

Willingness of the owners in the integrated development to establish the subsidiary management corporation

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Abstract

Purpose – The increasing number of strata property in Malaysia promotes the different usages of development under the integrated development, which comprise the different usages of owner groups. These owner groups may not enjoy all the common properties in the integrated development. Therefore, the purpose of this research is to identify the important to designate the limited common property for the owners who have the exclusive benefit on it. However, the establishment of the subsidiary management corporation and limited common property is less popular in Malaysia.

Design/methodology/approach – Hence, research should be carried out to identify the importance of the establishment of the subsidiary management corporation and enhancement for the establishment of subsidiary management corporation to increase the willingness of the owner to establish the subsidiary management corporation. Collective Action Theory likewise assists to increase the willingness of the owner in the establishment of the subsidiary management corporation. A sum of 100 owners in the integrated development and 187 stratified property professionals are the respondents in this research, by applying the random sampling method.

Findings – Results indicate the problems that occur in the integrated development is the complexity management in integrated development, followed by the usages of the common property. Therefore, Collective Action Theory could ensure the effectiveness of the establishment of the subsidiary management corporation in the aspect of social rights, resources, governance groups and participants.

Originality/value – This paper provided an overview of the management circumstance in the integrated development of Malaysia and discussed some effective enhancements to promote the sustainable formation of the subsidiary management corporation or two-tier management corporations.

Keywords Subsidiary management corporation, Limited common property, Integrated development

Paper type Research paper



1. Introduction

Land scarcity occurs in Malaysia especially in the urban areas (Tan, 2013), which causes rapid development in Malaysia. This rapid development eventually promotes an increase in

the demand for residential properties in Malaysia. Hence, the strata properties are beginning to rise the attention of the purchasers and investors in Malaysia from the 1980s, where this scenario increases the number of the strata properties to be developed in the urban areas in Malaysia. The upward trend of the demand for the strata property in Malaysia is due to the present lifestyle of the Malaysians in the urban area (Rashidah *et al.*, 2015). This is because strata development normally to be developed near to the workplace in the city, while it could provide more housing in the development to the communities. Vern *et al.* (2020) likewise described the populations living in an urban area in Malaysia are continuing to increase.

According to the REHDA Institute (2018), the population of Malaysia who lives in the strata properties are expected to increase from time to time. As evidence, over 6 million Malaysian which is equivalent to over 20% of Malaysian live in the strata properties, such as apartments, condominiums and mixed-use development. Christudason (2018) indicated rapid development in first-world cities could provide more housing to the residents under the strata scheme. One of the reasons for the increasing population in strata properties is the strata properties will be privately governed by the management body (Altmann, 2014), where the common property and amenities in the strata property could always be in good and serviceable condition. Darul *et al.* (2018) explained another reason for the popularity of strata property is facilities and amenities is in the housing area and it is in proximity to the working area and public utilities. The increasing number of strata properties and population likewise promotes the different usages' development under the same strata scheme, which names as "integrated development" for the strata scheme.

The management era of the strata property commences from the vacant possession to the purchaser (Che *et al.*, 2008). Hence, management difficulties could be faced by the management body for the strata property. The management body will be operated by the management committee, which is elected among the proprietors of the strata properties (Christudason, 2007). The management body of the strata property initially starts from the management by developers, followed by Joint Management Body (JMB) and Management Corporation (MC). Upon obtaining strata titles and after 25% of aggregate share units transferred to the proprietors, these strata schemes could form the MC and be managed by the MC.

The management body will manage the strata property and solve the management issue of the strata property in the aspect of ownerships and rights (Lawrence and Lam, 1999). Therefore, the issues related to the usage of the common property should be concerned by the management body of the strata scheme. The management body shall maintain and manage the common property in good and serviceable condition. Thus, the management body plays important role in the maintenance and management of the strata scheme and controls the maintenance account to ensure it could provide benefits and services to the owners (Tawil *et al.*, 2010).

The management issues could be more complicated in the integrated development. According to Easthope and Randolph (2016), the complexity in the management structure of integrated development may cause tension relationships among the different usage of owners. According to the Court case of *Muhamad Nazri Muhamad v JMB Menara Rajawali and Denflow Sdn Bhd* (2019), Joint Management Body wish to impose different rates of charges to the different usage owners in the integrated development, however, the JMB is not allowed. Meanwhile, there are different usages of the owner group in the integrated development, such as the owner group of retail, owner group in a service apartment and owner group of the office building. Each of the owner groups may have different interests in the strata scheme.

The complexity of the management in the integrated development could be overcome by the establishment of the subsidiary management corporation. In the year 2013, the enactment of the *Strata Management Act (2013) (Act 757)* allows the MC to establish the subsidiary

management corporation to manage the limited common property (Tan *et al.*, 2016). The enactment of the [Strata Management Act \(2013\) \(Act 757\)](#) is in conjunction with the amendment of the provision in the [Strata Titles Act \(1985\) \(Act 318\)](#). Hence, Building and Common Property (Maintenance and Management) Act 2007 (Act 663) was repealed and replaced by the [Strata Management Act \(2013\) \(Act 757\)](#).

