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Business networks and internationalisation of contractors from developing countries

An explorative study

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Abstract

Purpose – Increasingly, construction companies from developing countries are succeeding in finding a space in the international market. Their progression deserves academic attention. Using Network Theory, this paper seeks to examine the role and extent of business networks in aiding contractors from Malaysia, as one such developing country, to penetrate foreign markets.

Design/methodology/approach – The research adopted the mixed method approach. A postal questionnaire survey, complemented with desk research and interviews, was used to collect data.

Findings – The findings show that in fact business networks can account for much of the surveyed contractors' overseas achievements, in terms of markets they entered, overseas projects they secured and market presence mode they adopted, although, without their competitive assets, the networks would have been meaningless.

Research limitations/implications – A limitation was the small sample population, which is compensated by interviews to validate the inferences.

Practical implications – Contractors from developing countries should fully cultivate, nurture, exploit and reconfigure their business networks in order to make their impact internationally.

Originality/value – The paper has provided insight into the power of business networks in configuring competitiveness of contractors from a developing country in the international arena. The paper also draws attention to the limitations of the Network Perspective by highlighting the inseparability of the firms' own competitive strengths and business networks in explaining overseas success, and the dynamics of business networks as the contractors continuously reposition their competitive positions.

Keywords Business links, International business, Construction industry, Developing countries

Paper type Research paper

1. Introduction

The World Investment Report 2006 (United Nations, 2006) indicates that transition and developing economies invested abroad to the tune of US$1.4 trillion in 2005, up by more than four times the stock recorded ten years ago. Multinationals from these countries have therefore been making an impact on the global economy. The same is true of their construction companies, judging by the annual survey conducted by the *Engineering News Record*. The number of international contractors from transition and developing economies almost doubled between 1998 and 2008, from 47 to 85 (*ENR*, 1999, 2008). However, they have not been subjected to academic scrutiny to the level they rightfully deserve.

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A study was recently conducted to examine the internationalisation of Malaysian contractors. Because of word limitation, this paper can only present part of the findings. It focuses on the role of networks in providing them the competitive edge, and in securing projects and establishing market presence. Although networks in the context of international construction have been examined before (Cuervo and Low, 2003), the present study scrutinised it in even greater detail, hence pushing further our envelope of knowledge on how construction companies, particularly from developing countries, behave in the international arena. For the first time ever in the context of international contracting, the Network Model was used as the theoretical framework. Much more than that, the present study also examined the dynamics of networking over time, an omission in past Network Model studies.

The objectives of this paper are as follows:

- To locate business networks in relation to other firm-related competitive assets in terms of importance to firm internationalisation.
- To determine the significance of business networks in securing initial and subsequent contracts in foreign countries.
- To determine the significance of business networks in providing initial and subsequent modes of market presence.

2. Literature review

Two extant models of business internationalisation give attention to business networks – the Network Model and the Eclectic Paradigm. Both of them are presented here.

To understand the application of the Network Model in the context of business internationalisation, one has to firstly understand the concept of business networks. Business networks are defined as connected business relationships between collective actors (Forsgren and Johanson, 1992). The actors refer to competitors, suppliers, customers, distributors and government (Sharma and Johanson, 1987). Hakansson (1982) and Sharma and Johanson (1987) were the earliest scholars who tried to explain firm internationalisation using the Network Model. The Network Model suggests that a firm can internationalise by using its networks to enter countries which are new to it (international extension), further increase its involvement in established markets (international penetration) and integrate with the local business community (international integration) (Johanson and Mattsson, 1988). Later studies (Ellis and Pecotich, 2001; Harris and Wheeler, 2005) show that the business networks can make a significant impact on the firm's internationalisation process. They do this by overcoming internal resource deficiencies (Young *et al.*, 1999), inadequate assets abroad (Bjorkman and Forsgren, 2000), unknown markets and psychic distance issues (Chetty and Blankenburg Holm, 2000) and the disadvantages of smallness (Rutahobya and Jaensson, 2004). Business networks enable firms to venture into international markets by leap-frogging (Hertz, 1996) with minimum risk (Bell, 1995).

