

A Phenomenological Study of Post-Pandemic Cash Flow Challenges Faced by Architecture Firms

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Abstract

The post-pandemic era has witnessed architecture firms struggling with cash flow challenges. One common reason for firm failure is cash flow insufficiency rather than a lack of profits. Architecture firms obtain fees that contribute to cash flow from services provided on a project basis. Firms obtain an optimal cash flow balance by practicing healthy financial management protocols that not only focus on profit but also on cash flow. Recent studies have mentioned that finances affect the performance of architectural firms. This study aimed to uncover the essence of financial struggles and the strategies employed to achieve financial stability and resilience by examining these experiences. Detailed interviews and analyses were used to provide a comprehensive understanding of how architecture firms navigate their financial realities in the post-pandemic era.

Keywords: Architectural Firm Cash Flow, Post-pandemic Financial Experience, Business Resilience Strategies: Financial Sustainability Practices

Introduction

The COVID-19 pandemic had affected the sustainability of numerous different architecture business owners as these businesses had no precedents to cope with various post pandemic challenges. People were stunted from making decisions and their movements were restricted due to the pandemic. Projects were progressing slowly or even halted all together and this affected the well-being of the architecture industry. The urge to be critical at that juncture and trying to solve pandemic-related problems had become incredibly difficult. Critical problem-solving skills was the best trait for an architect to possess at that moment

(Deutsch, 2020). However, everyone was caught short-handed and there was a fog-like vagueness. Hence, to possess entrepreneurial knowledge was essential for improving the state of their business. Hossain, Akhter and Sultana (2022) mentioned that SMEs, especially those in developing countries, had struggled to keep afloat during the COVID-19 pandemic. Chang et al., (2020) stated that COVID-19 had generated great uncertainty among business owners, which led to fear and extreme volatility in the financial market.

One of the primary intentions of this study was to empirically determine the post-pandemic cash flow challenges faced by architects who ran their own architecture firms. According to Warner (2010), a businessperson should understand the fundamentals of finance, which comprises business finance, accounting fundamentals, profit making, cash management, budgeting, evaluating business opportunities, and gauging business performance. Hence, the author emphasized that managing cash flow is essential for business health and a businessperson needs to establish techniques and acquire pertinent knowledge for sustaining the business's cash operating cycle.

Problem Statement

Cashflow challenges faced by architects who run their own businesses post-pandemic are unsettling. According to Warner, (2010), the most prevalent reason for business failure is not the lack of earnings but rather, a lack of cash. Architecture firms were not exempted from struggling to sustain their cash flow during the pandemic. Even though Ramli and Yekini, (2022) mentioned that micro-businesses still need to reinforce the need for proper cash flow management in order to avoid challenges impacting these businesses.

The COVID-19 pandemic had impacted businesses and profoundly influenced the financial health of architecture firms. Cash flow challenges reflect broader economic trends and uncertainties caused by the pandemic. It had frozen economic activities and caused inconsistencies in financial management (Ramli & Yekini, 2022). Therefore, highlighting the two years of dreadful experience has pushed architecture firms to the borders of survival. Thus, architecture business owners were left with a fragile cash flow predicament at the beginning of the post-pandemic era. This led Chang et al., (2020) to discuss the need for financial preparedness in response to the COVID-19 pandemic.

Cash flow challenges reflect the need for architectural entrepreneurship to prioritize an adaptable and resilient business model. Cash flow challenges represent a specific and tangible problem that affects the daily operations and financial stability of architecture firms. Examining the lived experiences of architects provides insight into the practical implications and emotional impact of these challenges. Gómez et al., (2024) mentioned that those who had begun business model innovations were more resilient to the COVID-19 devastation.

There is a lack of studies on financial literacy in relation to cash flow management experiences in the architecture business. This current study aimed to explore and understand the essence of architects' experiences as they navigate cash flow challenges post Covid-19. Hasler et al., (2023) highlighted the importance of financial knowledge, especially in a time of crisis, to enable the comprehension of complex messages regarding risks during the pandemic. Cash flow management in relation to consultancy work on long-term projects could pose difficulties in financing long cash operation cycles (Warner, 2010).

This study also aimed to garner an in-depth understanding of the experiences and practices of architecture firms in efforts to address post-pandemic cashflow challenges as this understanding can help predict an architecture firm's longevity. According to Ramli and Yekini (2022), micro-traders who did not practice good cash flow management found themselves in a difficult financial predicament as the pandemic dragged on. Consultancies should suggest stage payments to clients for long-term projects in order to foresee a healthier cash flow (Warner, 2010).

Research Questions

This study posed the following research questions.

1. What type of cash flow challenges affect the operational stability of architecture firms in the post-pandemic era?
2. What are the strategies formulated by architects to manage cash flow more effectively in the post-pandemic context?

Literature Review

Architects obtain revenue by selling their consulting services (Greenbaum, 1990). The Act stipulates that architects who have an architecture consultancy practice in Malaysia can charge for their services based on the Architects (Scale of Minimum of Fees) Rule 2010 (Architects Act 1967 (Act 117) & Rules, 2015). Their architecture consultant practice or business can charge fees if they are hired by a client to undertake any of their architecture consultancy services. The Act specifies the types of services that architecture firms can provide, which are namely basic, supplementary, or additional services. These services are the source of income for these businesses.

