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# International expansion strategies of Malaysian construction firms: entry mode choice and motives for investment


## Abstract

This empirical investigation explores the strategic decisions of entry modes in foreign markets made by the Malaysian construction firms. The objectives of the research are to investigate the choice of entry mode(s) employed by these firms, factors that influenced their choices, and motives for their international expansion. This study is based on a dualist empirical procedure. In the quantitative analysis, data were obtained from a structured questionnaire of 35 Malaysian construction companies which have international projects. For the qualitative approach, 9 executives in construction firms were interviewed. The findings showed that most of these companies opted for international joint ventures and strategic alliances as their preferred choice of entry mode strategy as they were easier to establish, more flexible, required low resource commitments, and involved less risk. Among the motives for international expansion are – to develop new markets, access less expensive resources (labor and raw materials), take advantage of industry liberalization, access business opportunity, and countermand stiff competition in the domestic market. The results have important implications for Malaysian businesses.


**Keywords:** entry mode strategy, international expansion, construction industry, Malaysia.
**JEL Classification:** F23.

## Introduction

Choosing the right entry mode for international expansion is a critical managerial decision and can have significant and far-reaching consequences for a firm's performance and survival (Lu and Beamish, 2001; Bradley and Gannon, 2000). It is one of the important parts of a firm's foreign investment strategy. Methods of international market entry are understood to vary in three major aspects: (a) cost as resource commitment; (b) control as level of ownership; and (c) risk related to the level of resources committed and the complexity of the environment entered (Chen and Mujtaba, 2007). According to Root (1998), an entry method can be defined as 'the institutional arrangement for organizing and conducting international business transactions'. It has been argued that the selection of foreign entry modes depends on various types of factors, including the firm's resources (Erramilli and Rao, 1993; Kumar and Subramaniam, 1997; Madhok, 1997) and industry- and country-specific factors (Anderson and Gatingnon, 1986; Kogut and Singh, 1988; Tse et al., 1997). According to Driscoll and Paliwoda (1997), there are three primary aspects influencing a firm in its entry mode strategy: first, dimensions of mode choice, i.e. levels of control, dissemination risk, resource commitment, and flexibility that each mode possesses; second, situational factors such as country risk, socio-cultural distance, government regulations and policies; and third, rapid globalization, economic liberalization, accelerating rates of technological change, and the transition of centrally planned economies into more market-based systems have focused attention on international markets.

Three main schools of thought explain the choice of entry modes by firms. The first school of thought derives from the perspective of transaction cost economics (Anderson and Gatignon, 1986; Erramili and Rao, 1993). Under this approach, firms will internalize activities that they can perform at a lower cost. However, they will subcontract those activities externally if other providers have a cost advantage. The second school of thought (Johanson and Vahlne, 1977, 1990; Root, 1998) views business activity and operation in foreign markets as inherently risky, and argues that firms need to minimize the risk of involvement when they first enter the international market. As the firm acquires more internationalization knowledge and experience, it will assume a higher degree of involvement and resource commitment. This is the conceptual basis for modeling entry modes as a continuum of increasing levels of resource commitment, risk exposure, control, and profit potential from export to wholly owned subsidiaries (Chu and Anderson, 1992). Finally, the third school of thought, proposed by Dunning (1988), suggests that the choice of entry mode and international strategy is influenced by three types of determinant factors: ownership (O) advantages of a firm, locational (L) advantages of a market, and internalization (I) advantages of integrating transactions within the firm.

Treadgold (1988) suggested that there are three types of entry strategy for corporations in international markets. The first is the entry strategy that affords a high degree of control, i.e. wholly owned, and acquisition. The second is a medium degree of cost and control, i.e. joint venture, and, finally, there is the low cost of control strategy, i.e. franchise arrangements. Rugman et al. (1985) have identified eight modes of entry strategy that a firm may select from: export/import, joint venture, licensing, franchising, wholly owned subsidiary, turnkey contract, management contract, and contract manufacturing. As has been proposed by Pan and Tse (2000), these entry strategies can be divided into two different levels: equity modes of entry which require a major resource commitment in the overseas location (Vanhonacker, 1997), and non-equity modes of entry which do not require the establishment of an independent organization (Zafar et al., 2002).