The establishment of the subsidiary management corporation is significant to the independent management of the subsidiary management corporation to maintain and manage their limited common property (REHDA Institute, 2018). Meanwhile, the designation of the limited common property in the integrated development assists in solving the unfair management, where parcel owners do not need to pay for the maintenance fee of the limited common property that they do not have the exclusive benefit on it or not enjoyable by them (Vern *et al.*, 2019). Therefore, this shows the essence of the establishment of the subsidiary management corporation in the mixed-use development or integrated development in Malaysia (Chris, 2015).

2. Research problems

The increasing number of integrated development in Malaysia is because of the urban sprawl in Malaysia. Hence, the matters in the integrated development should raise the attention of the stakeholder of the strata scheme. The complexity of the management for the integrated development is because it involves various parties such as managing agents, management committee, owners and residents (Wahab *et al.*, 2015). The various parties in the strata scheme may have different interests and usages in the integrated development, thus, this causes the dilemma in identifying the rights and interests in the strata property. Hence, the shared facilities and common properties should be clearly identified to assist the management of the strata property (Rashidah *et al.*, 2016).

Meanwhile, it is important to establish good governance for the management of integrated development. Thus, the establishment of the subsidiary management corporation is important in determining the rights and interests of the proprietors. The proprietors will have the exclusive benefit on the limited common properties, upon the establishment of the subsidiary management corporation. On the other hand, Vern *et al.* (2019) explained strata proprietors do not need to pay the maintenance fee for the common properties that are not enjoyable to them. Thus, the benefit of the establishment of the subsidiary management corporation is fair for the strata proprietors in determining the exclusive benefit and maintenance charges of the strata proprietors (Yati, 2017).

Nevertheless, the significance of the establishment of the subsidiary management corporation does not reflect on the current situation of the establishment of the subsidiary management corporation in the integrated development. As reported by EdgeProp (2019), there was a first and only stratified property in Malaysia (1 Mont' Kiara Development) that obtained its certificate of the formation of subsidiary management corporations from the Director of Land and Mines in April 2019. Thus, this scenario indicates the formation of the subsidiary management corporation is not popular in Malaysia, even though it was introduced in the strata legislation since the year of 2013.

Since the establishment of the subsidiary management corporation is not encouraging in Malaysia, therefore, it is important to analyse the importance of the formation of the subsidiary management corporation as well as the willingness of the owner to form the subsidiary management corporation. As the consequence, the formation of the subsidiary management corporation is depending on the willingness of the MC and the strata proprietors due to its need to pass the comprehensive resolution, which requires the consent of two-thirds (2/3) of the aggregate share units' votes passed among the proprietors. According to Yati (2017), the willingness of the owner to pass the comprehensive resolution could be a challenge

that hinders the formation of the subsidiary management corporation. Therefore, Collective Action Theory is important to assist the owners' willingness (Gao and Ho, 2016) to form the subsidiary management corporation and ease the process of the formation of the subsidiary management corporation.

Besides the willingness of owners to establish the subsidiary management corporation and difficulty to obtain a comprehensive resolution, there is a requirement to appoint the licensed land surveyor by the MC for the preparation of a special plan to designate the boundaries of the limited common property (Survey and Mapping Director General Circular (PKPUP), Ref.1, 2017). According to Yati (2017), some management bodies do not have adequate knowledge about the formation of the subsidiary management corporation, which also hinders the formation of the subsidiary management corporation. As indicated by REHDA Institute (2018), the establishment of the subsidiary management corporation is optional for the strata property, where the MC shall prepare funds to appoint the property consultant and licensed land surveyor to designate the limited common property if they wish to establish the subsidiary management corporation. It might be a constraint for MC to establish subsidiary management corporation if they lack fund.

Effective enhancements are needed to be proposed to overcome the difficulties that hinder the formation of the subsidiary management corporation (Vern *et al.*, 2019). This enhancement could ease the formation of subsidiary management corporations as well as ensure the sustainable formation of the subsidiary management corporation in the integrated development. In this research, the effective enhancement will be analysed by obtaining the opinion of strata properties professionals in Malaysia.

3. Strata property

As indicated in the Strata Titles Act (1985) (Act 318), strata property includes the parcels, land parcels, accessory parcels, common property as well as the provisional block for phase developments (Vern *et al.*, 2019). According to Strata Titles Act (1985) (Act 318), Rules and Orders (2018), parcels refer to one of the individual units (except in an accessory parcel) comprised therein a subdivided building, which is held under separate strata title. Moreover, a land parcel is a unit delineated within the lot, which is comprised of a building that not more than four storeys (exclude the shared basement), held under a strata title, which may share the basement, comprise accessory parcels and common properties. The rights in the accessory parcel are significant to the proprietors as well, where the accessory parcel is any parcel shown in a strata plan as an accessory parcel that could be used or intended to be used in conjunction with the parcel.

Meanwhile, common property is an important element in a strata property. Under Strata Titles Act (1985) (Act 318), common property refers to the lot as it is not comprised in any parcel (including any accessory parcel), or any provisional blocks, which is shown in the certified strata plan. According to Tan (2013), common property is the building or land that is intended for subdivision into the parcel or subdivided to be enjoyed by two or more parcels' proprietors. Following, the provisional block is only applicable in the phase development, which is defined as a block in a building proposed to be erected on building or land, for which a separate provisional strata title is applied for. A provisional block in the subdivided land is a block in respect of the proposed land parcels, for which a separate provisional strata title is applied for.