The Eclectic Paradigm explains in part why firms invest abroad by proposing that they derive more gains by exploiting their ownership advantages through the internal hierarchy than resorting to market transactions (Dunning, 1977, 1980). The activities abroad are therefore internalised instead of relying on or carried out in

association other parties. This explanation automatically precludes non-equity modes such as business network arrangements. Abdul-Aziz (1995) had argued strongly that the internalisation axiom (and by extension the Eclectic Paradigm) cannot be used to explain the internationalisation of construction companies as they often partner with other parties in executing foreign projects. In the face of mounting popularity of non-equity modes, Dunning eventually had to acknowledge that "alliance capitalism" has become an intrinsic part of international business. How he reconciles the new reality with his Eclectic Paradigm is interesting. He suggests externalised arrangements are "quasi-hierarchical" in nature (Narula and Dunning, 1998). His decades of work devoted to defending the internalisation strand is suddenly reversed at a stroke by blurring internal and external mechanisms for servicing foreign markets. "The incorporation of external alliances into the theory of internalisation presents no real problems, other than semantic ones," he said (Dunning, 1995, p. 473).

Returning to the first objective of this paper, firm-specific competitive assets may cover physical assets and equipments (Dunning, 1977), technology and knowledge (Seymour, 1987), reputation (Dunning, 1977), financial capital (Seymour, 1987), business network (Cuervo and Low, 2003) and staff (Dunning, 1977).

As for the second objective of this paper, there are several ways of securing projects abroad, among them invitation by clients in home or host countries (Lommelen *et al.*, 2002; Cuervo and Low, 2005), recommendation to host clients by home country firms and host country firms (Glückler, 2002), invitation by host governments (Awil, 2007), responding to international tenders (Wheeler and Woon, 1987), own marketing to clients in host country (Ellis, 2000), trade delegation (Patterson, 2004), government-to-government agreements (Awil, 2007) and intermediators or brokers (Ellis, 2000). Except for responding to international tenders and own marketing, the rest rely on networks.

As for the third objective of this paper, firms can establish a presence in foreign markets through several modes: subsidiaries, branch or representative offices (Barkema and Vermeulen, 1998); joint venture projects with firms from home (Chen, 2005), host country (Kirby and Kaiser, 2003) or third country (Chen, 2005); joint venture companies with firms from home (El-Higzi, 2002), host country (Luo, 2002), or third country (Crick *et al.*, 2001); acquisition of firms from host country (Kugot and Singh, 1988) or third country (Vahtra, 2006). All except sole subsidiaries, branch or representative offices tap into business networks in order to succeed.

3. Research method

It was decided from the very beginning that data would be collected using the mixed methods combining quantitative and qualitative approaches to generate more meaningful research output. After a period of contention, this approach has become popular in recent years (Onwuegbuzie and Collins, 2007). The mixed method draws together the strengths of both quantitative and qualitative approaches while minimising the weaknesses of both in a single research, thereby providing greater validity of results (Johnson and Turner, 2003). The mixed method's logic of inquiry includes the use of deduction (testing of theories and hypothesis), induction (or discovery of patterns), and abduction (uncovering and relying on the best of a set of explanations for understandings one's results) (Johnson and Onwuegbuzie, 2004).

By sequentially conducting the postal questionnaire survey, followed by desk research and follow-up interviews, the present study achieved all three outcomes. Furthermore, by triangulating data from various sources, the biases inherent in the individual research approaches were also overcome (Denzin, 1989). Of importance to note is that for surveys with low response rates, interviews can be used to check for the inferences made from the questionnaire surveys (Brewer and Hunter, 1989). The adoption of the mixed method is encouraged by Greene and Caraceli (2003, p. 95) to anyone doing empirical research in today's world. They said, "The complexity and pluralism of our contemporary world demands such a commitment." Poignatly, Fletcher (2001) points out that internationalisation is a multidimensional process which cannot be evaluated by a single measure.