Architecture firms faced a problem during the pandemic when providing their services, particularly those that required on-site monitoring and inspection. The lockdown had curtailed the provision of all forms of physical services. The respective government's lockdown policies during the COVID-19 pandemic had paralysed the ecosystem in their countries, resulting in high levels of anxiety and stress in the business community (Ashiru et al., 2022). These policies had denied architecture firms from gaining superfluous cash for their business. Fundamentally, businesses use money to raise their financial standing and manage their businesses, usually based on assets, which are resources owned or controlled by a business and used to generate money (Warner, 2010). Warner mentioned that the main objective of every business is to seek revenue and make a profit, thus, subsequently managing the cash is essential for the business's health and survival.

The operating cash cycle in any business justifies that cash is vital and profit is not necessarily the same as cash flow (Warner, 2010). During COVID-19, many of these enterprises fell into financial despair as numerous creditors did not provide financial tolerance, such as revenue-providing warehousing methods for recent tax arrears, rent postponement by landlords, or interest-only periods on previous loans by banks (Crowe Island, 2021). Ramli and Yekini (2022) found that inadequate cash flow management led to critical financial situations during the extended economic downturn caused by COVID-19. Most businesses in a growth cycle during the pandemic required working cash to fuel their expansion. This contrasts with firms that had to reduce their operations, such as during COVID-19, when the working capital cycle reversed and companies urgently required cash.

Nevertheless, the government provided businesses with financial aid to ensure their survival and continued operation (Ashiru et al., 2022). The government's initiative in introducing various financial aid and relief programs did allow some form of sustainability. The Malaysian government, along with various non-governmental organisations (NGOs), companies and foreign governments, did respond to the Covid-19 crisis by providing various forms of financial aid. YAB Tan Sri Dato' Haji Muhyiddin bin Haji Mohd Yassin, the 8th Prime Minister, had announced multiple economic stimulus plans, such as Prihatin, Penjana, Pemulih, Permai, Pemerkasa, and Pemerkasa+, to ensure the nation's survival (Mohd Yassin, 2020a, 2020c, 2020d, 2020b, 2021d, 2021c, 2021b, 2021a)

On 27th March 2020, the economic stimulus package known as Prihatin worth RM250 billion was introduced. Details of the plan related to the operation of architecture firms are as follows:

1. Free internet from April 2020 onwards until the end of the MCO (MCMC, 2020; Povera, 2020)
2. The government and TNB had allocated RM530 million for discounts of between 15% and 50% for electricity usage up to 600kw per month for six months beginning with the April bill
3. The government and Bank Negara Malaysia had allocated an additional RM4.5 billion for SMEs and micro-entrepreneurs through five initiatives
4. The government introduced a RM600-a-month subsidy for three months for employers with a 50% reduction since 1 January and employees earning less than RM4,000 per month
5. The government continued with all the projects allocated in the 2020 Budget, including ECRL, MRT2 and the National Sustainability and Sustainability Plan (NFSP) in line with its focus on ensuring sustainable economic development.
6. The Human Resources Development Fund (HRDF) was tax-exempted for all sectors for six months beginning in April 2020.

Another special stimulus plan worth RM10 billion was introduced on 6th April 2020, aimed at increasing the cash flow of small and medium-sized enterprises (SMEs) and ensure that the economy will not collapse. Yet another Short-Term Economic Recovery Plan (Penjana) was announced on 5th June 2020 to address rising unemployment. Details of the plans related to architecture firms are as follows:

1. The Wage Subsidy Program was extended for another three months.
2. Employers could apply for the Wage Subsidy Program if they were not allowed to operate during CMCO.
3. An employment subsidy program worth RM1.5 billion for companies hiring unemployed people.
4. Companies that employed Malaysians under 40 years of age were given RM800 per worker while those that employed Malaysians above 40 or disabled people were given RM1,000 for six months.
5. The RM2.1billion Prihatin Special Grant was created for all SME companies that qualified to apply
6. RM2 billion was provided by the banking sector to assist SMEs, with a threshold of RM500,000 per SME.

7. RM400 million to fund the Penjana microcredit scheme by Tekun and Bank Simpanan Nasional, with RM50 million for female entrepreneurs.
8. Full tax exemption for the purchase of locally assembled cars from June to 31 December.
9. A penalty waiver for companies that are late in submitting payment for sales and services tax.
10. Free 1GB of Internet data from 8 a.m. to 6 p.m. daily until 31 December.
11. Stamp duty exemption for transfer of property (homes) limited to the first RM1 million.
12. Stamp duty exemption for loan agreements for purchase of homes priced between RM300,000 and RM2.5 million effective for sales and purchase agreements that were signed from 1 June 2020 to 31 May 2021.
13. Real property gains tax exemption for disposal of up to three properties from 1 June 2020 to 31 December 2021.

Crowe Island (2021) had focused on the importance of cash flow management in the post-COVID-19 era and highlighted that businesses need to predict short-term funding requirements and prepare new business plans that emphasize cash flow needs. Araya et al., (2024) found that dealing with the financial stress of developing construction projects is one of the strategies employed in response to the pandemic. Crowe Island, (2021) considered strategies, such as diversifying services, adapting remote work protocols, and implementing more robust financial planning to resolve cash flow issues. Araya et al., (2024) found that construction companies' economic resources usually focused on multiple sources of financing when responding to the pandemic. Warner (2010) mentioned that technically there are four main categories of assets, namely fixed assets, intangible assets, investments, and current assets. He also emphasized that both long-term and short-term assets are essential for most businesses.