Every single element in the strata property is significant to the proprietors of the strata property. Hence, every element should be clearly defined to identify the rights of the proprietors. According to Yiu *et al.* (2006), ownership of the property is extended to the rights attached to it, and not only the ownership possessed physically. Hence, strata property requires the strata title as a form of evidence of ownership, while proper strata management is significant as the regulation to be obeyed by the management body, proprietors and the

stakeholder of the strata property. The stratified property is unique compared to the non-stratified property (Soebiyani *et al.*, 2017), where the uniqueness commences when the vacant possession to the first parcel will be managed by the management body. According to Mazliza and Safinaz (2018), a comprehensive law is significant for stratified property management. In Malaysia, *Strata Management Act (2013) (Act 757)* is enacted to assist the maintenance and management of strata property and common property, where the functions, duties and powers of the management body have been defined clearly under the *Strata Management Act (2013) (Act 757)*. Easthope and Randolph (2016) explained that a proper management for strata property could increase the value of the building as well as minimise the maintenance cost of the building.

In this research, the management problems in a strata property, especially in integrated developments, are analysed based on the ideas of owners or residents in the integrated developments.

3.1 Subsidiary management corporation

In the *Strata Titles Act (1985) (Act 318)*, only MC has the power to designate the limited common property or create one or more subsidiary management corporations for the different interests of the parcel proprietors. As indicated by Christudason (2009), a subsidiary management corporation will manage the limited common property intended for the exclusive benefit of two or more parcel owner but not all owners. Under *Strata Titles Act 1985 (Act 318)*, a subsidiary management corporation (Sub-MC) will be constituted upon the issuance of the certificate of its establishment by the Director of Land and Mines under Section 17A *Strata Titles Act (1985) (Act 318)*.

According to REHDA Institute (2018), the establishment of the subsidiary management corporation means the constitution of the two-tier MC system. Under the two-tier MC system, the delineation of the limited common property is for the exclusive benefit of a group of the owner, where the owner group will constitute the subsidiary management corporation. However, the establishment of the subsidiary management corporation is optional and will be dependent on the decision of the MC. According to the *Strata Management Act (2013) (Act 757) & Regulations (2015)*, the establishment of a subsidiary management corporation is subject to obtain the comprehensive resolution, which requires the consent of at least two-thirds of the aggregate share units owned by the proprietors.

Upon the obtained of the certificate of the subsidiary management corporation, the MC shall within one month to hold the first annual general meeting for the subsidiary management corporation to elect the subsidiary management committee to operate the duties of the subsidiary management corporation. The subsidiary management corporation must manage and maintain the limited common property to ensure it is in good and serviceable condition. As indicated in the REHDA Institute (2018), at least one member of the subsidiary management committee will be a member of the management committee of the MC of the strata scheme. Hence, the MC could monitor the performance of the subsidiary management corporation, where the subsidiary management corporation shall establish and control its maintenance account and sinking fund account to pay the expenses of the limited common property.

3.2 Limited common property

According to Christudason (2008), limited common property is delineated as under the management of a subsidiary management corporation for the exclusive benefit of certain proprietors, where it is initially one of the common properties in a strata scheme. The management of the limited common property is run and managed in the same way that the MC manages the common property. As indicated by Chris (2015), limited common property is essential to be designated especially in the integrated development or mixed-use

development. According to [Vern et al. \(2019\)](#), the designation of limited common property helps the fair distribution of the service charges due to some strata unit owners who did not enjoy the benefit of certain common properties. Hence, upon the formation of the subsidiary management corporation, the owners do not need to contribute to the maintenance account and sinking fund account of limited common property that is not enjoyable by them.

According to the [Strata Titles Act \(1985\) \(Act 318\)](#), the boundaries or area of limited common property shall be described, identified or defined in a special plan. Meanwhile, the appointed licensed land surveyor has the responsibility to prepare the special plan when the MC is willing to establish the limited common property.

3.3 Integrated development

As explained by [Sherry \(2009\)](#), integrated development is a development that consists of different usages under the same strata scheme, which also comprises the different interests of the strata proprietors. Meanwhile, [Easthope and Randolph \(2018\)](#) describe that integrated development is a mixed-use development, where some of the areas are designated for the usage of specified owner groups. Examples of the integrated development are a hotel, retail parcels, service apartment and office buildings under the same strata scheme. The expanding number of integrated development might be due to urban sprawl in the city ([Tian et al., 2017](#)).

As indicated by [Asiah and Azlinor \(2013\)](#), the amendment of the Strata Titles Act 1985 in the year 1996 described the mixed-use development of the strata scheme, where strata titles could be issued for the building that formed as a part of mixed-use development. This increases the popularity of the integrated development in Malaysia due to urban sprawl in the city, which increases the number of integrated development. Thus, the cooperation of the community in the integrated development is vital to achieving the goals in the integrated development ([Altmann et al., 2018](#)). Nevertheless, the rise of the attention on integrated development will cause integrated development to face some management issues ([Mazliza and Safinaz, 2018](#)), comprising different usages and interests of the owner group.

This research obtained the opinion of the owners or residents in the integrated development by applying the random sampling method in a few integrated developments in Malaysia.