Although previous studies have made substantial contributions to the understanding of firms' entry mode behavior, an important gap in the empirical literature remains. The existing knowledge of entry modes in firms has been accumulated mostly in the context of production sectors in manufacturing industries (Samiee, 1999; Clark et al., 1996). Much less attention has, however, been paid to research concerning these issues, from emerging economies, and/or for services sector such as construction firms in particular (Blomstermo et al., 2006; Contractor et al., 2003). According to Chen (2005), the service sector receives very little academic attention, which does not match the increasingly important role of the service sector in international trade, not to speak of the international construction industry. Wood and Goolsby (1987) pointed out that companies in dissimilar industries face distinct environments that require unique kinds of information to guide their expansion decisions. Similarly, Kedia and Chhokar (1986) also stressed that factors that initiate international activity in one industry may not have the same effect(s) in another. In light of previous research and the acknowledged gap in the study of entry mode strategy, the primary purpose of this study is to provide an empirical investigation of Malaysian construction firms' entry mode decisions for international expansion: (a) what are the preferred entry mode strategies adopted by these firms, (b) factors influencing the choice of entry strategy, and (c) motives for international expansion. This study is expected to complement prior studies by introducing new considerations in entry mode analysis that may contribute to a better understanding of internationalization activities within the construction industry, one element of a service approach.

The remainder of this paper is organized as follows. First, a brief overview of the Malaysia construction industry is given, followed by a review of the literature. We then explain the research methodology employed for carrying out research on the subject. The findings of the study are subsequently analyzed and discussed. Finally, the last section summarizes the paper, its contribution and offers directions for future research.

## 1. A brief overview of Malaysia construction industry

The construction sector is an important part of a national economy as it contributes significantly toward Malaysian Gross Domestic Product (GDP). As shown in Table 1, the construction sector contributed 2.7% towards the nation's total GDP in 2005, and it is expected to continue contributing 2.6% for years 2006 and 2007 respectively (Malaysian Economic Report, 2006-2007). According to Maznah (2006), the construction market has played a key role in the socio-economic development of many countries. Its role ranges from providing infrastructure support to factors of production for other sectors of the country's economic status.

Table 1. Gross Domestic Product (GDP) by sector from 2005-2007 (in 1987 real prices)

| | Changes (%) | | | Share of GDP (%) | | |
|---|---|---|---|---|---|---|
| | 2005 | 2006[1] | 2007[2] | 2005 | 2006[1] | 2007[2] |
| Agriculture | 2.5 | 5.3 | 4.7 | 8.2 | 8.2 | 8.1 |
| Mining | 0.8 | 2.4 | 4.5 | 6.7 | 6.4 | 6.4 |
| Manufacturing | 5.1 | 7.3 | 6.8 | 31.6 | 32.0 | 32.2 |
| Construction | -1.6 | 0.7 | 3.7 | 2.7 | 2.6 | 2.6 |
| Services | 6.5 | 5.7 | 6.0 | 58.2 | 58.1 | 58.1 |
| Less imputed bank (service charges) | 3.6 | 2.9 | 3.5 | 9.3 | 9.0 | 8.8 |
| Add import duties | -1.7 | -11.9 | -2.6 | 1.9 | 1.6 | 1.4 |
| GDP | 5.2 | 5.8 | 6.0 | 100.0 | 100.0 | 100.0 |

Note: [1] estimate; [2] forecasts.
Source: Department of Statistics, Malaysia (2007).

