

## Strategic Collaborative Approach: A Case Study on Training New Housing Entrepreneurs in Malaysia

Mastura Jaafar <sup>a, \*</sup> and Wan Dzulkifli Wan Daud <sup>b</sup>

<sup>a</sup> Department of Quantity Surveying, School of Housing, Building and Planning, Universiti Sains Malaysia, Malaysia

<sup>b</sup> Maka Corporation Sdn. Bhd., Kelantan, Malaysia

### Abstract

*A comprehensive entrepreneurial training program can help attract new players to the housing industry, thus contributing to solving unemployment problems and issues on increasing housing supply to satisfy the requirements of the growing population. This study explores the strategic collaboration between Universiti Sains Malaysia, developers, and other industry stakeholders to offer a training module to prospective developers. The introductory course is designed to introduce the property and housing industry to participants and to guide them, step-by-step, on starting a business in the housing industry. A more advanced course is offered to participants who are already in the industry but who still want to gain additional knowledge in managing their business. Since June 2009, six introductory courses and three advanced courses have been developed with approximately 100 participants for each course. The number of participants is limited to 100 to ensure the effectiveness of the courses. All courses were offered in Kuala Lumpur. Positive feedback from the participants indicates successful implementation of the entrepreneurship training programs. The courses also help ensure competitive positioning of new and existing small and medium players in the housing industry.*

**Keywords:** training program, housing developers, housing industry, entrepreneur

### Introduction

Entrepreneurship is considered as an activity that originates from an economic environment. In general, the economic theory of entrepreneurship describes an entrepreneur as an individual who can identify opportunities (Marshall 1930; Schumpeter 1934; Kirzner 1973) that will enable him/her to turn something common into something unique and unexpected (Stevenson & Gumpert 1985; Mitton 1989; Shane & Venkataraman 2000). An entrepreneur must be alert to recognise an opportunity (Marshall, 1930; Kirzner, 1973; Cantillon, 1979). He/She must possess a special type of knowledge/information (Marshall, 1930; Say, 1971; Kirzner, 1973) that eventually triggers environmental uncertainty (Kaish & Gilad 1991). This special knowledge/information is useful to entrepreneurs to help them control and manage market

---

\* Corresponding author. Email: [masturaj@usm.my](mailto:masturaj@usm.my)

demands, foresee changes that may occur in market trends, and act wisely in response to these changes.

A housing developer is an entrepreneur who initiates a housing development project (Maruani & Amit-Cohen 2011). The governing law that controls the housing industry in Malaysia is the Housing Development Act (Control and Licensing) of 1966 (hereafter referred to as the Act). A housing developer is defined by the Act as *“Any person, body of persons, company, firm or society (by whatever name described), who or which engages in or carries on or undertakes or causes to be undertaken a housing development.”* Accordingly, housing development is described as *“to develop or construct or cause to be constructed in any manner whatsoever more than four units of housing accommodation and includes the collection of moneys or the carrying on of any building operations for the purpose of erecting housing accommodation in, on, over or under any land; or the sale of more than four lots of land or building lots with the view of constructing more than four units of housing accommodation”* (Wan Mohd Dzulkifli, 2009, p. 3).

Based on this definition, individuals who are or who have been engaged in developing four or less units of housing accommodations or selling four or less parcels of land are not considered as housing developers, and thus, are not subject to the Act. Nevertheless, these individuals are still considered as players in the property industry and are known in Malaysia as micro developers. Small-scale developers are those involved in a project that ranges from 5 houses to 49 houses. Developers are considered to belong to the medium-scale category when they are engaged in the development of 50 units to 200 units of houses. Meanwhile, large-scale developers are those involved in more than 200 units of houses for every project.

In terms of formal education, no specific certificate or diploma is awarded in Malaysia to individuals who wish to start a career in housing development. Ali (2011) observed that those involved in the housing industry have different specialisations such as in construction, building, planning, architecture, and engineering; they also come from different areas of expertise such as accounting and business. Apart from obtaining knowledge through formal education, short courses and seminars are also important platforms for entrepreneurs to gain specific knowledge on particular businesses. Timmons (1971) recognised the significant relationship between attending courses before starting a business and firm performance. Elias and Pihie (1995) posited that attending courses and seminars, particularly after starting a company, promotes entrepreneurship and influences the success of an entrepreneur and his/her firm. Jaafar (2003) agreed that courses, seminars, and entrepreneurship training minimise the number of business failures in small and medium industries.