Early on, it was decided that Construction Industry Development Board (CIDB) would be co-opted to lend credence to the research. CIDB's contribution was not only in providing a supporting cover letter signed by the chief executive officer which was attached with every questionnaire sent out, the senior general manager of the International Business Division screened the draft questionnaire. In discharging his duties, he had become familiar with Malaysian contractors that had ventured overseas, the challenges they faced and the rewards they enjoyed. With his vast knowledge, he was able to give constructive comments to the questions that were included in the questionnaire. Most of the questions adopted the five-point Likert scale. Qualitative responses were extrapolated based on the following measures: less than 1.49 = unimportant, 1.50 − 2.49 = less important, 2.50 − 3.49 = moderately important, 3.50 − 4.49 = important, 4.50 − 5.00 = veryimportant. CIDB also provided the list of Malaysian contractors, which had gone overseas, which came to 74. 14 completed questionnaires were returned (i.e. 18.9 per cent response rate). The postal questionnaire respondents were completed by high ranking executives such as chief operating officers, directors and general managers. Telephone calls and faxes were made to non-responding executives with no positive outcome. Postal questionnaire surveys inherently suffer from low response rate (Greer *et al.*, 2000). Despite this shortcoming, it provided geographical flexibility (Cooper and Schindler, 2003).

The second research instrument employed was desk research on the participating companies. Data was sourced from company websites, press releases, and newspaper and journal articles, which pertained to the sampled companies. In the context of this paper, all information pertaining to business networks and firm-specific competitive assets, foreign markets, foreign contracts and market presence were collated against the questionnaire responses. The third research instrument employed was interviews with the respondents from seven companies, which had indicated in the questionnaires their willingness to spare some time for the exercise. The semi-structured interviews were based on the returned postal questionnaires and secondary data obtained from the desk research. The purpose of the interviews was to solicit clarification and elaboration to the postal questionnaire responses and secondary data. Again, in the context of this paper, aspects pertaining to networks and their connection with firm-specific competitive assets, foreign markets, foreign contracts and market presence became the subject of scrutiny. With the consent of the interviewees, the interviews were tape recorded, later transcribed and analysed using the content analysis approach.

4. Findings

Table I provides some background information about the construction companies, which responded to the questionnaire survey. The sample population was diverse in terms of legal status, age, number of employees, years of international experience, and specialisations.

Table II shows the firm-related competitive assets possessed by the surveyed Malaysian international operators. It shows that good contact and network overseas was ranked fourth highest and regarded as important while good contact and network

Aspects	Number	Percentage
Legal status		
Public listed	10	71
Private limited	4	29
Age		
<10 years old	–	0
10-19 years old	5	36
20-29 years old	3	21
30-39 years old	4	29
>40 years old	2	14
Number of employees		
<100 employees	4	29
100-499 employes	4	29
500-999 employees	3	21
≥1,000 employees	3	21
International experience		
<5 years	5	36
5-9 years	6	43
≥10 years	3	21
Specialisation		
Building and civil	11	89
Mechanical and electrical	1	7
Sheet piling	1	7
Water supply concession	1	7

Table I. Background information about the sampled companies

Variable	*n*	Mean	Std. dev.	Rank	Remarks[a]
Technology and knowledge	13	4.46	0.776	1	Important
Good domestic reputation	14	4.36	0.842	2	Important
Experienced and capable staff	14	4.07	0.829	3	Important
Good contact and network overseas	14	3.93	0.997	4	Important
Large financial capital	14	3.86	1.231	5	Important
Physical assets and equipment	12	3.58	0.793	6	Important
Good international reputation	14	3.50	0.941	7	Important
Good contact and network in Malaysia	14	3.21	1.122	8	Mod. imp.
Internationally experienced staff	14	2.64	1.082	9	Mod. imp.

Notes: [a] Means 1.0 to less than 1.49 = unimportant, 1.5-2.49 = little important, 2.5-3.49 = moderately important, 3.5-4.49 = important, from 4.5-5.0 = very important

Table II. Firm-related competitive assets of the surveyed Malaysian international contractors

in Malaysia was ranked eighth highest and regarded as moderately important. It is noteworthy that those with less than five years international experience (overseas network mean = 4.25, Malaysia network mean = 4.00) attributed networks as conferring greater competitive edge than those with more than five years international experience (overseas network mean = 3.80, Malaysia network mean = 2.90). Being novices, getting help from networks certainly made a great impact to their international trajectories compared to those companies, which had already achieved a degree of international stature.