3.4 Comprehensive resolution

According to [Robinson \(1985\)](#), the resolution has to be passed among the proprietors who are entitled to vote, where the pass resolution will be the decision of the management body. In the integrated development or strata scheme, there are some resolutions to be obtained such as the decision of the management body such as ordinary resolution, comprehensive resolution, special resolution and unanimous resolution. The formation of the subsidiary management corporation requires obtaining a comprehensive resolution ([REHDA Institute, 2018](#)). According to [Strata Management Act \(2013\) \(Act 757\)](#), the comprehensive resolution needs to be considered at a duly convened general meeting of the MC, which requires more than 30 days' notice specifying the resolution has been given. As the consequence, the comprehensive resolution is passed when obtained valid votes from the proprietors of at least two-thirds of the aggregate share units of the parcels in the strata scheme, on a poll. The polling period shall be within 60 days upon the general meeting is convened.

3.5 Special plan

Before the poll on passing the comprehensive resolution, the appointed licensed land surveyor shall prepare the special plan, which should get approval from the management corporation. Special plan (refer to [Figure 1](#)) should contain information such as location plan, storey plan or delineation plan, schedule of limited common property as well as details for the

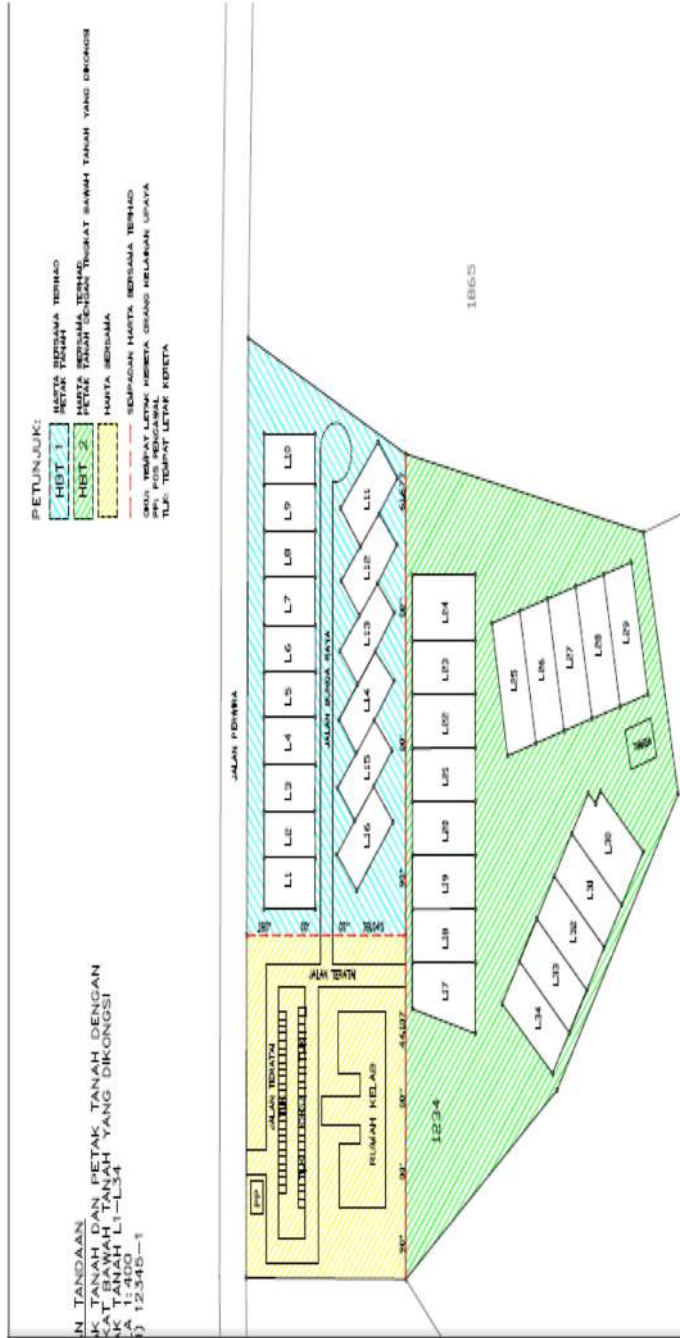


Figure 1.
Example of
special plan

schedule of limited common property (Survey and Mapping Director General Circular (PKPUP), Ref.1, 2017). Moreover, every special plan shall define the parcels which are entitled to the exclusive benefit to the limited common property. Whereas, the prepared special plan shall be approved by the Director of Survey and Mapping, before the issuance of the certificate of the subsidiary management corporation.

3.6 Collective action theory

Collective Action Theory indicates the requirement of more than an individual's effort to achieve the collective good in the community (Gao, 2015). Therefore, collective action is helpful in the management of strata property. Particularly, the management of strata property is dependent on the owners' and residents' cooperation to involve in collective action and decision-making. According to Gao and Ho (2016), Collective Action Theory could have applied in the strata management because the proprietors shared a common interest in the common property. The Collective Action Theory is useful to the domain of the resources in a strata property; however, there would be collective action dilemma, with two attributes, namely, excludability and subtractability. Excludability means impossible to restrict other users to access and enjoy the common, while subtractability means the utilisation of the common resource will cause the reduction to other users to enjoy it (Ling *et al.*, 2019).

As indicated by Gao and Ho (2016), Collective Action Theory promotes owners in strata property to accomplish the goals of owners in achieving the maximum benefit in the common interest. Hence, Collective Action Theory is able to impact strata management in the aspect of community or social, resources and governance features.