With the change of global business environment due to economic globalization and market liberalization, many constructions firms seek to internationalize their business. As reported by the Malaysia Construction Industry Development Board (CIDB), many Malaysian construction companies have started to venture in the international market (CIDB Directory, 2006/07; Maznah, 2006). Maznah (2006) stated that among the decisions taken by Malaysian construction companies to expand internationally are factors such as the stagnant condition of domestic markets, establishing their company name in foreign markets, spreading risk through diversification into new markets, competitive use of resources and taking advantage of opportunities offered by the global economy. Similarly, studies of outward investment by Malaysian corporations (Ahmad and Kitchen, 2008; Ragayah, 1999) have pointed out that the major reasons for Malaysian companies to expand internationally are to find new markets for growth, overcome import restrictions and barriers of the host country, diversify risks, and seek and obtain cheaper resources abroad. The Asia Pacific region and new emerging economies (i.e., Thailand, Laos, Philippines, and Myanmar) tend to have the focus area for the firms' expansion. For instance, Malaysia contractors firms continue to supply global construction demand in more than 40 countries worldwide. As of August 2007, 412 projects worth a total of RM 61,492 million have been secured with RM 22,442 million already completed and the balance valued at RM 39,050 million at various stages of implementation (CIDB Directory 2006-2007). The Middle Eastern countries, such as Dubai, Qatar, Saudi Arabia and Yemen, are the largest market (36%) for Malaysian contractors with 41 projects valued at RM 21,414 million, followed by India as the second largest (20%) of the total construction projects, and followed by other countries such as China, New Zealand, South Africa, Libya, Pakistan. Given these scenarios, therefore, it is important to understand the behavior of the Malaysian construction firms in their international investment activities and the choices of entry mode strategies in the international markets.

## 2. Literature review

*Defining international construction firm.* According to Mawhinney (2001), international construction firm is defined as construction projects where one company, resident in one country, performs construction works in another country. This simple definition, consistent with other definitions (Walewski and Gibson, 2003), underpins the scope of activities investigated in this study.

*Choice of entry mode strategy in construction industry.* Entry mode strategy has been one of the central themes in the area of international business (Nakos and Brouthers, 2002; Yi-Sheng et al., 2001). Many researchers (Chen and Mujtaba, 2007; Ekeledo and Sivakumar, 2004; Pan and Tse, 2000) have seen this as a crucial issue for any firm intending to conduct business internationally. Root (1998), for instance, argued that the choice of entry mode is one of most critical strategic decisions for firms to internationalize. It entails a concomitant level of resource commitment that is difficult to transfer from one level to another, especially from high resources commitment to low level (Chen and Hennart, 2002). Commonly used entry mode strategies include exporting, licensing/franchising, joint ventures, and full ownership. Exporting is when a company sells its physical products which are manufactured outside the foreign country to the foreign country (Tallman and Shenkar, 1994). Licensing and franchising can be seen as arrangements that are non equity relations between an international company and a party in the host country in which technology or management systems are transferred to the host party (Shane, 1994). A joint venture is agreement between two or more companies where the firms share the ownership and control over the company, whereby full ownership is the form of entry strategy where the company has full ownership of facilities in the host country (Root, 1998). Full ownership may be achieved either through greenfield investment or through acquisition.

The choice of entry mode is a matter of high strategic importance, as each mode offers specific benefits and risks; each will also provide the firms with different degrees of control and cost factors (Chang and Rosenzweig, 2001). Resource commitments are initiated when significant experiences are accumulated. According to Blomstermo et al. (2006), the selection of entry strategy by firms can take the form of a high control mode (e.g., wholly-owned subsidiary, majority-owned subsidiary, etc.) or a low control mode (e.g., licensing, export, etc.). Table 2 summarizes the entry mode commitment.