The question that might be posed is this: If networks were indeed that important to the surveyed contractors for their overseas success, should they not have recorded higher means in Table II? Indeed one interviewee said that the role of his top management was to build business networks in order to sustain business. This view conveys the impression that business networks were important. On cue, another interviewee said, "Everything in business is networking." However, as one interviewee rightly explained, business networks are "the keys to open doors." Having opened the doors, the Malaysian contractors had to prove their capabilities to their service recipients. No construction company, no matter how impressive its business networks might be, can be successful without the necessary competences and resources. In the first place, the networks the sampled firms possessed did not emerge spontaneously; they stemmed from demonstrated capabilities. Hence the reason why several other variables were ranked higher than networks.

Secondary sources and interviews revealed that unsolicited opportunities from networks came into particular use for paving the way into countries which the sampled firms had not even contemplated servicing either because of perceived small markets (e.g. Nepal in the case of one particular contractor and Trinidad & Tobago for another), personal danger (e.g. Nigeria for one particular contractor and Sudan for another) and excessive competition (e.g. Hong Kong for one particular contractor and Australia for another). Networks therefore played a significant role in overcoming psychological and real barriers of penetrating difficult country markets. The interviewees explained that during their maiden projects in those countries, these companies promoted themselves to the local business community, built up local networks while at the same time leveraged on existing networks. If subsequent contracts could not be secured, then exit was only option (although Table III shows was uncommon).

The research then probed the actual mechanisms with which the sampled companies secured their maiden and subsequent projects in those countries listed in Table III. Looking at initial contracts, while the surveyed contractors relied mainly on their own initiatives by way of responding to international tenders, own marketing and responding to local tenders, networks also contributed in no small measure, either from clients in host countries or Malaysia (which led to direct invitations and recommendations to others), government officials (which led to government-to-government agreements and invitations by host government) and brokers (see Table IV). Just to provide a perspective to the importance of networks, initial contracts in foreign markets, which were derived from own effort constituted 56 per cent while those derived from networks 44 per cent.

Of the network-related mechanisms for securing initial contracts, invitation by clients in host countries was the most frequent. How the sampled contractors came into contact with them when they had not gone to these countries was elicited from interviews. It was made known that local corporate figures and businessmen from the

Contractor	Country	Year of Entry	Year of Exit
A	India	1996	2005
	Nepal	1997	2000
	China	1999	2004
	Thailand	2003	S.P.
	U.A.E.	2007	S.P.
	Pakistan	2007	S.P.
	Brunei	2007	S.P.
B	U.A.E.	2005	S.P.
	Australia	2006	S.P.
	Cambodia	2006	S.P.
	China	2008	S.P.
	Nigeria	2008	S.P.
C	China	1992	S.P.
	Vietnam	1995	S.P.
	Philippines	1998	S.P.
	U.A.E.	2004	S.P.
	Qatar	2004	S.P.
D	Singapore	1989	S.P.
	Cambodia	1995	S.P.
	Sudan	2002	S.P.
	Qatar	2003	S.P.
	Yemen	2006	S.P.
	Syria	2007	S.P.
E	Vietnam	1993	S.P.
	China	2003	S.P.
	Sri Lanka	2005	S.P.
F	South Africa	2002	2003
	Maldives	2003	2005
	Pakistan	2005	2007
G	India	1999	S.P.
	Trinidad & Tobago	2003	S.P.
	U.A.E.	2005	S.P.
H	Pakistan	2006	S.P.
I	Singapore	1997	S.P.
	Brunei	2000	S.P.
	Vietnam	2004	S.P.
	U.A.E.	2006	S.P.
J	India	1999	S.P.
	Bahrain	2002	S.P.
	Qatar	2005	S.P.
	U.A.E.	2006	S.P.
K	U.A.E.	2001	2006
	Thailand	2006	S.P.
L	Saudi Arabia	2005	2007
M	Sudan	2004	S.P.
	Pakistan	2004	S.P.
	Libya	2006	S.P.
N	India	2002	S.P.