4. Methodology

This research applies quantitative research, where the first quantitative phase research consists of 100 respondents from owners or residents of integrated development, while the second quantitative phase respondents are 187 of the stratified property professionals. The first quantitative phase aims to analyse the willingness of the owners or respondents in the establishment of the subsidiary management corporation. Meanwhile, the second quantitative phase aims to determine the effective enhancement for the formation of the subsidiary management corporation.

The sampling method of respondents for the first quantitative phase is according to the integrated development's location of the respondents, where the location of respondents determines the minor subgroup. Whereas, the second quantitative phase is sampling according to the category and profession of the respondents, where the profession of the respondents is the minor subgroup. As described by Delice (2010), each major subgroup in the population should be more than 100 samples and between 20 and 50 samples for each minor subgroup. Hence, in the first quantitative phase, the sampling location of the respondents is between 20 and 50 respondents. Meanwhile, the sampling of the second quantitative phase is according to the profession of the respondents with between 20 and 50 respondents. The details are shown in Table 1.

Upon obtaining the data from the respondents, the data analysis of both quantitative phases applies the descriptive statistical analysis. According to Manikandan (2011), the median is the appropriate measure for the data measured in the ordinal scale. Hence, the descriptive statistical analysis is suitable to apply the frequency, median and mean, as the data are in numerical form (Nick, 2007). Following, both quantitative phases likewise apply the Chi-Square Test to identify the relationship of two variables. For the first quantitative phase, the first variable is the willingness of the owner to establish a subsidiary management corporation, while the second variable is the importance of a subsidiary management corporation in integrated development. Hence, the willingness of owners or residents to

Table 1.
Respondents' details

Profession or category	Frequency	Total subgroup
Licensed land surveyors	27	27
<i>Property surveyors</i>		
Property management	14	
Property valuation	16	30
Property developer	30	30
<i>Government authority</i>		
Commissioner of building	40	
Housing and local government ministry	10	50
<i>Authority relevant to the application of the certificate of subsidiary management corporation</i>		
Department of survey and mapping	13	
State land and mines office	17	30
<i>Others</i>		
Committee of management body (joint management committee/management committee)	13	
Other professional (lecturers, property agents, solicitors, real estate housing development association)	7	20
Total respondents		187

establish the subsidiary management corporation could be identified. To increase the willingness of owners in establishing the subsidiary management corporation, Collective Action Theory assists to educate the owners and residents in the integrated development about the importance of the subsidiary management corporation and ensure the subsidiary management corporation formation will benefit all the owner groups. Generally, the Collective Action Theory could assist the formation of the subsidiary management corporation, by stimulating the involvement of owners and residents as well as providing benefit to all owners and residents in the aspect of social rights or community; resources; governance groups or institutions; and participants or user groups.

In the second quantitative phase, the Chi-Square Test will identify the significance of enhancement for the formation of the subsidiary management corporation. The first variables will be the suggested enhancement to compare to the second variables significant of the enhancement for the formation of the subsidiary management corporation, hence, the effective enhancement that is suitable to the formation of subsidiary management corporation could be identified. Prior to the construction of the questionnaire survey, this research obtains the assistance of 10 strata property specialists as validators to determine the enhancement that is suitable in the stratified property. Thus, the content validation of the questionnaire is following the content validation index (Izran *et al.*, 2020). The content validation index ranges from 0.0 to 1.0, where the content validation index should be 0.8 or higher. Hence, this means that there should have 8 or more specialists agree with the enhancements to be asked in the content of the questionnaire. Subsequently, the five thematic areas are determined, as shown in Table 2. Meanwhile, according to five thematic areas, the reliability test is determined by using Cronbach's alpha, as shown in Table 2. Cronbach's alpha was applied to measure the consistency of all the items in the questionnaire survey. Thus, the consistency of all the items implied construction of the questionnaire survey using the same concept (Tavakol and Dennick, 2011).

The results in Table 2 shows most of the thematic area of the second quantitative phase fulfilled the minimal threshold of 0.70 and above (Nunnally and Bernstein, 1994). Hence, all

the items in the questionnaire survey are consistent and suitable to carry out further analysis. The further analysis is discussing the effective enhancement that related to stratified property, especially for the two-tier management corporation system in the integrated development.

5. Main results

The discussion of the results in this research is categorised into two parts, namely (1) the analysis of the willingness of the owner of integrated development in the formation of the subsidiary management corporation and (2) the analysis of the effective enhancement of the formation of the subsidiary management corporation. The analysis of both quantitative phases applies the descriptive statistical analysis at initial, followed by the Chi-square test to analyse the relationship of two variables. Following, there is a discussion of Collective Action Theory to assist the proper management of strata property as well as the formation of subsidiary management corporation in Malaysia.

5.1 Analysis of the willingness of the owner of integrated development in the formation of the subsidiary management corporation

First and foremost, the problems of the integrated development are analysed. The analysis of the problems that occur in the integrated development is to ensure the formation of the subsidiary management corporation is effective to overcome these problems. Among the 100 respondents, they concur the problems that occur in the integrated development are complexity management in the integrated development, high maintenance fees and not being worth the usage of common property, as well as some common properties that are not enjoyable. As indicated by Manikandan (2011), the median is suitable to measure the data on an ordinal scale. Hence, the data applies the ordinal scale of “1 for agree”, “2 for disagree” and “3 for neutral”. Hence, the group median that closer to “1” indicates the more respondents agree that is critical problems occur in an integrated development. The result is shown in Table 3.