Table 2. Characteristics of firms entering foreign markets

| Entry mode strategy | Form | Control | Relational friction | Commitment |
|---|---|---|---|---|
| Wholly-owned subsidiary | Subsidiary | High | Low | High |
| Partly-owned subsidiary | Minority/majority ownership, affiliates, etc. | High/ moderate | Low/moderate | High/moderate |
| Contract, alliances | Relationship | Moderate | High/moderate | Low |
| Market | Export | Low | High | Low |

Sources: Anderson and Gatingnon (1986); Erramilli and Rao (1993).

Firms may choose any of the above entry strategies or some combination of the strategies to enter a foreign market. The key attribute that distinguishes different modes of entry is the degree of control they provide a firm over its key marketing resources (Anderson and Gatignon, 1986). At one end of the spectrum is export of goods, which has the lowest degree of control. Licenses, franchises and various forms of joint venture provide progressively increasing degrees of control for the firm till the firms reach the other end of the spectrum with highest control, i.e. ownership based entries such as wholly-owned subsidiaries.

Concerning the phenomenon of foreign entry modes in the construction industry, Higzi and Skitmore (2001) claimed that firms can take several forms of entry strategies such as acquiring local firms, joint venture, an invitation from a local government based on a company's reputation on speciality project, foreign direct investment, export (project-by-project), licensing and competitive tendering. Similarly, Chen (2005) has identified several basic modes of entry utilized in the construction market.

These include strategic alliance, local agent, licensing, joint venture firm, sole venture, branch office, representative office, joint venture project, sole venture project and equity project. The firms may combine or sequence these throughout an entry into a single geographic market.

## 3. Research methodology

**3.1. Quantitative – survey questionnaire.** In order to collect primary data for this study, a structured questionnaire was designed to collect data from the targeted sample group, i.e. construction firms that are based in Malaysia and have operations in a number of countries abroad. Interviews with 5 randomly selected construction firms were held to pre-test the questionnaire and make necessary amendments or respond to recommended contents (Oppenheim, 1992). Ambiguous questions were reworded. A revised version of the questionnaire was finalized. Respondents were asked a series of questions, drawn from the literature, relating to the entry mode strategy of their firm in the international market.

The questionnaire was divided into three parts and 44 questions. The first part included company background (3 items), and the second part asked the respondents on the involvement of their companies towards international activities (14 items). These both sections were measured by multiple choices questions. The third part of the questionnaire consisted of questions on factors that their company will consider when choosing a particular foreign market (27 items). The respondents were asked to state their agreement/disagreement on statements on a 5-point Likert scale with 1 = strongly disagree, 5 = strongly agree. Eventually, the collected data were processed and analyzed using SPSS package.

Questionnaires were administered via postal mail, electronic mail and followed-up by telephone calls. A questionnaire was sent to the 69 identified constructions companies listed in the CIDB 2006/2007 Directory, of which 35 responded, representing a response rate of 50.72%. The balance of the 34 respondents could not be reached and/or questionnaire was undelivered, either because there was a change in e-mail addresses, business address or telephone numbers. The response rate of 50% was satisfactory for a mail questionnaire survey – for which response rates are frequently only 20-30% (Madsen and Moeschberger, 1986). The companies were all operating internationally.

**3.2. Qualitative – interviews.** To obtain a better overall understanding of the entry mode behavior of Malaysian construction firms, in-depth interviews with 13 key executives in 9 constructions companies were also conducted. An 'interview guide' was used to ensure that important matters were not missed. The respondents were asked to give freely their opinions related to the issues discussed. All respondents (ranging from senior managers, managers, and executives) interviewed claimed to have an in-depth knowledge of their firm's international operations and investments and there seemed no reason to doubt their veracity. Each interview took between one to one and a half hours, and were digitally recorded, carefully listened to, and transcribed verbatim. A second careful listening accompanied by the typed transcription was performed to ensure full correspondence between the recorded and transcribed data.

*Triangulation approach.* A triangulation approach was adopted which enabled the researchers to integrate the quantitative results (i.e., questionnaire surveys) with the results from the qualitative method (i.e., interviews).