Traditionally known as “a rich businessman’s game,” the housing sector was previously monopolised by large companies such as Sime UEP Properties Bhd, S P Setia, Sunway City Bhd, YTL Land, Development Bhd, Paramount Corporation, and several government agencies. Thus, the public tends to recognise only big names in the industry and ignore small and newly established companies. Developers, particularly large-scale companies, are agents that can change the environment of an industry according to different perspectives.

In the housing industry, developers are required to register their companies with the Real Estate and Housing Developers’ Association (REHDA). The REHDA Institute (the education arm of REHDA) is responsible for providing courses and training related to the industry. This institute was re-launched in 2004 by the former prime minister of Malaysia to provide training and education required in the housing industry. It offers monthly courses and seminars that are specifically developed for industry players. Topics covered include: 1) legislation/regulations/policies/procedures; 2) corporate/financial aspects; 3) technical and infrastructure aspects; 4) property market data, analytical tools, and prospects; and 5) marketing. Although the REHDA Institute was established six years ago, many people remain unaware of its existence except for the members themselves. Complete courses to train future housing developers, such as step-by-step housing entrepreneurship, are not being offered. Even the courses developed by the

government, the private sector, or by non-government organisations are related to acts and licensing involved in the housing process rather than on business procedures and technical aspects.

The housing industry can provide lucrative returns to successful individuals despite its high entry barriers. The existence of small and newly established firms has been ignored in the industry, thus forming a barrier for new entrants. Considering that the housing industry is different from normal professions because it involves high risk and high capital, and is associated with massive bureaucracy, the School of Housing, Building and Planning (HBP) of the Universiti Sains Malaysia (USM) and several industry players took the initiative to offer courses to new housing developers in Malaysia. The strategic collaboration of these parties has successfully produced modules for basic and advanced courses for new housing developers. This article explains the tasks of housing developers, provides justifications for module development, reviews the programme details, and presents implications of the programme.

### Task of Housing Developers

Housing developers are on top of the supply chain. They provide jobs to other professionals such as consultants, material suppliers, and building contractors, among others. Developers can implement significant changes to the physical outlook, economy, and social aspects of certain areas. For major projects, developers have to operate within a regulatory framework of the local statutory system (Figure 1). Each development involves three parties: the public, the developer, and the planning authority.

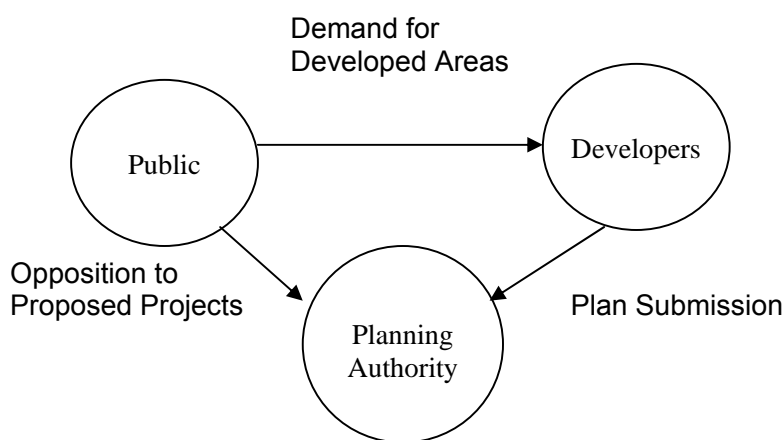


Figure 1: The development decision model  
Source: Maruani and Cohan (2011)

The basic tasks of developers in undertaking a housing development project are as follows:

1. To acquire land for development,
2. To prepare land for development (including land conversion and subdivision, as well as applying for a building plan approval),
3. To secure required licenses from the Ministry of Housing,
4. To develop the land according to the approved plans,
5. To sell houses to prospective buyers, and
6. To acquire a "Certificate of Fitness" for the project for the handover process.

These tasks are illustrated in Figure 2. The processes and procedures are nearly the same for large-scale and small-scale projects. However, small-scale projects do not need a developer's license and may not require certain infrastructure such as elevated water tanks, electricity substations, and public amenities, among others.