Thematic area of second quantitative phase	Total measured items	Number of respondents	Cronbach's alpha
Strata legislation	17	187	0.807
Strata regulation	11	187	0.779
Institutional and administrative	8	187	0.768
Issues related to subsidiary management corporation	5	187	0.699
Enhancement for strata properties	3	187	0.780

Table 2.
Results of the Cronbach's alpha for measure the thematic area

Problems in the integrated development	Group median	Standard deviation
(1) Some common properties not enjoyable	1.61	0.75
(2) Pay maintenance fee for common properties that are not enjoyable	1.63	0.734
(3) Unfair usage of common property	1.76	0.682
(4) Complexity management in integrated development	1.41	0.703
(5) Ineffective management by management body	1.89	0.522
(6) High maintenance fee and not worth for the usage of common property	1.60	0.644

Table 3.
Problems occur in the integrated development

According to [Table 3](#), there are four main issues in the integrated development, namely, complexity management in the integrated development; high maintenance fee and not worth for the usage; common property is not enjoyable; and owners have to pay the maintenance fee for some common properties that are not enjoyable by them. Since these are the four issues in integrated development, the integrated development should emphasise effective management by the formation of the subsidiary management corporation and clearly define the rights of owners by the designation of the limited common property. Moreover, Collective Action Theory could assist owners or residents of the integrated development to make the best decision, which could overcome the problems that occurs in integrated development ([Gao and Ho, 2016](#)). For example, collection action could attract various ideas from the different owner groups and expedite their decision-making for the matter related to common property ([Ling, 2019](#)). Hence, this could benefit the owners in the integrated development for the social rights aspect. As per [Yati \(2017\)](#), the advantages of the designation of limited common property are the fairness for all parcel proprietors in the determination of the maintenance fee and ensuring the exclusive benefit for the owner in the integrated development. Undoubtedly, the establishment of the subsidiary management corporation to manage the limited common property is significant in the integrated development.

Meanwhile, the issues of unfair usage of common property and ineffective management by the management body are less critical in the integrated development. By analysing the standard deviation, all the standard deviations less than 1.0 means the accuracy of data in [Table 2](#). According to [Nick \(2007\)](#), standard deviation could measure the accuracy of the data. Moreover, [Salfarina \(2014\)](#) describes the standard deviation less than 1.0 indicates the consistency of the data.

Secondly, this section will analyse the importance of the establishment of the subsidiary management corporation in the integrated development and the willingness of the owner of the integrated development to establish the subsidiary management corporation. Collective action is essential to influence owners' perception and efficacy for the matters related to the stratified property ([Gao et al., 2016](#)), including the formation of the subsidiary management corporation. In addition, [Young \(2003\)](#) implied that decision-making for building management is important to include all the owners and occupiers. Hence, the analysis will be initiated by the descriptive statistical analysis, followed by the Chi-square test. [Table 4](#) shows the frequency of respondents who agree with the importance of the subsidiary management corporation in the integrated development.

Results in [Table 4](#) indicate the establishment of the subsidiary management corporation is important in the integrated development. The majority of the 100 owners and residents in the integrated development concur that the establishment of a subsidiary management corporation and the designation of limited common property is important to determine the property rights of the owners. As further indicated by [Yati \(2017\)](#), the establishment of the subsidiary management corporation could manage the different usages of owner groups and solve the conflict among the different usages owner groups. Thus, collective action is important in gathering opinion of different owner groups, which help to succeed the formation of the subsidiary management corporation. Whereas, for the aspect of resources in

Table 4.
Importance of the subsidiary management corporation and limited common property in the integrated development

Items	Agree	Neutral	Disagree
(1) Importance to designate the limited common property in the integrated development	89	4	7
(2) Owners are willing to establish the subsidiary management corporation in the integrated development	79	10	11

the collection action, the larger resources are required in the integrated development, which could mediate the owners' perception from different user groups (Ling, 2019). The discussion will be extended to the Chi-square test to examine the relationship between Variable 1 (willingness of the owner to establish the subsidiary management corporation) and Variable 2 (important to designate the limited common property).

This Chi-square test is processed by using the Statistical Package for Social Sciences. The Chi-square test analyses the two variables aforementioned. Thus, the null hypothesis (H0) and the alternative hypothesis (H1) of the Chi-square test (χ^2) are expressed as follows:

- H0. Willingness of the owner to establish the subsidiary management corporation (Dependent variable) does not depend on the importance to designate the limited common property (Independent variable).
- H1. Willingness of the owner to establish the subsidiary management corporation (Dependent variable) depends on the importance to designate the limited common property (Independent variable).

The result in Table 5 applies the significant level of 0.05. Hence, according to the Chi-square distribution table, the critical χ^2 value for a significant level of 0.05 is 9.49. Therefore, reject the null hypothesis or fail to reject the null hypothesis depends on the *p*-value and calculated χ^2 value. In Table 5, the null hypothesis is rejected as the calculated χ^2 value is greater than the critical χ^2 value, while the *p*-value is less than the significant level of 0.05, which is 0.0012. As the consequence, the rejection of the null hypothesis means the importance to establish the subsidiary management corporation and the designation of the limited common property in the integrated development. The result in Table 5 indicates the importance of subsidiary management corporation in integrated development is similar to the descriptive statistical analysis in Table 4. Meanwhile, the willingness of owners in the establishment of the subsidiary management corporation is dependable on the importance of the designation of limited common property in the integrated development. To completely succeed in the formation of the subsidiary management corporation, collective action among the owners is vital to define the constitutional and operational of the subsidiary management corporation. Moreover, better governance features aspect in the Collective Action Theory helps to define the clear operational rules of the subsidiary management corporation, which help to motivate owners to participate in the subsidiary management corporation. The effective enhancement is discussed in the next section, which is significant to promote the formation of the subsidiary management corporation.