## 4. Findings

Table 3 shows at a glance the make-up of the study sample. On average, most of the companies (77.14%) have been operating for 11 years or more in the country, and approximately 91% of the businesses employ more than 11 people.

Table 3. Overview of firm characteristics

| Number of employees | 1-10 | 11-20 | 21-30 | 31-100 | Total |
|---|---|---|---|---|---|
| Companies | 3 | 7 | 8 | 17 | 35 |
| Age of firms | 1-10 yrs | 11-20 yrs | 21-30 yrs | 31-100 yrs | Total |
| Companies | 8 | 19 | 7 | 1 | 35 |

Table 4 below shows that the majority of international projects developed and managed by Malaysian construction companies under study are in the South East Asia region (40%), followed by India (22.9%), other countries such as China, Pakistan, etc. (17.1%), United Arab Emirates (11.4%), and South Africa (8.6%). Among the reasons indicated by respondents to invest in these international projects are proximity to the home country, low political risk in the target market, relaxed host government regulations and a sound stable infrastructure. Similar reasons were also revealed in the interview series. According to the respondents, similarity in cultural and political backgrounds in some countries encourages their firms to venture into respective countries. Business relationships are dependent on understanding the cultural and political backgrounds of the parties involved in the exchange process (Turnbull, 1987). Foreign investment in a nearby country is common because of familiarity, cultural and institutional similarity, ease of access, cross-border spillovers and similar factors. Due to international knowledge and experience deficits, firms may internationalize to markets that they most easily understand. Empirical studies in a wide range of countries by Weinstein (1977), Davidson (1983), Karafakioglu (1986), Erramilli and Rao (1993), and Calof and Viviers (1995) have provided evidence of this phenomenon.

According to Mohameed (2000), most construction organizations around the world have extensively used international joint ventures (IJV) as a vehicle to enter new construction markets internationally. Similarly, for most of the companies in this study, international joint venture was the preferred entry choice for their international investment. The companies in the survey admitted that they have chosen this entry strategy as an effective way of getting started to venture internationally. Some interviewees claimed that the ability of the local partner's network to deal with various bureaucratic and business complexities of doing business can bring success. According to Adnan and Morledge (2003), among the reasons for selecting IJV as entry modes are commitment of partners, inter-partner trust, financial stability, partner experience and mutual understanding. Furthermore, the selection of reliable local partners is extremely important with regard to providing local access, connections and knowledge of the local market. In addition, this entry mode is generally encouraged by local authorities (Adnan and Morledge, 2003). This is among the best ways to operate when a company is concerned about minimizing political and market risks (Root, 1998). However, the Malaysian construction companies in this study also chose strategic alliances, contractual agreements and exporting as their preferred entry strategies., All the interviewees revealed that their firm's lack of experience in international markets, lack of sophisticated technology, and specialized skills meant that the companies had no further interest in extending their entry commitment beyond these initial stages.

Percentage results on reasons for companies to choose such entry mode strategies in Table 4 shows that more than 94.3% of the companies admitted that they selected those entry modes because of their easiness to establish (54.3%), less risk involved (28.6%), flexibility (11.4%), and other related reasons (5.7%). The results also indicated that developing new markets, access to cheaper resources, liberalization of industry, business opportunities available in foreign countries and strong competition in the domestic market are among the reasons for pursuing international activities by Malaysian construction firms. Table 4 shows the characteristics of Malaysian construction companies in the international expansion.