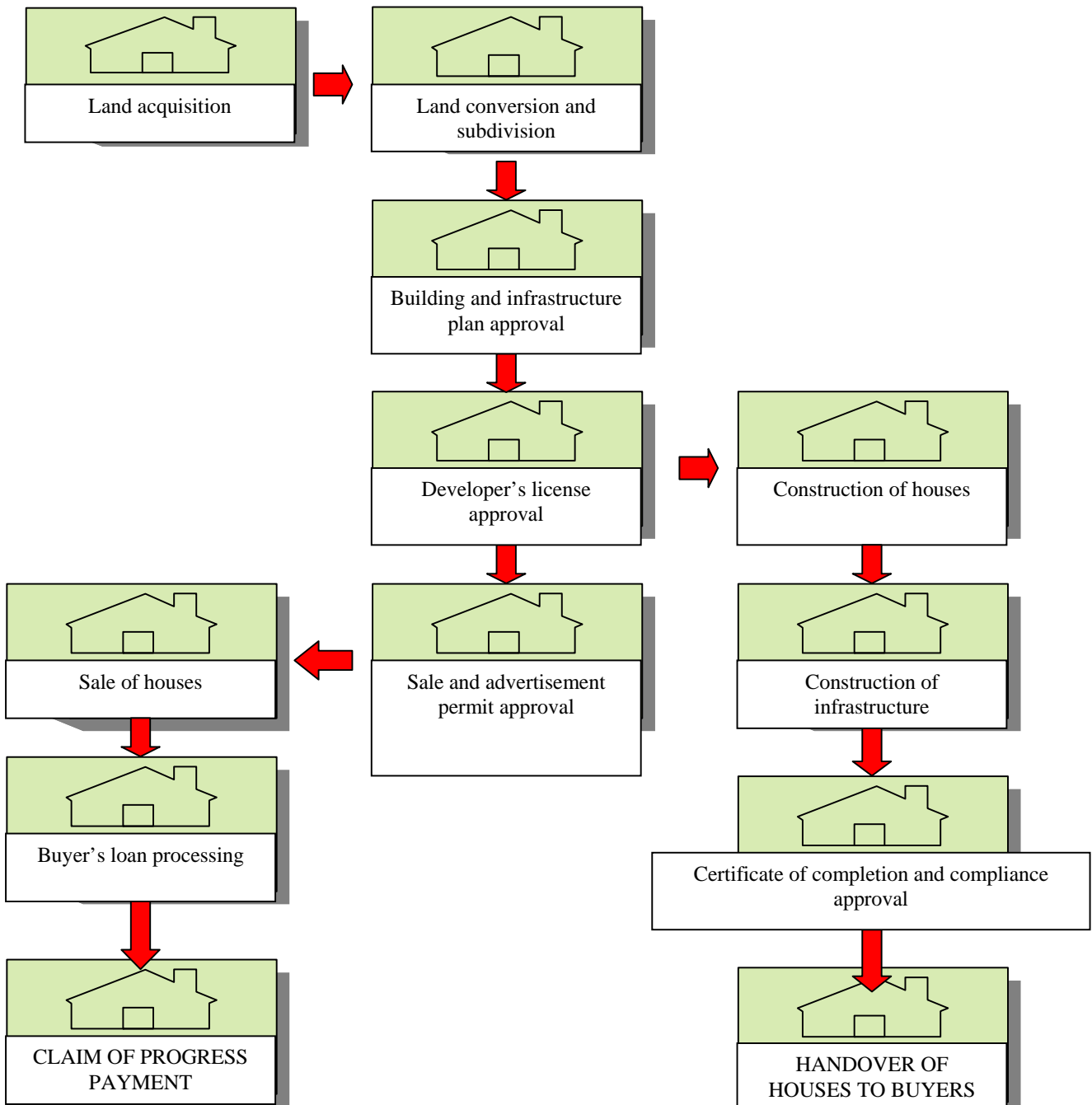


Figure 2: Housing development process flowchart  
Source: Wan Mohd Dzulkifli (2009)

Building a career as a housing developer is not as easy compared with that in other sectors. One of the drawbacks of this business is its requirement of a significant finance and time investment without a guaranteed return (Browman & Thompson, 2009; Buttimer, Clark, & Read, 2008). Furthermore, investments are subjective to market value, which may fluctuate because of changing economic conditions, customer preferences, increasing competition, or funding resource availability (Ball 1999; Buttimer et al. 2008).

