



UNIVERSITI PUTRA MALAYSIA

**IMPLEMENTATION OF ADVANCED MANUFACTURING
TECHNOLOGIES (AMTs) IN THE SMALL AND
MEDIUM SCALE INDUSTRIES (SMIs) OF MALAYSIA**

ROSNAH MOHD. YUSUFF

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By

ROSNAH MOHD. YUSUFF

**Thesis Submitted to the School of Graduate Studies, Universiti Putra Malaysia, in
Fulfilment of the Requirement for the Degree of Doctor of Philosophy**

July 2002



DEDICATION

To my beloved parents, May ALLAH bless their souls

To my dear husband for his support and encouragement

**To my children, Muhammad, Amal, Hasiefah, Naqiyah, Nuha and Ahmad, for all
the laughter, joy and tears without which, surely life is an endless bore, and**

To those that stood against tyranny, and fight for justice and truth

MAY ALLAH BLESS US ALL AND GUIDE US IN HIS PATH

AMEEN

Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfilment of the requirement for the degree of Doctor of Philosophy

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(AMTs) IN THE SMALL AND MEDIUM SCALE INDUSTRIES (SMIs) OF
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July 2002

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The implementation of advanced manufacturing technology (AMT) has been known to increase the competitiveness of manufacturing firms. For the small and medium scale industries (SMIs), the implementation of AMT is necessary to face the challenges of globalization and to ensure their future survival. However, studies have shown that the full potential of AMT can only be realized if certain requirements are in place before embarking on AMT implementation. The competitive benefits can be fully acquired if there is alignment between the technology and organization. Thus, the implementation of AMT requires not only technological change, but also supported by operational and organizational change.

This study evaluates the ability and capabilities of the Malaysian SMIs to implement AMT successfully. The current level of technology, the organizational and managerial capabilities of the SMIs were investigated to determine the extent of ‘alignment’ or ‘misalignment’ between technology and organization. By identifying the gap of the ‘misalignment’, the necessary steps can be taken to close this gap.

A survey questionnaire was developed to meet the objectives of the study. A total of 1182 companies were included in the sample, and only 136 (~12%) companies responded. The results were analysed using the Statistical package for Social Science (SPSS) for mean values, percentages and correlation coefficients. To determine the ‘gap’ between technology and organization, a regression analysis was conducted to find the ‘best fit curve’.

The results showed that among the AMTs implemented, CAD and PLC were the most commonly used and adopted by about 25% of the companies. Other AMTs were used by less than 25% of the companies. It was found that, overall, the business techniques have greater emphasis compared to the engineering and manufacturing techniques, especially for the AMT that are in place and in progress. The companies showed a greater tendency for software based AMTs. The technologies implemented can be classified as ‘stand alone’ or level one AMT against the level four or fully integrated systems signified by the least common technologies implemented. Computer controlled equipment is hardly used and integration of functions through computer systems is very low. The companies showed a higher usage of computers for the business functions rather than in production.

Based on the level of organization and technology of the industries, a Technology – Organization (T-O) map was developed. The fourth polynomial regression was found to give the best curve fit with a R^2 value of 0.38766, for all industries, indicating that there is a lack of fit between technology and organization. The curve traced by the regression analysis is used to identify the paths taken by the industries and the stages of AMT implementation. The metal-based and furniture industries showed that they are following the O-path, indicating that they can implement more technologies, and the electronic industries, which is inclined towards the T-path, should implement more organizational changes to achieve a better fit between the organization and technology.

The success of AMT implementation requires mutual adaptation between organization and technology. The survey results showed that the organizational structure and managerial capabilities of the industries are not adequate for AMT implementation even at the current level of technology, especially in the electronics industries. The lack of an organic structure, understanding of the technologies, level of skilled workers and engineers and the culture of the industries are among the factors that will hinder the SMIs from achieving the full benefits of AMT. Thus, the opportunities that these technologies have to offer cannot be capitalized and exploited. This ‘lack of fit’ between organization and technology need to be addressed before future investments in AMT are carried out.

This study has provided an insight on the AMT implementation capabilities of the SMIs in Malaysia by evaluating the current conditions as compared to the requirements of successful AMT implementation. It has provided us with the knowledge of the current situation, the paths and factors to be considered by the SMIs to ensure that the implementation of AMTs will achieve the full benefits. Further work in this area should consider conducting case studies, which will enrich the information process and guidelines to be developed for specific AMT implementation. Studies on performance measures for organization-inclined companies and technology-inclined companies will also help in determining the appropriate paths to be taken by the SMIs.