Research Design and Method

This qualitative study employed the phenomenological research method to fully comprehend the predicament of architects who faced cash flow challenges during the post-pandemic era. In reference to Creswell and Poth, (2018), the common meaning of a 'lived experience of a phenomenon' shared by several individuals, which focuses on cash flow challenges among architects, will be the method used in this study. Moustakas, (1994) adopted empirical phenomenology and focussed more on participants' description of their experiences. Moustaka's procedure starts by identifying a phenomenon to be studied, then highlights the researcher's experiences and collects data from several persons who have experienced the phenomenon. The researcher embraced this procedure to lend a fresh perspective on the phenomenon.

The participants, who were architects who had experienced cash flow challenges during the pandemic, were selected using the unique sampling method. The selection criteria were that the participants should be principals or directors of the architecture firm, had set-up the firm, possessed industrial experience, and the locality of the firm. Two informants were selected for this research and both were principals of their practices because this study required the firm's principals to participate as they are the decision-makers of the business. This is one of the reasons to have personnel with first-hand experience managing the business's finances. The informants were both architects who ran their sole proprietorship and partnership in Perak and started their practices more than 20 years ago. They had experienced the Asian financial crisis and its recovery phase in 1997 and 2006, followed by the Covid-19 pandemic in 2020.

Data collection involved in-depth semi-structured interviews to gather detailed descriptions of architects' experiences with cash flow challenges. The use of interviews and observations in this type of study was suggested by Creswell & Poth, (2018). The interview sessions took place at the informant's office and it lasted for approximately eighty minutes. The seven interview questions were based on the research questions. The informants conversed in both English and Malay to convey information regarding the research matter. The interviews were recorded (voice) using a Samsung tablet, while the video recording used a Samsung S23 Ultra phone recorder.

The data analysis used phenomenological methods that first explored and understood the architects' experiences related to cash flow challenges. The next step was horizontalization, which lists every significant statement relevant to cash flow challenges. Subsequently, the terms were clustered into themes. Structural descriptions then helped describe how the phenomenon was experienced by the architects. Lastly, textural description helped to identify and document what was experienced and conclusions were drawn from these experiences.

Interpretation of the data analysis aimed to uncover the main cash flow challenges, effects of operational stability, and adaptive strategies used by architecture firms. These interpretations are based on understanding the architect's background practices, pandemic's impact on the firm's operations, determine changes in revenue and clients, identify cost management strategies, identify government support, and strategies for future planning as well as determine the biggest challenges these architects faced when running their firms. The findings captured the depth and richness of the architect's experiences as well as understand the cashflow challenges faced by architecture firms in the post-pandemic era.

Data Collection

Data, which could provide an in-depth view on the research matter, were collected through in-depth interviews. The interviews took place in the interviewee's own respective offices, recorded via a voice recorder later transcribed for analysis. Data were analysed using the NVivo 14 software. Relevant statements and experiences of the architects were analysed by developing descriptions and themes from the data. The process involved coding, categorizing, theming, and concluding based on the identification of themes relevant to the research questions.

Each interview took one hour and forty-three minutes, and one hour twelve minutes. Participants were given interview questions related to the research questions regarding the challenges and strategizing of cash flow by architecture firms during the post-pandemic era. The interview began by the researcher describing her own knowledge about the subject matter in order to garner more information from the informants.

Below are the interview questions used in the interview.

1. Can you briefly describe your role in the architecture firm and the types of projects you manage?
2. How has the pandemic affected your firm's operations and cash flow?
3. Have you noticed any changes in revenue or client relationships since the pandemic began?
4. What strategies did you use to control costs during that time?
5. Did you receive any government assistance to help with cash flow issues?
6. What are your plans for the future that would ensure a stable cash flow?
7. What are some of the greatest cash flow challenges faced by architecture firms in Perak in the post-pandemic era?

Results and Analysis

The pandemic's impact on the architecture industry has posed challenges for architects in regard to running their businesses. Interviews with informants showed that they were deeply affected by the pandemic. Data were transcribed and analysed in order to better understand the post-pandemic cash flow challenges. The analysis was based on research questions regarding cash flow challenges and some of the strategies adopted to overcome the cash flow challenges faced by architects.

Two male professional architects running their own architecture firms in Perak were involved in the interviews, namely Architect A and Architect B. They are chosen because they had more than 24 years of experience in the architecture business. Architect A started his firm in 1996, whereas Architect B started his in 2000 and both had the required experience to set up their sole proprietorship. They both intended to develop their own consultancy business; hence, Architect A had established his own body corporate, while Architect B exited his first partnership to set up a sole proprietorship and develop another partnership. The involvement in various set-ups had made the informants very experienced in managing their own businesses. They both had completed government and private sector projects. Architect A had successfully managed a project worth RM 100 million, while Architect B oversaw a project valued at RM 50 million, thus, marking significant achievement in their careers. They were based in Perak, with the former practicing in Ipoh and the latter practicing in Seri Iskandar, while both simultaneously managing two professional roles. Architect A serves as a project manager, while Architect B is involved as an academician in the higher education sector.