Notes: S.P. = still present

Table III. The countries the sampled contractors penetrated, years of entry and exit

Variable	Initial Nos.	Initial %	Subsequent Nos.	Subsequent %
Responding to international tenders	16	36	7	17
Invitation by clients in host country	8	18	14	34
Own marketing to clients in host country	7	16	15	38
Invitation by clients in Malaysia	4	9	2	5
Recommendation to host clients by firms in host country	3	7	1	2
Intermediators/brokers	2	4	1	2
Others (respond to local tenders)	2	4	0	0
Recommendation to host clients by firms in Malaysia	1	2	0	0
Government-to-government agreement	1	2	1	2
Invitation by host government	1	2	0	0
Trade delegation	0	0	0	0

Table IV. Ways of securing projects in host countries

host countries came to Malaysia for business and thus came into contact with Malaysian contractors, directly or indirectly. In one particular case, a Middle Eastern client with operations in Malaysia invited one of the sampled firms to work on his project back home. What was equally revelation was that some of the clients in the host countries were not even locals. A multinational company, which was investing in countries in the South East Asian region invited one of the sampled firms after having forged a working relationship with it in Malaysia which stretched for more than two decades. One sampled company entered Cambodia with the help of a French contractor. Although less frequent (see Table IV), both these local clients and foreign investors also recommended the sampled contractors to others in the host countries. Such was the case with one sampled contractor with international consultants it had worked for in the past. Such benefit from the foreign networks the sampled firms enjoyed was the consequence of Malaysia's long-standing openness to foreign manufacturing and services multinationals. When queried, the interviewees admitted that they did not expect servicing them in Malaysia would one day help their companies in their overseas foray. As hinted above, the overseas business spin-offs from such associations did not materialise immediately. Twenty-four years after last working for a foreign investor in Malaysia, a sampled company was offered a job in China by it. During the gestation period, this contractor had acquired a wider array of competencies and grown in size, just like the other sampled companies.

Less frequent than invitation by clients in host countries, Malaysian investors (particularly real estate developers) and fellow contractors also engaged the sampled companies for their overseas projects (see Table IV). One interviewee explained that his company was invited by a Malaysian real estate developer to work on its development projects in Pakistan, Hong Kong and Sudan. Another interviewee explained that his company entered a particular country by working as a subcontractor for a fellow Malaysian contractor. The frequency of initial projects however from such sources was less than from foreign parties because Malaysia's outward investment was a fairly recent phenomenon compared to inward investment. Also, a few interviewees lamented Malaysian businessmen did not give preferential treatment to their compatriots when awarding work, unlike the Japanese, Koreans and even Taiwanese. It had not been part of their psyche to seek synergistic alliances between themselves.

Although rare, foreign contracts were also derived from foreign trade delegations to Malaysia, especially from developing countries impressed with Malaysia's economic development. As a consequence of one such foreign trade delegation, one sampled company managed to penetrate a West Indies country halfway round the globe. Strikingly, networks with Malaysian government departments played a minor role for Malaysian contractors to secure overseas contracts. Government-to-government agreements were infrequently sealed. Incidentally the two companies which secured projects in Vietnam and China respectively (one initially, the other subsequently) arising from government-to-government agreements experienced less bureaucracy and better treatment. The sampled companies either declined the invitation to participate in foreign trade delegations organised by the Malaysian government or were never invited at all. Those who declined pointed out that the chances of securing projects were slim in contrast to the substantial cost incurred. Those who were never invited alleged that Malaysian manufacturers were favoured for such events.

One interesting source of overseas projects was intermediators or brokers who, in relation to other sources of overseas projects, also played a very small role. As explained by the interviewees, intermediators thrived in countries where the contract awards were complicated. One sampled company successfully used this approach to secure a project in Nigeria while another in Sudan. The bureaucracy in China prompted another company to resort to this approach as well for its subsequent project.

What is interesting to note is that networks continued to play an almost equally important role in securing subsequent projects (45 per cent), compared to initial projects (44 per cent) (see Table IV). Of the various constituent networks, invitation by parties in host countries made the greatest impact (34.1 per cent), almost doubling its contribution in percentage terms when compared against the initial contracts (18 per cent), indicating that the sampled firms had entrenched themselves in the local business communities during their maiden projects in the host countries. Unsolicited invitation came not only from satisfied original clients, but also from other local parties impressed with what they saw and heard about the performance of the sampled Malaysian contractors.