**Abstrak Tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai
memenuhi keperluan untuk ijazah Doktor Falsafah**

**PERLAKSANAAN TEKNOLOGI PEMBUATAN TERMAJU (TPT) DI DALAM
INDUSTRI KECIL DAN SEDERHANA (IKS) DI MALAYSIA**

Oleh

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Kajian telah menunjukkan bahawa perlaksanaan teknologi pembuatan termaju (TPT) dapat meningkat daya saing sesebuah syarikat. Bagi industri kecil dan sederhana, pelaksanaan TPT adalah penting untuk menghadapi cabaran globalisasi dan memastikan kewujudan syarikat masa hadapan.. Walau bagaimanapun pelaksanaan TPT memerlukan persediaan yang tersusun yang boleh menjamin kejayaan pelaksanaan itu. Keperluan ini mesti disediakan lebih awal sebelum TPT dilaksanakan.

Kajian ini menilai kemampuan IKS dalam melaksanakan TPT. Keadaan dalam IKS sekarang dinilai untuk mengukur sejauh mana IKS perlu diperbaiki dari segi tahap teknologi, struktur organisasi dan kemampuan pengurusan menampung pelaksanaan TPT. Kajian ini dijalankan dengan menggunakan soal selidik. Sebanyak 1182 syarikat telah dijadikan sample populasi kajian. Hanya 136 (12%) syarikat telah mengambil bahagian

dalam kajian ini. Hasil soal selidik telah dianalisis dengan mengguna pakej SPSS untuk mencari min, peratus dan pekali korelasi. Analisis regresi telah dijalankan untuk mencari ‘curve-fit’ yang terbaik antara indeks organisasi dan teknologi.

Hasil kajian menunjukkan tiada satu TPT yang digunakan lebih dari 25% syarikat kecuali rekabentuk terbantu komputer (CAD (25.4%)) dan PLC (25%). Kajian menunjukkan TPT yang lebih digunakan adalah teknik perniagaan berbanding dengan teknik kejuruteraan dan pembuatan terutamasekali untuk teknologi yang sedia ada dan sedang di jalankan.. Syarikat menunjukkan kecenderungan mengguna teknologi TPT berasaskan software. Teknologi yang di laksanakan boleh diklasifikasikan sebagai sistem ‘stand-alone’, atau TPT aras satu berbanding dengan aras empat atau sistem integasi sepenuhnya. Kajian juga mendapati integrasi fungsi melalui komputer adalah rendah dan kebanyakkan integrasi berlaku dalam fungsi perniagaan dan tidak pada pengeluaran.

Berdasarkan tahap teknologi dan organisasi, satu peta Teknologi-Organisasi(T-O) telah dibangunkan untuk syarikat-syarikat yang mengambil bahagian dalam soal selidik ini. Satu persamaan regresi polynomial kuasa empat antara O dan T menghasilkan nilai $R^2 = 0.38766$. Ini menunjukkan kurang keserasian antara organisasi dan teknologi yang akan menyebabkan kejayaan TPT terbatas. Persamaan regresi ini juga memberi gambaran kecenderungan atau arahju industri sekarang dan juga tahap teknologi. Untuk industri berasaskan logam dan kayu/perabut, oleh kerana lebih cenderung kepada laluan O, ianya boleh meningkatkan teknologi, manakala untuk industri elektronik, ianya perlu meningkat kemampuan organisasi untuk mengimbangi antara O dan T. Perkara ini

penting untuk menentukan halatuju sesebuah syarikat kerana keputusan untuk melabur dalam TPT perlu melihat pada keadaan sekarang.

Kejayaan pelaksanaan TPT bergantung pada adaptasi antara organisasi dan teknologi. Hasil kajian menunjukkan bahawa struktur organisasi dan kemampuan pengurusan pada industri tersebut tidak memadai untuk pelaksanaan TPT, terutamasekali dalam industri elektronik. Tanpa struktur organisasi yang anjal, kefahaman teknologi, dan tahap pekerja mahir dan jurutera dalam syarikat serta budaya dalam industri adalah antara faktor-faktor yang akan menghalang pencapaian optimum TPT. Pelaburan terhadap TPT dalam keadaan ini tidak menjamin syarikat dapat meningkat daya saingnya. Peluang-peluang yang lebih luas daripada TPT juga tidak dapat diterokai.