Research Question 1

The research findings based on interviews had helped to expand this study by exploring cash flow challenges that affect the operational stability of self-owned architecture firms during the post-pandemic era. Findings based on themes and categories are shown in Diagram 1. Themes for cash flow challenges are cash flow issues and financial experience.

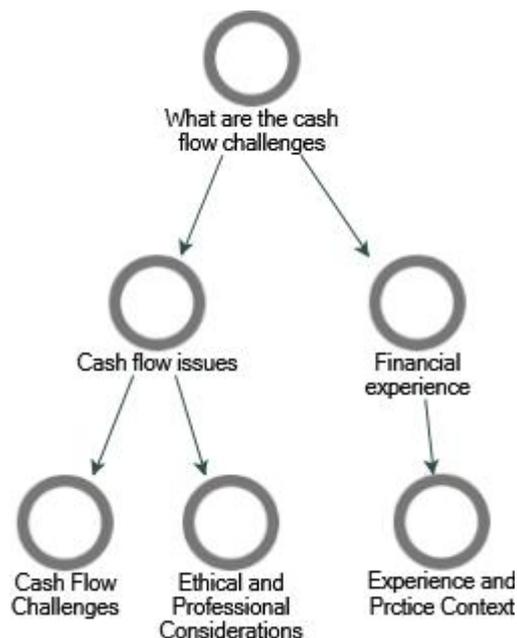


Diagram 1: Themes and categories for Research Question 1

Financial Experience

Financial management, together with global economy, social development, business, risk and financial markets, had faced unprecedented challenges during COVID-19 (Chang et al., 2020). Businesses were still able to sustain themselves during the pandemic, but after two years into the pandemic, they were merely surviving in the industry.

Experience and Practice Context

After 28 years of managing an architecture firm, Architect A mentioned that the decision to establish his own architecture firm was imminent and crucial. This is because he already knew the limitations and advantages of every architecture consultancy practice (ACP). As for an ACP solely managed by an architect, it would either be a sole proprietorship, partnership or body corporate (Architects Act 1967 (Act 117) & Rules, 2015). Moreover, experience in the business does have an impact on financial experience. This proved to be an advantage for Architect A based on his previous role as a director before he established his own practice. Architect A explained that:

“I had a little more advantage. It is also because I was a director from another firm before I set up my own office. I had already encountered all these problems. So that gave me the advantage and helped me anticipate the problem earlier. Even before I started my practice, I was a director. My boss told me about the staff’s cash flow. We need to pay the staff first. That is how I learned about managing a business”.

Architect A revealed that he improvised practice methods to create a sustainable business. He went on to say that:

“Even though I am a sole proprietor, I work in a team with other subordinate partners”.

This shows that Architect A's 'mixed and matched setup' employed co-architects to remain sustainable consistent with his firm's cash flow. He explained that :

"For me, we work with my mandated architects. So, we do not have to expand so fast and so big. We worked as a team during the pandemic. It helped us a lot. The others helped us too. So, we did it together. It does greatly affect our post-pandemic situation".

The term "co-architects" seems like a contradiction but actually, Architect A did not imply ownership but an informal arrangement where both parties are equally involved in business operations with an equally divided scope of work for each project. The idea of setting up a team was reported to be a successful financial experience for the firm. From Architect A's perspective:

"I mentioned about the mandated partners. This is a way for us to soften the impact of the pandemic. Actually, we work in a group so that we do not have to bear day-to-day running of operations".

The financial experience theme revealed that collaborating with other architecture firms helps sustain office operations by managing staffing levels and ultimately reducing financial burdens. This was supported by Ch'ng and Padgham, (1998), who said that teamwork helps the organization, strategy, and collaboration aspects. Advantage of the collaboration approach is a reduction in the complexity of tasks through the distribution of duties, which results in improved resource utilization, robust behaviours, and a broader spectrum of behaviours towards competitors.

Cash Flow Issues

The movement control order(MCO) as well as the extended COVID-19 pandemic had caused an economic slowdown and significantly affected the cash flow of innumerable companies (Ramli & Yekini, 2022). Generally, architecture firms operate by providing consulting services and earn revenue through fees. Hence, when the MCO was implemented, the firm's operations came to a standstill and severely impacted its cash flow.

Cash Flow Challenges

Both architects disclosed that government projects had delayed their cash flow as the firms depended on government projects to run their business. One of the reasons for the delay was the tedious documentation involved in the reimbursement process, especially when the claim is at the final phase of the project. Architect B revealed that:

"Just received the final payment because it is a government project and when our fees increase it will take some time because the government has to obtain the NOC from the MOF".

Baru bayar final payment sebab dengan projek gomen ni, apabila fee kita bertambah dia akan jadi lama lah sebab dia dapatkan NOC daripada MOF."

This shows that if the fee increases it will take a long time to receive the final payment as the government needs to prepare extra documentation and entails a meticulous process involving the Ministry of Finance (MOF) and the respective ministries that run the project. This was eventually supported by Architect A:

“The government project delays my cash flow. So you need to read the CSA agreement to fight for your rights”.

Hence, the delay itself is already a challenge when managing the firm’s cash flow. However, Architect B experienced a blessing in disguise when a payment arrived just before the pandemic began, providing timely financial relief. Architect B clarified:

“Anyway, I just want to add that in 2020, before we started the first MCO, I received a payment for an earlier project”.