Table V examines the role networks play in relation to modes of market presence. Even though own set-ups were the most frequent mode of market presence (initially but more so subsequently), networks in various disguises nonetheless played a major role in providing initial market presence (60 per cent), although less so in the subsequent phase (49 per cent). The interviewees pointed out that the advantages of having own set-ups were greater flexibility, the absence of possible disputes and clash of organisational cultures. For these reasons, a few sampled firms entered certain countries using networks, but subsequently switched over to sole operations. One executive said that his company's overseas operation was a long-term investment and therefore preferred to be independent. Of the network arrangements, joint venture companies were the most favoured (initially although dipping subsequently). Reducing costs (overhead as well as running) and risks were the common explanations given. Of these, joint venture companies with host companies were the most popular, initially as well as subsequently. Notwithstanding the requirement by certain host countries that foreign contractors must form joint venture companies with locals, one main attraction was the local contacts the local partners had. Such was the reason why one contractor established and maintained joint venture companies with locals in China and Sri

Variable	Initial Nos.	Initial %	Subsequent Nos.	Subsequent %
Subsidiary/sole venture company/branch office/ representative office	17	40	23	51
Joint venture company with host company	14	33	10	22
Joint venture company with third country company	5	12	1	2
Joint venture company with Malaysian company	4	9	6	14
Joint venture project with Malaysian company	1	2	1	2
Joint venture project with host company	1	2	0	0
Others (subcontract)	1	2	0	0
Joint venture project with third country company	0	0	4	9
Acquisition of Malaysian company that has internationalised	0	0	0	0
Acquisition of host country firm	0	0	0	0
Acquisition of third country firms that have internationalised	0	0	0	0

Table V. Modes of market presence

Lanka. The same applied to another contractor with local partners in Nigeria and Australia. Although infrequent, the sampled companies were able to maintain market presence in foreign markets using the project joint venture mode by simply latching themselves to their clients' or fellow contractors' organizations.

5. Discussion

Malaysian contractors are late starters compared with those from established contracting nations in Europe, North American, Japan and even Korea. While the present study shows that they had been able to win overseas projects and established market presence all on their own using the firm-specific competitive assets, which they possessed, they also owed their successes to their business networks. In some cases, the sampled companies were unlikely to have entered new markets if not for their contacts. Psychological and real barriers were overcome with the aid of business networks. True enough, business networks enabled them to overcome all manner of deficiencies (Young *et al.*, 1999; Bjorkman and Forsgren, 2000; Chetty and Blankenburg Holm, 2000; Rutahobya and Jaensson, 2004). The study supports the view that business networks enabled the companies to make the leap-frog (Hertz, 1996) with minimum risks (Bell, 1995). The contacts did not just include clients and other contractors, but also government officials either at home or in host countries (Sharma and Johanson, 1987). To participate in trade delegations and government-to-government projects, the sampled companies needed to have contacts with the relevant government officials. The same applies to invitation by host governments. As pointed out in the previous section, foreign government officials became acquainted with the sampled companies from their official visits to Malaysia.

What the present study shows is that the utilisation of the networks in securing foreign contracts and establishing market presence changed with time. Even after the initial project and market presence stages, networks still played a vital role to the sampled contractors, except that the tactics were reconfigured, an aspect which the Network Theory (Johanson and Mattsson, 1988) does not give attention to. The network dynamics was a reflection of the shifting positioning of the sampled

Malaysian contractors as they became familiar and confident with the host markets and its constituent players and stake holders.

Table II shows that the sampled companies benefited more from contacts with overseas rather than domestic parties. As mentioned before, Malaysia has a long-standing commitment to foreign direct investment (FDI) as an engine for economic growth (Athukorala, 2005; Ang, 2008) (although interestingly, the analysis by Chowdhury and Mavrotas (2003) using data from 1969-2000 found that economic growth also, in reverse, stimulated FDI). Relatively early on in its post-independence history, various measures were put in place to encourage FDI, such as the Investment Act 1968, the Free Trade Zone Act 1971 and the provision of export incentives (Warr, 1987; Ang, 2008). When multinational companies came to Malaysia to invest, they naturally required factories and offices, which very often were constructed by local contractors. Satisfied with the performance of the local contractors, they subsequently engaged them for their construction needs in other countries as well, as what the present study found. This international spill-over of FDI for Malaysian contractors was one unexpected outcome of Malaysia's FDI policy. The same was true when foreign contractors and consultants were permitted to work on Malaysia's buildings and physical infrastructure which local contractors could not handle. Not only did the local contractors gained by way of technology transfer (Awil, 2004), the business relationships which were forged with foreign contractors enabled the Malaysian contractors to penetrate foreign markets which they otherwise might not have been able to do on their own, or if they did at higher costs and risks.