5.2 Analysis of the effective enhancement of the formation of the subsidiary management corporation

The analysis of the enhancement for the formation of the subsidiary management corporation begins with the analysis of the difficulties of the formation of the subsidiary management corporation, followed by the analysis of the effective enhancement for the formation of the subsidiary management corporation. The respondents of this section consist of 187 stratified property professionals. The ordinal scale is applying "1 for strongly disagree", "2 for disagree", "3 for neutral", "4 for agree" and "5 for strongly agree". The result

Item	Calculated X^2 value	Critical X^2 value	<i>p</i> -value	Decision
Relationship between dependent variable and independent variable	18.079	9.49	0.0012	Reject H0

Table 5. Chi-square test between two variables

of the difficulties of the formation of the subsidiary management corporation is shown in Table 6.

According to the coding, the group median is closer to “5”, which means more respondents agree that it is the difficulty that hinders the formation of the subsidiary management corporation. Results show that the less knowledge of the management body about the subsidiary management corporation has the highest impact that hinders the formation of the subsidiary management corporation. This is discussed by Yati (2017), where some relevant authorities are less aware of the importance of the formation of the subsidiary management corporation. Meanwhile, the difficulty to pass the comprehensive resolution hinders the formation of the subsidiary management corporation as well. Vern et al. (2019) described the requirement to obtain a comprehensive resolution as the biggest threat, which hinders the formation of the subsidiary management corporation. Moreover, the other difficulties, such as proprietors did not register their ownership in their strata titles and hard to define boundaries in the special plan have less impact that hinders the formation of the subsidiary management corporation. To overcome the difficulties that hinder the formation of the subsidiary management corporation, collective action plays important role to convince and educate owners to make the best decision for the integrated development. Collective action could coordinate the participation of owners (Gao et al., 2016), particularly in the formation of the subsidiary management corporation. Hence, the owners’ cooperation is vital in succeeding the formation of the subsidiary management corporation in the integrated development.

Following, the second part of the discussion in this section is about the effective enhancement for the formation of the subsidiary management corporation. This part begins with the descriptive statistical analysis, followed by the Chi-square test. The results of the descriptive statistical analysis are shown in Table 7.

Results in Table 7 indicate that most of the respondents concur that the effective enhancement for the formation of the subsidiary management corporation is to analyse the suitable period of the formation of the subsidiary management corporation; involve more responsibilities of certain authorities; and the collaboration power of certain authorities. As per Yati (2017), one of the difficulties that hinders the formation of the subsidiary

Table 6.
Difficulties of the formation of Subsidiary Management Corporation

Reasons for low establishment of subsidiary management corporation	Group median	Remarks
(1) Less knowledge of management body about subsidiary management corporation	3.94	Highest impact
(2) A lot of proprietors did not register their ownership in their strata titles	3.63	Less impact
(3) Hard to pass a comprehensive resolution	3.76	High impact
(4) Hard to define boundaries in a special plan	3.43	Less impact

Table 7.
Enhancement for the formation of subsidiary management corporation

Effective enhancement	Percentage of the respondents agree	Remarks
(1) Analyse the suitable period of the formation of subsidiary management corporation	64.7%	Recommended by respondents
(2) Involve more responsibilities for certain authorities for the formation of the subsidiary management corporation	70%	Recommended by respondents
(3) Collaboration of the power of certain authorities for the formation of the subsidiary management corporation	75.9%	Recommended by respondents

management corporation is the difficulties in the provision of strata legislation, which only allow management corporation to establish subsidiary management corporation. Hence, the analysis of the suitable period for the formation of the subsidiary management corporation is vital. [Yati \(2017\)](#) also described some relevant authorities less involved in the formation of the subsidiary management corporation; hence, the involvement of more responsibilities and the collaboration of power of certain authorities are important to overcome this problem. These effective enhancements will be tested in the Chi-square test to identify the significance to carry out these enhancements. Results in the Chi-square test are shown in [Table 8](#). The null hypothesis (H_0) and alternative hypothesis (H_1) of the Chi-square test are expressed as follows:

- H_0 . Significant to carry out the effective enhancement (Dependent variable) does not depend on the significance of the formation of the subsidiary management corporation (Independent variable).
- H_1 . Significant to carry out the effective enhancement (Dependent variable) depends on the significance of the formation of the subsidiary management corporation (Independent variable).

The results of the Chi-square test imply that all three effective enhancements are significant. These results are expected, where the results of descriptive statistical analysis likewise indicate the effective enhancement is significant for the formation of the subsidiary management corporation. Nevertheless, these effective enhancements required the participation of owners and residents to perform a series of collective actions. The owners and residents should involve in decision-making, performance monitoring and rule enforcement for the operation of the subsidiary management corporation. Thus, the subsidiary management corporation should be monitored regularly to ensure it could benefit all owners and residents and perform sustainable management on the limited common property. The applicability of the Collective Action Theory for integrated development is discussed in the next section.