However, many opportunities can be explored in the housing industry, such as the business model in Kelantan, wherein many entrepreneurs operate at a small scale by developing houses with four units or less. This model does not require a developer's license and is manageable by a small company or by sole proprietorship. For example, the housing sector deals with land, which is the most important asset. Not every land is suitable for development, and development is subject to the approval of local authorities. After a land is ready, developers can proceed with preparing the building plan and securing the approval of the local authority, which entails assessment by several technical departments. After a building is constructed, it can then be marketed to a buyer (the process is shown in Figure 2). Operating at a micro scale is advantageous because entrepreneurs can pass over certain steps such as obtaining a developer's license and building infrastructure.

Ali (2010) justified the importance of an entrepreneurship programme in the housing development sector based on interviews with 18 private small and medium housing developers. Industry players have admitted that no specific entrepreneurial course on the housing sector is available. Simultaneously, they emphasised the importance of such courses and seminars before starting a business to ensure the smooth and successful operation of the company. Salleh (2001) also stressed the importance of courses and seminars to enhance knowledge, expertise, and the business experience of an individual. She also found that most existing small and medium enterprise developers began their careers without any guidance and only learned through their own experiences and from those of their peers (if any). The REHDA Institute only offers specific technical courses that are not sufficiently comprehensive to help create new developers. The following statement is quoted from one of the respondents in Salleh's study: "From my experience, any business will not survive long without adhering to basic entrepreneurship disciplines. As a housing developer, a person must possess strong basic entrepreneurship criteria such as urgency in actions, conviction for job perfections, prudence in financial management, and undivided focus on the business. Only a strong entrepreneur will succeed."

## **Developing a Training Module for New Housing Entrepreneurs**

Relevant strategic partners with varying expertise and authority in related disciplines/fields must be co-opted in the training programme to enhance the effectiveness of trainings and to strengthen the legitimacy of the programmes. In the housing industry, the involvement of institutions such as the Ministry of Housing and Local Government (MHLG), the Ministry of Finance (MoF), banking institutions, relevant trade organisations, and various professional bodies are necessary. The participation in the programme of a highly respected institution involved in higher learning, either as a partner or a co-organiser, will make the programme credible to the public. The lecturers in the programmes, apart from the members of the USM faculty, also include industry players and authorities on the subject. For the introductory course "Introduction Course in Property Development," the lecturers come from the following organisations/agencies:

1. The Malaysian Building Society Berhad (a local financial institution);
2. The Department of Licensing, MHLG;

3. The Department of Local Government, MHLG;
4. The Department of Treasury Housing Loans, MoF;
5. The Selangor Bumiputra Housing Developers Association;
6. REHDA (Kelantan branch); and
7. Etiqa Insurance Sdn Bhd.

At the end of the introductory course, the participants are given a list of successful developers from across the country who have volunteered to be their mentors and to assist them in their business undertakings.

For the advanced course “Advanced Course in Property Development,” industry stakeholders such as the Selangor Bumiputra Housing Developers’ Association, the Department of Enforcement and Project Monitoring of the MHLG, the Ministry of Natural Resources, Fair View Development Sdn Bhd, REHDA, and a tax consultant firm, are involved. The trainers from USM for both courses are senior lecturers from the School of HBP with expertise and industry experience in planning, quantity surveying, and project management. Several successful local developers are also invited to share their experiences and answer questions from the participants.

### **Objectives of the Courses**

The objectives of the introductory course are as follows:

1. To provide knowledge on the housing developer profession and on the basic requirements for entrepreneurs to start a career as housing developers. Emphasis is given on the requirements according to related housing laws and specific acts.
2. To expose prospective housing developers to processes, procedures, and legislations involved in housing development – from acquiring or purchasing land to handing over a house to buyers. Such exposure includes conversion and subdivision of land, obtaining approval for building plans, application for developer licenses and advertising permits, as well as obtaining “Certificates of Occupancy” and other pertinent requirements and documents.
3. To provide holistic guidance in planning and developing properties, such as training on conducting feasibility studies, planning cash flows, and preparing progress and project management reports.
4. To provide guidance in finding proof or verifying available financing and insurance facilities of house buyers and project developers.
5. To provide opportunities to participants to acquire first-hand experiences and to receive support and guidance from experienced developers on how to be successful.

The objectives of the advanced course are as follows:

1. To provide details on dealings and procurement of land for development.
2. To provide guidance in effective construction management.
3. To provide comprehensive knowledge on important sections of Act 118.
4. To provide knowledge on the latest policies on tax matters that affect developers.
5. To provide exposure to project designs and innovations.
6. To provide information on implementing the “build-then-sell” (BTS) development concept.

