Material Suppliers

A material supplier is a firm that supplies the building material to the developers or the contractors. It is important to select the supplier on the basis of good price, cost, quality, delivery reliability, lead time, and on time delivery [15]. At the same time, PHDs can, if they choose, simply secure a supplier based on the recommendation by word of mouth or through other social network means [16]. Supplier evaluation can follow a rigorous, structured approach through the use of social network.

3.2 Contractors

The contractor is the individual, firm, or corporation undertaking the execution of the work under the terms of the contract and acting directly or through their agents or employees. Contractor plays a major role in a project in delivering housing with acceptable standard, on time and within budget [17]. For one project, only one main contractor will be awarded under normal circumstances [20]. The decision making practice during the prequalification criteria are merely a list of unwritten rules, even for developers with more formal systems [18]. At the same time, the social value between the PHDs and contractor can be the most applicable to the selection of the right contractor [19].

3.3 Consultants

The consultant is a firm that provides advice or counsel in verbal or written form [16]. It is important to select consultants that are professional, qualified and with recognised identity to offer advise on how to solve project problems about cost, time and quality [21]. The consultant provides skills to PHDs that do not possess in-house expertise like planners, management consultants, engineers, architects or quantity surveyors in order to achieve the PHDs objectives [22]. The relationship or dyad between PHDs and the consultant, positively affect PHDs choices to select the consultant [16], [23]. Selecting a consultant is not just about skills, it is also being able to work with people [16].

4. Social Network Factors Determine the Selection of CCS

The literature suggests that there are four factors affecting the CCS selection (i.e. social, network, trust, and ties) in Malaysia housing development.

4.1 Network

Network relationship concerns the distance of PHDs' activities [32]. Because the PHDs utilise the contacts in their social networks to find CCS, PHDs are expected to concentrate in the regions in which they work and live [33] as the network provides information, access and support that are not available to those outside it [24].

The network characteristics provide information into the nature of the relationships between the ties in social network. Social dimension is an important part for PHD to build social advantages and reputation for CCS selection and to develop their own networks. From here, they can contact with others to exchange information and enlarge their networks [31]. Therefore, the PHDs need to activate these groups who seem to be most useful when it comes to selecting the CCS that are PHDs about to engage. This in turn helps new firms in the housing industry to emerge in the same location as existing ones [34].

4.2 Social

The social dimension of PHDs serves to build social advantages and reputation for CCS selection. Previous scholars have looked into culture, religion and institution [35]. It is now virtually undisputed that culture bears a profound impact on all facets of PHDs in societies [36]. Religion refers to a certain general religious orientation of people who share the same assumptions and beliefs [37]. It can be argued that the social dimension for encouraging PHDs is the institution of well defined property rights and the rule of law [30]. The institution helps the PHDs to get the information about the superior CCS or the opposite.

4.2 Ties

Research found that the interaction (i.e. strong ties and weak ties) strengthens relationship between people. Strong ties allow for a two way interaction between the PHDs and the CCS [27]. The CCS have an opportunity to make attempts, make mistakes or search for the instruction and feedback from the strongly tied PHDs. There are two aspects of interactions, the first is the key for assimilating complex knowledge because the CCS most likely do not acquire the knowledge completely during the first interaction. The second aspect is independence from the others, although they are obviously highly intra-linked. Weak ties are crucial whenever information is diffused through social interaction because weak ties provide bridges of acquaintances support [28]. Weak ties play a significant role in the market in providing PHDs with information from personal contacts with distant CCS. The degree of overlapping of two individuals' friendship network varies directly with the strength of their ties to one another [29].

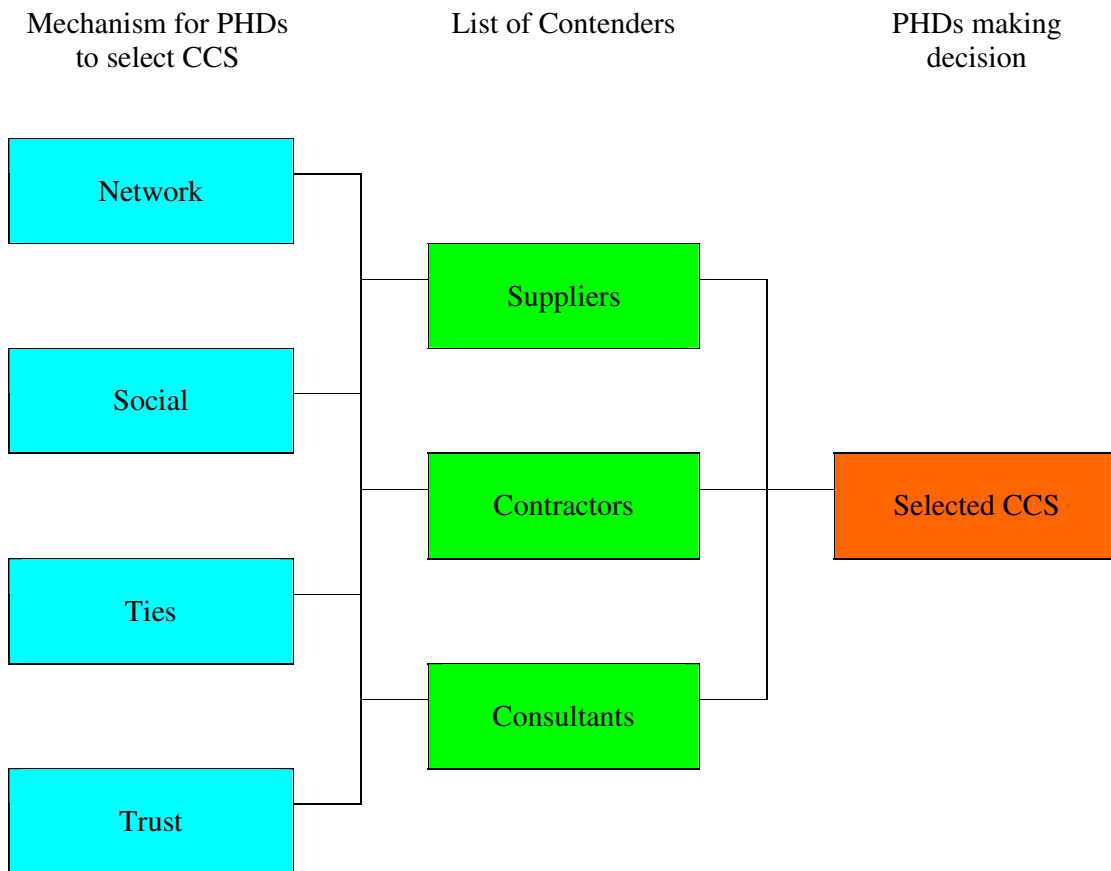
4.2 Trust

The presented trust dimensions are tentatively categorised according to their developed conceptual framework [24]. The CCS must be honest and display openness of management in willingness to share ideas and information freely [25]. The selected CCS must be competent, have integrity and ability, technical and interpersonal knowledge, and skills [26]. The challenge for the PHDs is how to gain the confidence of the network contacts so they will trust each other with their valuable time, technology and finance [35].

5. Conclusions

PHD must make the best decision in selecting CCS. This research discussed a proposed framework to determine, if and how social network is played out by bumiputera PHDs. To do that, four stands of the social network theory will be explored.

6. Proposed framework on the factors that determine the selection of CCS.



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