Jadi saya cuma nak jadi cerita waktu 2020, kita start first MCO 2020 saya ada payment masuk sebelum MCO berlaku, payment projek Lama”

Even though the payment came at the right time, Architect B still expressed his anxiety about financial sustainability during the pandemic, as the state government had also halted their projects, which was worth RM 40 million, after just completing 15% of the work scope. Architect B had faced the problem of reduced revenue collection due to the halted project. He stated that:

“The income we received was surely decreasing. One of the reasons I feel was perhaps the clients were themselves affected. I think most of the clients were also affected by the pandemic. So there might be cancelled projects. Ha.....that was the situation whereby some projects were cancelled”.

Pedapatan kita dapat memang makin berkuranglah. Sebab satu saya rasa, mungkin client pun sendiri dia terjejaskan . Most of the client I think dia pun terjejas dengan dengan pandemik. So mungkin projek tak jadi pun ada. Ha tu ceritanya antaranya projek tak jadi.”

Architect A raised the issue of other challenges related to other parties, such as the relevant authorities. He highlighted the role of employers in maintaining employees’ needs such as the datelines set by the Employees’ Provident Fund (EPF or KWSP), Social Security Organization (SOCSO or PERKESO), and The Inland Revenue Board of Malaysia (IRBM or LHDN). Architect B mentioned:

“The biggest challenge for my architecture firm during the post-pandemic era is overhead related to the relevant authorities, mainly our statutory obligations. When we do not have money, we still need to pay the EPF, we need to pay our income tax monthly. They still want our projection. The government is not helping they just help themselves. That is the biggest challenge every year. We need to pay income tax. Every 15th of the month EPF will call for payments and it is the same with LHDN. However, PERKESO is still the same but just that the amount is bearable and small. They are the ones that worsen the cash flow issue because of the same datelines for all of them”.

Architect A had to provide extra services for clients during the pandemic, although the services were not stipulated in the agreement. Architect A was confronted with the matter because it had already affected his cash flow. This had also affected Architect A as the client threatened not to offer any more projects in the future. Architect A revealed that:

“The client said that they will blacklist me. They can just send us letters because we are not following the terms and conditions. We already did our additional work. So, we need to fight for this. The pandemic really makes me think a lot”.

It was difficult to secure projects after the pandemic, especially government projects. Architect B mentioned that he was surviving on small-scale private projects. Surviving with projects valued at RM 5 million and below was crucial, as mentioned by Architect B below:

“Consider that there were no more projects, we are talking about if there are projects, Alhamdulillah....not to say there were none at all but just small projects. Actually these were bread-and-butter projects right, for example the five million and below projects”.

Consider tak ada projek tu, kita bercerita tu kalau ada adalah, alhamdulillah bukanlah kata tak ada langsung tapi small projek lah. Sebenarnya projek projek ini jadi bread and butter kan, for example macam projek-projek five million and below.”

The architects had faced challenges in collecting payments accrued from government projects even before the pandemic, let alone during the pandemic that truly saw projects being halted and everyone trying to survive. Based on the interview, both architects stated that delayed payments for projects they secured from the government had truly impacted their cash flow. They mentioned that they were in survival mode post-pandemic as they received fewer government projects and had to focus on small-scale projects that provided a lower profit margin.

Ethical and Professional Consideration

The ethical and professional consideration category does intrigue this study as it focuses more on faith. The architects believed that practicing with good faith will afford them *rizq* from God. Architect B believed that he really relied on God's will and was rewarded with the second payment just before the second MCO in 2021. Architect B explained:

“Alhamdulillah maybe it was rizq from God who wanted to help me. There were two MCOs, whereby in 2020 we had to completely close and again in 2021 but we received a payment before that”.

mungkin rezeki tuhan nak tolong tu, 2 Kali kita MCO kena tutup terus kan 2020 dan 2021 kena sekali lagi kan sebelum tu ada payment masuk.”

Architect A was aware that one of the cash flow issues related to professional consideration is not to give free service. There are a lot of people actually taking advantage of each free service provided. He mentioned that:

“In reality, there is a lot of them that actually just use your proposal. So to me, just be careful”.

Architect A was describing his experience by comparing the recession with the pandemic, as he has been practicing for 28 years as a professional architect who runs his own company. He opined that the pandemic was the worst experience he had as an architect. He was relating to projects that should have been upheld and stopped. Architect A said that:

“The pandemic is the worst because you simply could not move. There was no work that could be built. We could move during the recession, but we could not do anything during the pandemic. Even if we could move, other people could not. Nothing could be done. It was actually the most challenging of times. Maybe I was lucky during 1996, 1997 and 2002”.

Architects have to be ethical and professional when providing their services. A strong belief in their faith is reflected in how they practice their consultancy. They believe in faith for a better future, while their architecture service is a form of *Amal*. From this perspective, both architects realized the ‘dos and don’ts’ of doing their business. Besides, they portrayed rationale actions while surviving in business even though they underwent repeating crises. The cash flow issue theme uncovered cash flow challenges that focused on government projects based on the interview with both architects. They mentioned that they were in survival mode while experiencing an adverse cash flow situation due to delays in payments. However, both of them still held on to their professionalism while carrying on with their business and facing the crisis in a lesser agitated situation.