The present findings also found that good business contacts with compatriot businesses was only "moderately important" as a competitive asset compared to with foreign businesses which was regarded as "important". Malaysian businesses have been investing abroad since the mid-1970s, although outward foreign direct investment (OFDI) only became significant in the early 1990s (Ariff and Lopez, 2005), with the help of the Malaysian government (Mirza, 1999). As what the present study found, for their construction needs abroad, these Malaysian investors turned to Malaysian contractors whom they were comfortable with. However Malaysia's outward FDI is a more recent phenomenon, even though it has been increasing in volume over the years. Malaysia OFDI increased from US$197 million in 1980 to US$44.5 million in 2005 (United Nations, 2006). Hence the explanation behind why local contacts had a lower ranking than international contacts in Table II. In time, as Malaysian OFDI stock increases, one might expect this variable to have a higher rating. One countervailing factor is that Malaysian business men are not as "patriotic" as some of their opposites in the region. Malaysian businessmen do not give really give priority to their fellow countrymen when awarding jobs.

The study also found that for the surveyed Malaysian contractors, networks alone were not sufficient for their overseas success. They brought to bear on their projects secured via networks the same resources and competences as they did for projects they secured on their own. The same applied for modes of market presence. In fact, if not for their resources and competences in the first place, it would have been hard for them to forge networks with parties (be they local and foreign business entities and government officials) that catapulted them overseas. The observation of this study that the international success of the Malaysian contractors rests not only on the business

networks but also their competitive assets is echoed by Narula (2006, p. 147) in the context of "dragon" multinational enterprises (MNEs):

> If the dragon MNEs did not have some kind of superior ownership advantage, it is inconceivable that they would be able to leverage networks and international partnerships with incumbents to acquire resources if they had nothing to offer in return! Firms – regardless of their size, zoology or nationality – are rarely ever altruistic in how they select partners to cooperate with, and the growing use of cooperation and collaboration to enhance competitive advantages is by no means especially peculiar to these so-called "newcomers".

What the present study points to is that at the conceptual level, the explanation of international expansion using the Network Perspective is not complete if the firm's competitive assets (Dunning, 1977) or resources (Collis, 1991) are ignored.

6. Conclusion and recommendations

The contribution of this explorative study lies in two parts: conceptual and practical. For the first time, the Network Model was used to analyse the internationalisation of construction companies. Not only that, the Network Model thus far has not incorporated the competitive assets or resources in its explanation of business internationalisation, which the present study suggests should not be ignored. The present Network Model also does not dwell on the dynamics in business networks as the firm moves from initial to subsequent stages in host markets.

On the practical side, several recommendations can be suggested for construction companies from transition and developing economies aspiring to internationalise or in the process of internationalising. Be aware of the potency of business networks in meeting their internationalisation goals, especially for the novices. Maintain networks at all times with key contractors, clients and consultants, local as well as foreign, who are likely to be able to assist them in getting overseas opportunities. These parties are those they had previously come in contact with. Make it known to them their desire to work overseas. Making cold contacts to unknown parties is likely to be ineffective. At the very, least drop short emails or send greeting cards periodically to top management to keep the relationships alive. Companies located in countries whose national business psyche values compatriot networks can potentially cultivate more effective domestic networks than those that are not. Be prepared though to wait for an extended gestation period before overseas jobs are actually offered; no amount of preparatory work can help identify the exact source and timing. For this reason, these companies must therefore be ready at all times to take on the challenge under short notice. In the meantime, they must endeavour to improve their technical, managerial, organisational and financial competencies so that when the time does come to handle overseas jobs, they will not disappoint those that provide them the opportunities. Take cognisance that seemingly unattractive markets might in the end prove to be profitable with the assistance of business networks. For immediate and subsequent presence in the host market, these companies must decide whether to maintain sole operations or joint venture operations, both options having their respective sets of strengths and drawbacks. All the while they must continuously evaluate and, if necessary, reconfigure their networks in order to exploit them to the fullest at both the project and corporate levels.

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