Kajian ini telah menilai kemampuan IKS melaksanakan TPT dengan membanding sejauhmana perbezaan keadaan yang ada dalam IKS sekarang dan keperluan untuk melaksana TPT dengan berjaya. Dengan mengetahui keadaan IKS sekarang dan arah tuju IKS dan mengenalpasti faktor-faktor yang perlu diambil kira, diharap pelaksanaan TPT akan lebih berjaya. Diharap kajian masa depan akan mempertimbangkan kajian kes-kes kerana ini akan member maklumat yang lebih terperinci dan membolehkan satu panduan dibina untuk TPT tertentu. Kajian juga perlu dibuat untuk mengukur tahap kejayaan yang dicapai oleh industri yang menjurus kepada organisasi dan menjurus kepada teknologi. Ini dapat lagi membantu menentukan arah tuju yang sesuai untuk sesebuah industri.

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TABLE OF CONTENTS

	Page
DEDICATION	ii
ABSTRACT	iii
ABSTRAK	vii
ACKNOWLEDGEMENTS	x
APPROVAL	xi
DECLARATION	xiii
TABLE OF CONTENTS	xiv
LIST OF TABLES	xviii
LIST OF FIGURES	xix
LIST OF ABBREVIATIONS	xxi
 CHAPTER	
1 INTRODUCTION	1
1.1 Project Background	1
1.2 SMIs in Malaysia	5
1.3 Implementing AMT in SMIs	7
1.4 Objective of the Project	10
1.5 Significance of the Study	13
2 LITERATURE REVIEW	15
2.1 Small and Medium Scale /Enterprises (SMIs/SMEs)	15
2.2 Definition of SMIs	18
2.3 Importance of SMIs	19
2.3.1 Preponderance of Numbers	20
2.3.2 Employee creation	21
2.3.3 Innovation	22
2.3.4 Contribution to the Economy	23
2.4 Problems of SMIs	24
2.4.1 Financing	24
2.4.2 Lack of Skilled workers	26
2.4.3 Management Skills	26
2.4.4 Low Productivity	27
2.5 Technological Development of SMIs	28
2.6 SMIS in Malaysia	30
2.6.1 Definition of SMIs/SMEs in Malaysia	31
2.6.2 Use of Technology	33
2.6.3 Potential Role of SMIs	35
2.6.4 Problems with Malaysian SMIs	35
2.6.5 Government Policies, Objectives and Strategies	37

2.7	Role of Manufacturing Technology	38
2.7.1	Global Scenario for Manufacturing	39
2.7.2	New Technology as Innovation	41
2.8	Advanced Manufacturing Technology	42
2.8.1	Definition of AMT	44
2.8.2	Classification of Technology	46
2.8.3	AMT/AMS Benefits	51
2.8.4	Implementation Process of AMT	61
2.8.5	Factors for AMT Success	65
2.8.6	Strategic Implication of AMT Implementation	71
2.8.7	Compatibility of the AMT with Business Strategy	74
2.8.8	Manufacturing Strategy	76
2.8.9	Stages of Implementation	80
2.8.10	Framework for AMT implementation	81
2.9	Factors that Influence Technical Success	82
2.9.1	Top Management Support and commitment	82
2.9.2	Communication/Links With Suppliers and Customers	84
2.9.3	Cross Functional Implementation Teams	87
2.9.4	Planning	89
2.9.5	Workforce Involvement and human factors	91
2.9.6	Skills, education and Training	94
2.9.7	Understanding the Technology	99
2.9.8	Organizational Structure	100
2.9.9	Project Champion	103
2.9.10	Mutual adaptation of Organization and Technology	104
2.9.11	Integration of Function	110
2.9.12	Government Aid/ technical Support	115
2.10	Barriers to AMT Implementation	116
2.10.1	Capital	116
2.10.2	Uncertain of the Benefits	118
2.10.3	Straightjacket Financial justification	119
2.10.4	Performance Measurement based on direct labor ratio	124
2.10.5	Organizational Culture	125
2.10.6	Lack of Strategic Framework	129
2.10.7	Multiplicity of Implementation Path	131
2.11	AMT and SMIs	132
2.11.1	Capital Constraints	136
2.11.2	Lack of Strategic Planning	137
2.11.3	Technical Skills	139
2.12	Summary	140
3	METHODOLOGY	143
3.1	Methodology of the Study	143
3.2	Underlying Assumptions of the Study	144
3.3	Design of Questionnaires	145