Research Question 2

Research findings based on the interviews had helped this study to widen the examination by analysing various strategies for overcoming cash flow challenges by architects who run their own architecture firms in the post-pandemic era. Findings on the themes and categories are described in Diagram 2. The cash flow strategy themes are business resilience strategies and financial sustainability practices.

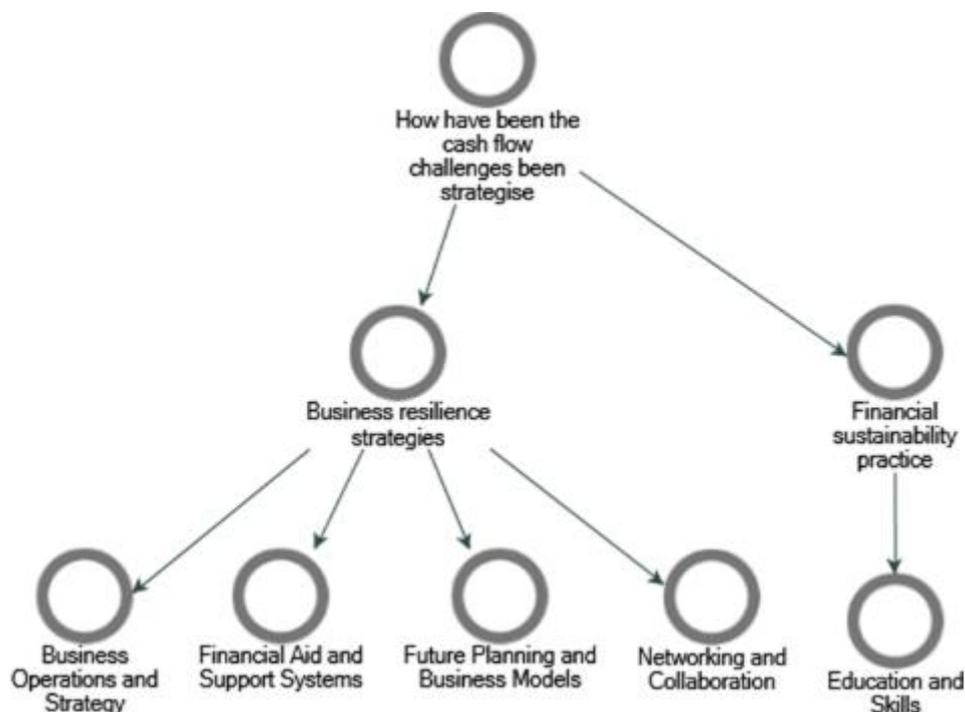


Diagram 2: Themes and categories for Research Question 2

Business Resilience Strategies

Traumatic experiences can also trigger positive responses, thus, fostering resilience and a sense of personal growth (Finstad et al., 2021). Finstad et al. (2021) stated that there are still opportunities for strategies even though there are constraints in fostering an architect's business resilience.

Business Operations and Strategy

The business operations and strategy category is important as architects need to understand the nature of the architecture business and limitations in architecture consultancy practices. Architect A mentioned the advantage of having a body corporate.

"The 'Sdn Bhd' (private limited) business status has a certain advantage because sole proprietorship has its inherent limitations. People from GLCs, government sector and big companies assume that sole proprietorships have limitations, especially when the proprietor passes on, and you happen to be managing a project. Hence, that is the advantage of a 'Sdn Bhd'. However, one has to be cognizant about the market and the ability to work with agreements. Therefore, proprietorship has its disadvantages. Thus, if the company comprises multiple partners, then it should be a 'Sdn Bhd' rather than a partnership. A partnership is difficult to part with, in comparison to a 'Sdn Bhd' because the latter uses shares as its liabilities. The company can sell and buy the shares and it can change too, as it can change its shareholders".

However, Architect B was more inclined to form a partnership because of its advantages. He said that a partnership is his current setup and solution to fulfil his aspirations and objectives in the practice. Professional architects are always affiliated to liabilities, thus, choosing the right setup in accordance with contemporary circumstances actually provides them better opportunities. Architect B said:

"As a partner, it is an advantage when at times I am not around. Somebody can take over, signed documents and so on lah. That is one thing, and another thing is if anything were to happen to me....., as we do not know when we will pass-on. I do not know...young people do pass-on too. So at least the company will keep surviving, right?"

as a partner yang untungnya bila ada time tertentu bila saya tak ada. Somebody boleh take over the project signed and so on lah. Itu satu benda lah Dan lagi satu, kalau anything happen to me, kita tak tahu siapa nak mati. Saya tak tahu orang muda mati juga kan. So at least the company akan keep survive lah kan."

Based on the interview, there is an important lesson to unlearn and relearn. This is related to when architects are not business savvy. Architect A suggested that architects need to learn to become a businessman. He advised that:

"That is the challenge - we need to train ourselves to be businessmen. We need to expose ourself. You are a businessman although most of the time you are managing your own business."

They shared their experiences and offered new ideas about owning an architecture consultancy practice. Architect A had the idea of having a team of architects of various ages working together. This way the team is not under one setup but varies. Architect A was hoping that this strategy would allow the architecture business to grow further due to the presence of various experiences based on architects of different ages. Architect A emphasised as follows:

“The energy is from the new architects. Based on my hindsight, I have had problems before so, that is why I am more careful now. I want to crop the problem. If we have a group of young architects around 4 of them and 3 are more experienced, we can make it as a team. I want to share a little bit of my experience. That is why I want to build this business model to help others”.