Table 4. Characteristics of Malaysian construction companies in the international expansion

| | | Frequency | Percentage |
|---|---|---|---|
| First foreign country the company first ventured internationally | South East Asia (ASEAN countries) | 14 | 40 |
| | United Arab Emirates (UAE) | 4 | 11.4 |
| | India | 8 | 22.9 |
| | South Africa | 3 | 8.6 |
| | Other | 6 | 17.1 |
| | Total | 35 | 100 |
| Reasons for company to choose that particular country/region | Nearer distance from Malaysia | 14 | 40 |
| | Relaxed host government regulations | 12 | 34.3 |
| | Low host country political risk | 6 | 17.1 |
| | Good infrastructure | 3 | 8.6 |
| | Total | 35 | 100 |
| Preferred choice of entry mode strategy by companies | International joint venture | 19 | 54.3 |
| | Strategic alliance | 11 | 31.4 |
| | Contractual agreements | 4 | 11.4 |
| | Exporting | 1 | 2.9 |
| | Total | 35 | 100 |
| Reasons for company to choose such entry mode strategy | Easy to establish | 19 | 54.3 |
| | Less risk involved | 10 | 28.6 |
| | Flexibility | 4 | 11.4 |
| | Other | 2 | 5.7 |
| | Total | 35 | 100 |
| Reasons for company to expand operation internationally | To develop new market | 10 | 28.6 |
| | Relatively cheaper resources | 8 | 22.9 |
| | Liberalization of industry | 6 | 17.1 |
| | Competition in domestic market | 6 | 17.1 |
| | Business opportunities | 5 | 14.3 |
| | Total | 35 | 100 |

Table 5. Summary of the survey responses on the variables toward international investments

| Variables | Mean | SD |
|---|---|---|
| The host country must have strong economic stability | 4.514 | 0.507 |
| The host country has strong foreign currency advantage | 3.257 | 0.886 |
| The host country has good/efficient infrastructure | 4.486 | 0.507 |
| The host country government provides lucrative incentives to venture into their country | 4.286 | 0.622 |
| The host country provides huge potential market for future growth | 4.400 | 0.497 |
| The host country has strong political stability | 4.800 | 0.406 |
| The host country provides liberal financial repatriation to investors | 4.257 | 0.657 |
| Business counterparts in host country have norms that are similar to those in our home country | 4.229 | 0.646 |
| Political system in host country is similar to that of home country | 4.229 | 0.646 |
| Business counterparts in host country have norms similar to those of our country | 4.200 | 0.531 |
| Home country's government provides lucrative incentives to venture internationally | 4.143 | 0.494 |
| Home country has limited raw materials | 2.629 | 0.843 |
| Home country market is too competitive | 2.543 | 0.886 |
| Home country does not have sufficient manpower to do the job | 2.514 | 0.887 |
| Our management possesses a great deal of international business experience | 4.286 | 0.622 |
| Our company has a long history of international business involvement | 4.257 | 0.611 |
| The low political risk of operations in this host country | 4.229 | 0.808 |
| Investing in this foreign market is a risky endeavor | 1.686 | 0.676 |
| The growth rate in this host country is very good | 4.200 | 0.632 |
| The potential market of this foreign country is very huge | 4.457 | 0.505 |
| Joint venture is the preferred entry mode choice to enter foreign country | 4.571 | 0.502 |
| Wholly-owned is the preferred entry mode choice to enter foreign country | 1.886 | 0.583 |
| Strategic alliance is the preferred entry mode choice to enter foreign country | 4.571 | 0.502 |
| Strong knowledge on chosen foreign country | 4.286 | 0.458 |
| The host country has lenient government's rules & regulations | 3.886 | 0.323 |
| The host country provides relatively cheaper raw material cost | 4.171 | 0.923 |
| The host country provides relatively cheaper labor cost | 4.171 | 0.923 |

Means and standard deviations as in Table 5 were used to analyze the important factors chosen by Malaysian construction companies for their behavior of international investments.

According to the respondents in the program of interviews, there are several other factors that motivated Malaysian construction firms to venture internationally and they can be summarized as follows:

*1. Management commitment.*

In most cases, the management team 'pushed' the international expansion of the firms and personally worked intensively with the company's foreign operations. Management desire to ensure survival of their companies by extending the business horizon to foreign countries has been noted as a motivating factor in internationalization. Management attitudes toward international business and operations appear to be positively important. Some managers are also encouraging their firms to internationalize in view of the growth potential in the international market(s).