## Benefits of the Programmes

1. Existing developers and newcomers are exposed to business opportunities in the housing industry.
2. Participants are exposed to the professional career of housing developers and learn how to assess the viability of projects, which is an important process in developing housing projects.
3. Existing developers improve their knowledge on managing their business in a systematic and professional manner.
4. Participants establish relations and connections between participants and lecturers are strengthened.
5. Successful developers are given opportunities to share ideas and experiences with participants and provide guidance to prospective developers.

## Course Contents

A summary of the course contents of the three-day **“Introduction Course in Property Development”** is as follows.

1. Introduction to the Housing and Property Industry
  - Current scenario of the housing industry in Malaysia
  - Significance of the industry
  - Strength, weakness, opportunity, and threat analysis
  - Housing demand and market analysis
2. Career as Housing Developers
  - Who is the developer? What does he/she do?
  - Requirements of a housing developer
  - Career opportunities provided by the industry
  - Advantages of being a developer
  - Step-by-step strategy to become a developer
3. Property Development Planning
  - Guidelines on land acquisition
  - Analysis of local property and housing market
  - Feasibility analysis
4. Procedures for Housing Development Approval
  - Application for planning approval
  - Application for land conversion and subdivision
  - Building and infrastructure plan approval
  - Application for occupational certificate for handing over a property
5. Procedures in Acquiring a Developer’s License and an Advertisement Permit
  - Application for a developer’s license
  - Application for a sale and advertisement permit
6. Housing Sale and Marketing Strategy
  - Marketing strategy and promotion
  - Marketing during construction

- Marketing aspects and networking
7. Bank Financial Loan Facilities
    - Funding facilities provided by banks
    - Preparation of a working paper
    - Application and claim conditions and procedures
    - End financing for purchasers
    - Conditions of offer
  8. Treasury Housing Loan Facilities
    - Funding facilities provided by the Treasury Department, Ministry of Finance
    - Application and claim conditions and procedures
    - Conditions of offer
    - Common mistakes made by applicants
  9. Question-and-Answer (Q&A) and Sharing-of-Experience Session Conducted by Successful Developers

The summary of the course contents of the two-day “**Advanced Course in Property Development**” is as follows.

1. Dealings and Procurement of Land for Development
  - Understanding land type
  - Basic guide in land dealings and purchasing
  - Basic guide in joint-venture dealings
  - The Land Acquisition Act of 1960
2. Effective Construction Management and Control
  - Basic guide in effective project implementation and control
  - Assessment valuation: time, quality, and cost
  - Site management report: s-curve, progress chart, and analysis
3. Important Sections of Act 118
  - Introduction to Act 118
  - Latest changes to Act 118 that affect developers
  - Responsibilities of developers under Act 118
  - Project enforcement and monitoring by the MHLG
  - Functions of the Housing Tribunal
4. Taxation Matters That Affect Developers and the Housing Industry
  - Amendments to the Property Gains Tax Act of 1976
  - Proposed implementations of taxes on goods and services
  - Tax management system for property developers
  - Tax planning strategy for property developers
5. Innovations in the Development of Housing Projects
  - Sustainable project planning and integration
  - Development concept based on green technology
  - Innovations in project and housing designs
  - Industrialised building system (IBS) in building construction



6. Implementation of the BTS Development Concept
  - Introduction to the BTS concept
  - Comparing the BTS concept with the “Sell-then-Build” concept
  - Procedures in implementing the BTS concept
  - Incentives and advantages
7. Effective Financial Management for Developers
  - Introduction to financial management for housing developers
  - Managing a project and company cash flow

## **Result**

At the end of a course, participants need to provide their feedback on the programme based on the performance of each offered module. Among the six offered programmes, 70% of the participants gave a high rank (mean of 3.45 and above on a five-point Likert scale) for the entire programme. In addition, a few participants have regularly contacted their mentors to ask for advice on their new business venture after each programme.

## **Conclusion**

This study was conducted on the initiative of the School of HBP of USM, in collaboration with strategic partners from the housing industry, to set up modules on developing and empowering new housing developers in Malaysia. The absence of entrepreneurship courses in the housing sector in Malaysia has resulted in a high demand for entrepreneurship education. The REHDA Institute only offers specific courses to existing players in the industry. The programme presented in this paper can fill the gap and nurture new industry players. The annual increase in the population and urbanisation of Malaysia have resulted in factors that push the need for increased shelter, particularly in urban areas, thus increasing the demand on developers to provide additional houses and encouraging new players to enter the industry.

