

**THE CRITICAL SUCCESS FACTORS:
A STUDY ON THE SMALL- AND MEDIUM-
SIZED MANUFACTURING COMPANIES
IN EAST MALAYSIA**



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DECLARATION

I hereby declare that the material in this thesis is my own except for quotations, excerpts, equations, summaries and references, which have been duly acknowledged

15 May 2007

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CERTIFICATION

TITLE : **THE CRITICAL SUCCESS FACTORS: A STUDY ON THE
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VIVA DATE : **15 NOVEMBER, 2007**

DECLARED BY

1. PROF. DR. SYED AZIZI WAFA

Supervisor

(Signature)



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Assalaammu'alaikum.

In my attempt to complete this Ph.D thesis, I have learned that without my own emotional and motivational support as well as steely commitment, I would have abandoned this project even after completing the required survey work. Maybe the objective of fulfilling my childhood ambition of achieving a PhD., was clouded by other emotional circumstances that had triggered my desire to send my admission to the university. Everyone around me was perplexed with my decision to pursue my Ph.D, and speculation arose ignoring the true reasons. In one way or another, these speculations and misunderstandings have strengthened me to prove that I can complete my thesis at quite a late stage in my age and in my career.

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ABSTRACT

THE CRITICAL SUCCESS FACTORS: A STUDY ON THE SMALL- AND MEDIUM-SIZED MANUFACTURING COMPANIES IN EAST MALAYSIA

In an era of globalization, there is a great need to possess the critical success factors that propel the small and medium-sized manufacturing companies to be competitive and produce higher returns for the owner-managers. The pivotal roles of the SMMCs in the economy, coupled by a very limited study on this group warrant this study. This study attempts to investigate the relationship between the owner-manager's personal background, personality traits, objectives, and the annual performance of the SMMCs. In addition, this relationship is further tested by employing the choice of strategy as the mediating variable, and the internal strategic resources as well as the external factors of industry dynamism and government intervention as the moderating variables. The results of the study will determine whether the findings in other countries are similar or applicable in this study. The sample of respondents are members of the Federation of Sabah Manufacturers (FSM) and the Sarawak Manufacturers Association (SMA), who own at least 5% shareholding and manage the small- and medium-sized manufacturing companies (SMMCs), which employs between 5 and 300 workers and produce an annual sales between RM1million and RM50 millions. The results indicate that the owner-managers of the SMMCs are highly complex, and that most of the variables employed do not cause any variation in the performance results. The SMMCs' choice of competitive strategies, namely differentiation and focus, are found to influence the motives of the owner-managers. The 'Need of Achievement' of the owner-managers is also found to have a mediating role on the relationship between the 'differentiation' strategy employed by the owner-managers and the firm's annual employees' growth. In addition, the strategic financial resources and reputational resources also play mediating roles in the relationship between the owner-manager's risk-taking propensity and the focus strategy, and between the independence motive and the focus strategy, respectively. Even though the findings do not duplicate the empirical findings found in other countries, nevertheless, the study can still be used as reference materials for all concerned. A comprehensive and longitudinal study is highly recommended to establish the critical success factors of the SMMCs in East Malaysia.

ABSTRAK

Dalam era globalisasi, adalah mustahak bagi pemilik-pengurus syarikat-syarikat pengilangan kecil dan sederhana (SMMC) memiliki faktor-faktor kejayaan kritikal yang boleh mendorong mereka menjadi kompetitif dan berdaya saing serta memberikan pulangan yang lebih memuaskan. Peranan penting golongan usahawan industri kecil dan sederhana ini serta kekurangan kerja-kerja penyelidikan atas mereka, telah mendorong penyelidikan ini diadakan. Kajian ini mencuba untuk menyiasat perhubungan antara latar belakang peribadi, sifat sahsiah, objektif-objektif pemilik-pengurus dengan prestasi tahunan syarikat-syarikat mereka. Di samping itu, perhubungan ini di kaji lebih lanjut dengan menggunakan pilihan strategi sebagai faktor pengantara, dan sumber-sumber strategik dalaman, kedinamikan industri sebagai faktor luaran dan campurtangan kerajaan sebagai ciri-ciri penyederhanaan. Hasil kajian ini akan menentukan sama ada penemuan di negara-negara lain adalah sama atau boleh digunakan dalam kajian seperti ini. Sampel responden adalah terdiri daripada ahli-ahli Federation of Sabah Manufacturers (FSM) dan Sarawak Manufacturers Association (SMA), yangmana mereka diharuskan memegang jawatan yang mempunyai kuasa membuat keputusan, memegang saham sekurang-kurang 5%, dan menjalankan aktibiti perkilangan atau pemasangan dimana syarikat mereka mempunyai tenaga pekerja diantara 5 hingga 300 orang, dan mendapat hasil jualan tahunan diantara RM1 juta hingga RM50 juta. Keputusan kaji selidik ini menunjukkan bahwa pemilik-pengurus SMMC adalah sangat kompleks dan kebanyakan ciri-ciri serta faktor yang digunakan tidak menyebabkan sebarang variasi dalam keputusan prestasi syarikat mereka. Adalah didapati bahwa strategi 'differentiation' akan mendorong perubahan keatas 'motives' atau tujuan pemilik-pengurus SMMC berkecimpung dalam bidang industri perkilangan. Juga didapati bahwa 'Need of Achievement' membawa peranan perantaraan diantara strategi 'differentiation' dengan peningkatan jumlah pekerja. Sementara itu, sumber kewangan (financial resources) dan sumber reputasi (reputational resources) juga didapati mempunyai peranan pengantaraan diantara 'risk-taking propensity' dengan strategi 'focus', dan diantara motif 'independence' dengan strategi 'focus'. Walaupun kesimpulan hasil penyelidikan ini tidak menyerupai kesimpulan kajian luar negara, adalah diharapkan keputusan kajian ini dapat menjadi sumber rujukan bagi mereka yang berkaitan. Kajian yang komprehensif dan longitud (jangkamasanya yang panjang lagi) adalah disyorkan untuk menubuhkan faktor-faktor kejayaan kritikal yang lebih sesuai bagi industri pengilangan di Malaysia Timur.

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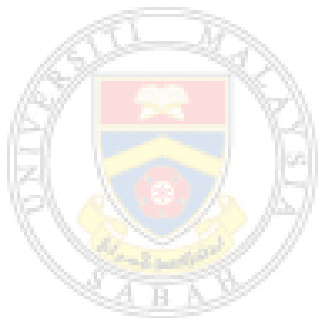
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