Architect B’s approach is to diversify the consultancy business through the ‘design and build’ approach. Traditionally, architects conduct their service directly with the client and get paid directly in return. Architects always face a difficulty in justifying the amount of fees charged to calculative clients. Hence, he suggested that the service can be provided through a contractor who can include the fees as part of the overall construction cost. Clients are always attracted to ‘freebies’ because they think the fees are free. Architect B stated that:

“Since the client does not notice it, he just appoints.... they do not realise that the total cost charged actually includes the fees charged”.

Tapi sebab klien tak nampak dia appoint je, dia orang tak nampak Yang jumlah di caj. Sebenarnya caj tapi di belakang.”

Architect A claimed that architects are not being calculative when manoeuvring business cash flow. Architects often tend to cross subsidize fees with other projects, which eventually leads to adverse effects on the architects in the long run. Architects should calculate fees for each specific project. Architect A stated that:

“Previously, we were not that calculative. The reason is that before the pandemic there was a lot of projects for us. We did not realize that we were cross-subsidising our fees. There were some projects that were not profitable but some were profitable. But when we look into it, it is not worth it. If we have a lot of projects, then it is okay but after the pandemic, I got calculative. This is where we need to understand how cost comes in”.

The business resilience strategy category discussed the nature of the architecture business, architecture setup and limitations, architects being business savvy, teamwork among different setup of architects, architects diversifying their service under the ‘design and build concept’, and being calculative of every project by not cross-subsidizing between projects. These were the suggested strategies that could be implemented after the pandemic.

Financial Aid and Support Systems

Architects can reap the benefits of the financial aid and support systems provided in order to be resilient. The financial aid is aimed at stimulating the economy to generate overall financial stability. Industries cannot break the supply chain to be sustainable in the market. Architect B accepted the financial aid in order to sustain the firm's cash flow, especially to pay the staff's wages. He also mentioned that:

"..., in addition to aid provided by Perkeso. At least it helped to cut our expenses in half". ditambah juga dengan bantuan Perkeso. At least dia bantu separuh daripada kita punya perberlanjaan."

Meanwhile, Architect A did not commit to the financial aid provided by the government because he wanted flexibility in the firm's staffing. Architect A believed that working from home can lessen the cash flow strain. He revealed that:

"If we accept the incentive we will be bound with that party for a long time. Let us see if our workers do perform or will it be a hassle for us. At that time, we worked from home".

The architects made their choice and accepted the government's financial incentives. They had their legitimate reason(s), one being for sustaining the company's operations. Architect A refused to accept the incentives and managed it through the flexible staff working policy, whereas Architect B adopted the approach of maintaining the staff as usual.

Future Planning and Business Models

Business needs to sustain itself in the long run by having a future plan and added value to upkeep the business model. Investment strategy is part of sustaining company operations. Architect A's idea of investment involved dividing the revenue into three parts. Architect A advised against the temptation of having savings for the future. He mentioned:

"We need to prepare for making investments. We divide it into three, whereby 1/3 is cash, 1/3 is short term and 1/3 is invested in properties, so that we can bear with any situation. Somehow, by doing that, we can sustain longer because we have our own savings. If we do not give in to our temptations when we can make large profits, then we will be able to sustain ourselves".

Architect B provided several options for sustaining the company. He had invested in gold but due to the pandemic, he considered liquidating it for cash. However, he received a payment just before the MCO, which he used to sustain office operations instead. Post-pandemic challenges persist, and he may need to use the investment in the future. Architect B stated that:

"And I also hope that with the investment I made earlier..... I still have investments in gold, still have a lot. Alhamdulillah. Hence, perhaps that will help if anything happens, especially to sustain our business. So considering the present situation, I have to use it".

Dan saya harap juga dengan dengan pelaburan yang saya buat sebelum tu saya masih ada pelaburan emas ,masih ada banyak. Alhamdulillah. So yang tu kot nak membantu baliklah

untuk anything happen especially nak sustain kita punya business. Ni dengan keadaan sekarang ni saya kena guna ”

Architect A realized that he needed to start thinking like a businessman if he wanted to hold on to his architecture business. He believed that architects need to be selective when choosing projects in the post-pandemic era as some of them are not profitable when cross-subsidizing fees. He mentioned:

“So after this pandemic, I realized that we need to be a businessman. We need to start again and list all the costs rather than cross-subsidizing our fees. My conclusion about this post pandemic era is that we do not just grab any job. We need to be brave enough. Yes, we need to be selective... it is ok if we do not get projects because some of them are not profitable”.

Architect A emphasized in upgrading his business model by being open to joint ventures. He believes in sharing the task with other partners and wants to play the role of a more experienced architect in future ventures. This is because clients who want to invest millions in projects believe in well-experienced architects in the industry; thus, it will be easier to secure big-scale projects. Architect A stated:

“I am going to be 60 this year so my business model is that I want to concentrate more on joint ventures. I want to look up for jobs. I want to be the eldest and can look upon others and how to run the business. However, that does not change the client's needs whereby they still want me to go to meetings”.

Investment, changing ways of doing business, and joint ventures were discussed in order to create better chances for future business. Planning with the help of a better business model will help to strategize and be resilient in the industry. It is never too late to plan; this is because both architects are reaching the age of 60 and both are still energetic and wise in handling situations.