5.3 Collective action theory

As per [Gao and Ho \(2016\)](#), Collective Action Theory helps the cooperative action among the proprietors and assists the management of the stratified property. Thus, the Collective Action Theory could assist in benefitting all the owner groups in the integrated development and encourage the participation of the owners or residents of integrated development in the establishment of the subsidiary management corporation. The Collective Action Theory discussion involves the aspect of social rights or community; resources; governance groups or institutions; and participants or user groups. Results are shown in [Table 9](#).

Effective enhancement for the formation of subsidiary management corporation	Variable	Calculated X^2 value	Critical X^2 value	p -value	Decision
(1) Analyse the suitable period of the formation of subsidiary management corporation	Variable 1	58.021	26.30	<0.001	Reject H_0
(2) Involve more responsibilities for certain authorities for the formation of subsidiary management corporation	Variable 2	72.306	26.30	<0.001	Reject H_0
(3) Collaboration of the power of certain authorities for the formation of subsidiary management corporation	Variable 3	74.690	26.30	<0.001	Reject H_0

Table 8.
Results of the Chi-square test

Table 9.
Involvement of the
collective action theory
in the integrated
development

Aspects	Description of collective action theory in the integrated development
(1) Social right	<ul style="list-style-type: none"> - Participation from the owners and attract various ideas from the owners - Majority owner's decision will determine as the best decision in the integrated development - Motivate the owners to involve in the formation of subsidiary management corporation - Educate the owners about their social rights in the integrated development
(2) User group	<ul style="list-style-type: none"> - Collective action in the decision making, monitor the performance of the management body - Attract owners' participation in obtaining the comprehensive resolution - Decide the method of the owners in performing the collective action
(3) Resources	<ul style="list-style-type: none"> - Analyse the resources to ensure the effectiveness of the formation of the subsidiary management corporation - Monitor the invested resources in the formation of the subsidiary management corporation - Analyse the benefit that could be received from the invested resources in the formation of the subsidiary management corporation
(4) Institution	<ul style="list-style-type: none"> - Governance of the issues of the institution for the management body - Emphasise the property rights of proprietors in the integrated development

6. Discussion

Altogether, the empirical study begins with the analysis of the problems that occur in the integrated development, to determine the needs of the formation of subsidiary management corporation in the integrated development. Following, since there is a low establishment of the subsidiary management corporation in Malaysia while the subsidiary management corporation was introduced in the strata legislation, the discussion extends to determine the importance of the subsidiary management corporation in Malaysia. As a consequence, the results show that the subsidiary management corporation is essential in the integrated development, where it could benefit the owners in the determination of the exclusive benefit of owners on the limited common property. The establishment of the subsidiary management corporation is likewise fair to owners in the determination of the maintenance fee. Meanwhile, Collective Action Theory is significant to gather the owners' opinions and apply the resources in the strata property to make the best decision for the management of strata property.

Due to the low establishment of the subsidiary management corporation, the empirical study also analyse the difficulties and obstacles that hinder the formation of the subsidiary management corporation. Results show that the knowledge of the management body and obtaining the comprehensive resolution are the biggest challenges that hinder the formation of the subsidiary management corporation. Hence, effective enhancements are vital for the formation of the subsidiary management corporation to overcome the difficulties or obstacles that hinder the formation of the subsidiary management corporation. The enhancements suitable for the formation of a subsidiary management corporation include the analysis of the suitable period for the formation of the subsidiary management corporation; involving more responsibilities to the relevant authorities; and the collaboration of power of the relevant authorities. Thus, Collective Action Theory is important in succeeding the formation of the subsidiary management corporation in the aspect of social rights or community; resources; governance groups or institutions; and participants or user groups. Owners should be cooperative to pass the comprehensive resolution and succeed in the formation of a subsidiary management corporation.

7. Conclusion

Overall, this research discusses the scenario and information about the integrated development in Malaysia as well as the formation of the subsidiary management corporation in Malaysia. Meanwhile, this research likewise discusses the importance to

establish a subsidiary management corporation to manage the limited common property in the integrated development because it will benefit the proprietors in the determination of the property rights and overcome the management issues. Rapid development in Malaysia proves the increasing number of integrated development. Hence, the establishment of the subsidiary management corporation should be emphasised by the management corporation to overcome the management issues in the integrated development.

The analysis of management issues of the integrated development in this research helps to indicate the importance of subsidiary management corporation, as well as the reason for the establishment of subsidiary management corporation to overcome these management issues, such as unfair usage of common property and complexity of management in integrated development. Therefore, the enhancement in the formation of the subsidiary management corporation is important, which overcomes the low establishment of the subsidiary management corporation and eases the formation of the subsidiary management corporation in Malaysia.

Moreover, Collective Action Theory assists to increase the willingness of the owners to establish the subsidiary management corporation, in the aspects of social rights, resources, governance groups and participants in promoting the owners to establish the subsidiary management corporation. Hence, further research is needed in providing better management and governance for the MC and subsidiary management corporation to manage the different owners' groups in the integrated development. This research could be a reference for a country with a large number of integrated developments and countries that apply the Torrens system in the land legislation. A framework for the sustainable formation of the subsidiary management corporation is encouraged to be developed to promote the formation of the subsidiary management corporation in Malaysia.

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