Based on the perspective of various parties that are involved in the programme, either as a participant or a trainer, such courses are highly significant to the industry. Moreover, cooperation with local leaders with vast experiences in this sector as well as with the MHLG, the State Government, and other players in the industry, is beneficial to providing required knowledge and information to prospective entrepreneurs.

## **Implication of the Study**

The courses have been offered in three different sessions. Each course has attracted more than 100 participants from various parts of Malaysia. In addition, the courses have not only attracted newcomers in the industry but also existing players who would like to gain additional knowledge on project and business management. The mentoring programme has received positive feedbacks from industry players. It has provided a new platform for educators, industry players, and relevant stakeholders to transfer their knowledge and share their valuable experiences to new industry players. These challenging endeavours have given USM a good reputation. Currently, the training course is continuously being developed for future benefits of the industry. This programme is also regarded as the only programme of its kind to be implemented in the country.

## Acknowledgement

The funding for this project is made possible through the research grant obtained from the Inspen, MoF.

## References

- Ali, R. (2011). *Entrepreneurship-related factors and firm performance: A study on the Bumiputera housing developers in Peninsular Malaysia* (Unpublished doctoral dissertation). Penang, MY: School of Housing, Building and Planning, Universiti Sains Malaysia.
- Ball, M. (1999). Chasing a snail: innovation and house building firms' strategies. *Housing Studies*, 14(1), 9-22.
- Browman, T., & Thompson, J. (2009). Barriers to implementation of low-impact a conservation subdivision design: developer perceptions and resident demand. *Landscape Urban Planning*, 92, 96-105.
- Buttimer, R., Clark, S. P., & Read, D. C. (2008). Land development: risk, return and risk management. *Journal Real Estate Finance*, 36(1), 81-102.
- Cantillon, R. (1979). In: Takumi, T. (Ed.), *Essai sur la Nature du Commerce en General* (1st ed.). Tokyo: Kinokuniya Book-Store Co., 1755.
- Elias, H., & Pihie, Z. A. L. (1995). Profile of Malaysian entrepreneurs in relation to their achievement motivation. *Malaysian Management Review*, 30(4), 25-31.
- Jaafar, M. (2003). *Faktor-faktor kritikal kejayaan firma pembinaan bersaiz kecil dan sederhana* (Unpublished doctoral dissertation). Universiti Sains Malaysia, Malaysia.
- Kaish, S., & Gilad, B. (1991). Characteristics of opportunities search of entrepreneurs versus executives: sources, interest, general alertness. *Journal of Business Venturing*, 6(1), 45-61.
- Laws of Malaysia, Act A1289, Housing Development (Control and Licensing) (Amendment) Act 2007, Kuala Lumpur, MY: Percetakan National Malaysia Berhad.
- Kirzner, I. (1973). *Competition and entrepreneurship*. Chicago: University of Chicago Press.
- Marshall, A. (1930). *Principles of economics*. London: MacMillan & Co.
- Maruani, T., & Amit-Cohen, I. (2011). Characteristics of developers and their relations to open space conservation. *Land Use Policy*, 28(4), 887-897.
- Mitton, D. G. (1989). The compleat entrepreneur. *Entrepreneurship: Theory & Practice*, 13(3), 9-19.
- Salleh, D. (2001). Penglibatan Bumiputera dalam industri binaan: isu dan masalah perolehan latihan kemahiran. *Jurnal Pembangunan Sosial*, 2, 78-97.
- Say, J. B. (1971). *A treatise on political economy or the production, distribution and consumption of wealth*. New York, NY: A.M. Kelley Publishers.
- Schumpeter, J. A. (1934). *The theory of economic development*. Cambridge: Harvard University Press.
- Shane, S., & Venkataraman, S. (2000). The promise of entrepreneurship as a field of research. *The Academy of Management Review*, 25(1), 217-226.
- Stevenson, H. H. & Gumpert, D. E. (1985). The heart of entrepreneurship. *Harvard Business Review*, 85(2), 85-94.
- Timmons, J. A. (1971). Black is beautiful - is it bountiful? *Harvard Business Review*, 49(6), 81-94.
- Wan Mohd Dzulkifli, M. A. (2009), *Panduan dan prosedur asas cadangan pembangunan projek perumahan*, Kelantan, MY: Dian Darulnaim Sdn. Bhd.