Networking and Collaboration

Networking and collaboration play a huge role when managing a crisis in the architecture business. Setting up a team of architects does help Architect A's business operations, especially the company's cash flow. However, in order to implement this idea, the architects need to trust one another and establish a network. Architect A stated that:

“The design requires us to work together but both of us have work to do. So we divided our work and I asked her to update the design. Lastly, we obtained good results even though this is not the level of partners. When we receive the fees we will pay. So this is the trust level”.

Managing staff who work from home (WFH) or work from anywhere (WFA) was also implemented by Architect A. He mentioned that this policy helped him to reduce the cash flow regarding staff's wages. The idea of sharing staff by having co – architects and WFH or WFA policies did really help and is still implemented even after the pandemic. Architect A stated:

“They only work a few days a week. They will send their timesheet. Some of them are already in this state. So, they work as though they are part-timers. Some of them also work according to deadlines, so they will work within that time frame”.

Architect A also suggested networking with other professionals, which will help to overcome the lack of knowledge on finances. Architects can establish relationships, learn from them and be prepared for any circumstance. Architect A recommended :

“A good network with accountants, auditors, and taxman is important. This idea could comprise the same person or different people. We should engage them as part of our team or we could just learn from them and engage with them. That is my way but it is not even easy. It will be proper if we have the management in our syllabus”.

Collaboration among architects can be one of the strategies for maintaining the cash flow in an architecture firm. The implementation involves the sharing of one project among a few architects, sharing of staff and work-from-home policy, thus, reducing the need for human resources and eventually managing the staff's wages and sustaining cash flow. As for networking strategies, architects just need to be friendly and learn from others since not all architects are financially literate.

Business resilience strategies for architecture firms include understanding the business landscape, fostering teamwork, diversifying services, and managing projects without cross-subsidizing the fees. The architects think differently about government financial incentives and how it affects their cash flow. Future business prospects can be improved through investment, adapting business models, and forming partnerships. Strategic planning leads to sustained industry resilience. Collaborative projects involving architects can help manage cash flow, reduce staffing needs, and control wages.

Financial Sustainability Practice

According to Hasler et al. (2023), financial literacy is crucial as lower levels of financial knowledge correlates with spending more time on personal finances. After accounting for income, education, and key demographic factors, those who are more financially literate are likely to be more financially resilient, plan for retirement, and become debt-free. Financial sustainability practices do relate to the knowledge and skills of the architects themselves. Architects who wish to be financially resilient need to be financially literate. A lack of entrepreneurial knowledge within the architecture sector significantly restricts the potential for business growth (Ismail et al., 2024).

Education Skills

Education skills refers to abilities and competencies acquired through education and training. This will enable architects to effectively understand the process and apply relevant knowledge when running their firm. Architect A suggested that architects need to learn business management to bolster their management skills and to be resilient. Architect A mentioned that:

“Architects can pursue a Master's degree, may be in Business Administration and Finance. If not, just take a real MBA”.

Architects need to learn new skills to stay relevant in the industry. Being competent is different from being relevant. Architect A suggested acquiring new skills to become a green building expert or a Building Information Modelling (BIM) consultant. Architect A suggested:

“You need to establish yourself as an expert. Hence, it is worthwhile for people to find you. For example, people will find those who have a BIM or GBI, so you should invest in these things. Make yourself known”.

Adaptability is essential for navigating the post-pandemic landscape, as it provides solutions for overcoming challenges. Relearning business management is one suggestion that can help architects become more knowledgeable about their own operations. In addition, staying current with technological tools and resources enables architects to better strategize and manage their firms.

Architects aiming for financial resilience must prioritize financial literacy. A lack of entrepreneurial knowledge within the architecture sector significantly restricts business growth potential. Adaptability is essential for navigating the post-pandemic landscape and offering solutions for overcoming challenges. Relearning business management and staying current with technological tools are crucial for architects who yearn to enhance their operational knowledge and strategic management of their firms.

Conclusion

Collaboration with other architects should be enhanced with the Work-From-Home (WFH) policy as this will certainly have a better impact on resolving the firm’s cash flow challenges. Studies have suggested the development of organizational policies in the form of better structured approaches in adaptable working environments (Chirico et al. 2021; Keightley et al. 2023; Kitagawa et al. 2021; Popa et al. 2022; Santiawaty & Erawanto, 2022). Santiawaty and Erawanto, (2022) emphasized that many countries prioritized Work-From-Home policies to ensure business continuity while safeguarding public health. The policies needed to have a balance in practicality for both employers and employees. Thus, future policy decisions should enhance the effectiveness of remote working. Architects must possess financial literacy, as it is crucial for effectively managing their own businesses and positioning themselves as stronger entrepreneurs in the industry.

Architect A's extensive experience as a project manager demonstrates his practical expertise and leadership skills in architecture projects. Architect B's role as an academician in higher education highlights his scholarly contributions and deep understanding of architecture theory and practice. Notably, by having two sources of income, both Architect A and Architect B significantly contribute towards maintaining and stabilizing their company’s cash flow. Both architects, with their extensive experience, anticipated the challenges of late payments. However, enduring repeated crises and experiencing the pandemic firsthand has compelled them to adapt to the changing world and become resilient.

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