*2. High degree of international experience among managers.*

Three of the interviewees had some experience of working with international companies, and another two had previously worked in Singapore and Thailand. With a high degree of international exposure, experience, and knowledge of international business, these senior managers had encouraged the firms to move abroad. Managers with greater international experience are more open to international business opportunities (Axinn, 1988).

*3. International market knowledge and business networks.*

The decisions to internationalize were also based on an effort made by most firms in analyzing the international market. Some of the firms had previously established international contacts which have facilitated finding international partners and business networks. Spence (2003) did show the importance of an international network in reducing the effect of a lack of resources. Firms with well-developed business networks are less likely to be constrained by a lack of resources (ibid).

*4. Ability to compete in foreign market.*

Most of the companies in this study claimed that they have a capability such as technologies, reputation and management capabilities to compete in the international market place. In addition, a good track record of these firms also can be seen as a distinct competency.

*5. Diversifying business risks.*

Diversifying business risk is also an important determinant of the choice of overseas expansion. Most companies in the interviews emphasize that the nature of their firms is to diversify business risk by having a spread of geographically located businesses.

## Conclusion and implications

This paper has investigated the behavior of Malaysian construction firms in their international expansion. The study managed to reveal several useful insights. It demonstrated that right entry mode choice played the most critical decision in international expansion, which has significant implications for the Malaysian construction firms. The results show that firms tend to use international joint ventures as their preferred entry mode strategy. An IJV permits firms to access locally-based complementary assets and markets (Lu and Hebert, 2005). However, several other entry modes such as strategic alliance, contractual agreements and exporting were also employed by these firms in their international business operations. Thus, the choice of entry mode strategy seems to depend on the contextual circumstances in the host and international market and impacts upon international market strategy. Different entry strategies lead to different levels of control over foreign operations and entry modes vary in terms of control, resource commitment, and investment risk (Chen and Mujtaba, 2007). Straightforward and simplicity risks involved, flexibility and commitment of resources (i.e., the lower the commitment, the better) are among the reasons for choosing such entry strategies. On the motives for international expansion, respondents claimed that developing new markets, cheaper resources in foreign countries, liberalization of the industry, business opportunities and competition in domestic markets motivated their firms to venture into foreign territory.

Various implications were derived from the findings of the present study which concern Malaysian businesses. By understanding the international business strategies, firms may be able tominimize investment risks and control costs in order to have better performance. Since the characteristics of a host country differ from those of the home country, managers in construction firms should strategize their businesses in order to minimize business risks and retain flexibility.

## Study limitations

In spite of the significant findings, the study still has a number of limitations particularly related to sampling procedures and sample size. The conclusion of this research should be interpreted taking into account the limitation of the data and the fact that the study has been limited to the Malaysian construction industry. The sample size of this study was comprised of Malaysian companies, focusing only on construction firms that engage in international business operations. With such a small sample size of 35 companies, and in only from one industry, results gathered are not generalizable to all Malaysian or in other industries in particular. This research only examined the relationships between certain variables and these may not be the same variables when examining other related or unrelated types of industry.

Additionally, the results only showed several factors that have impacted the choice of entry mode strategies by the Malaysian construction companies, but did not provide adequate evidence to explain the competitive intensity between the entry mode strategy in the host country and the level of success when choosing a particular entry mode strategy. Future research may intend to further evaluate the success rate of particular entry mode strategy undertaken by certain companies in the international expansion activities. Furthermore, this paper has grouped all the construction companies as a whole without sub-dividing them into categories of investment amount (value) when they venture into foreign countries. Subsequently, research could also consider categorizing the amount of investment to compare the entry mode behavior and the success rate by large investing companies as opposed to small investing companies, when they venture overseas.

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