3.4	Survey Instrument	149
3.4.1	Sample	150
3.4.2	Data Collection	151
3.5	Aggregation of Data	151
3.5.1	Aggregation based on Industry	152
3.5.2	Aggregation based on Bumiputra and Non-Bumiputra	152
3.6	Data Analysis	153
3.6.1	Identification and Evaluation of Variables	154
3.6.2	Correlation Coefficient	157
3.6.3	O-T map	159
3.6.4	Regression Analysis	163
4	RESULTS AND DISCUSSION	167
4.1	Analysis of Respondents	168
4.2	Background of Companies Surveyed	168
4.2.1	Bumiputra and Non-Bumiputra Companies	169
4.2.2	Date of Incorporation	169
4.2.3	Number of Employees	170
4.2.4	Equity Structure	172
4.2.5	Paid-Up Capital And Company's Turnover	173
4.2.6	Business Goals	175
4.2.7	Organizational Structure	179
4.3	Manufacturing Improvements	182
4.3.1	Last Investment and Reorganization of Functions	183
4.3.2	Annual capital Expenditure	185
4.3.3	Initiators and Approaches to Manufacturing Improvement	186
4.3.4	Focus For Manufacturing Improvement	190
4.4	Human resources, types and Training	192
4.4.1	Employee Distribution and Background	192
4.4.2	Training Requirements for Future Growth	193
4.4.3	Training/ Provisions	197
4.5	AMT Implementation	199
4.5.1	AMT Implemented: IN PLACE, IN PROGRESS And LONGER	199
4.5.2	Analysis of AMTs NOT Implemented	203
4.5.3	Factors that Influence AMT Implementation	207
4.5.4	Factors Which Most Impeded AMT Implementation	208
4.5.5	Planning and Investigation in AMT	212
4.6	Use of Computers and Level of Integration	216
4.6.1	Use of Computer Controlled Equipment	216
4.6.2	Computers Used in Design Activities	217
4.6.3	Computers used in Information Processing and Flow	218
4.6.4	Information Transferred Between Function Through Computer System	219
4.6.5	Existence of Formal and Informal Integration	220

4.7	Source of Awareness on AMT and Government Programs	223
4.7.1	Awareness of the AMT	223
4.7.2	Awareness of Different Programs Set up	225
4.7.3	Use of Programs	225
4.7.4	Reasons For Not Using Programs	226
4.8	Correlation Analysis	227
4.8.1	Correlation Analysis between AMT in place and Other Variables	228
4.8.2	Correlation analysis of AMT in Progress and Longer with other variables	233
4.9	Organizational and Technological (O and T) Index	234
4.9.1	Analysis of the T-O map	237
4.9.2	Degree of Fit between Technology and Organization	242
4.10	Bumiputra and Non-Bumiputra Companies	243
4.10.1	Date of Incorporation, size, paid-up Capital and Turnover	244
4.10.2	Business Goals	244
4.10.3	Organizational Structure	245
4.10.4	Last Investment, Annual Capital Expenditure and Reorganization Functions	245
4.10.5	Initiator and Approaches to Manufacturing Improvements	246
4.10.6	Human Resources Development and Culture	246
4.10.7	AMT Frequencies	250
4.10.8	Factors which Influence/Impede AMT Implementation	251
4.10.9	Planning For AMT Investment	252
4.10.10	Level of Computer Used and Integration	253
4.10.11	Source of AMT Awareness and Government Programs	254
4.10.12	T-O map for Bumiputra and Non-Bumiputra Companies	256
4.10.13	Implications of the Results for Bumiputra and Non-Bumiputra Companies	259
5	SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	260
5.1	Summary	260
5.2	Conclusions	263
5.3	Bumiputra and Non-Bumiputra companies	277
5.4	Recommendations	278
5.4.1	Recoomendation to the Companies	278
5.4.2	Recommendation to the Government/Policy Makers	280
5.5	Suggestions For Future Work	280
	REFERENCES	283
	APPENDICES	
	A SURVEY QUESTIONNAIRE	298
	BIODATA OF AUTHOR	310

LIST OF TABLES

Tables	Page
1 Definitions of SMIS for some ASEAN countries	19
2 Dimensions of O and T index	162
3 Respondents Distribution based on Industry Type	168
4 Ownership between Bumiputra and Non-Bumiputra Companies	169
5 Percentage of AMT not applicable for All industries	205
6 Summary of the Correlation Analysis between AMT and Other Variables at 0.05 and 0.01 Significant Level	232
7 T and O index	234
8 Relative ranking of Training Needs between Bumiputra and non-Bumiputra Companies	249
9 Summary of All the results for Bumiputra and Non-Bumiputra Companies	255
10 Summary of The AMT Requirement and Capability of SMIs	263

LIST OF FIGURES

Figures	Page
1 Methodology of the Study	156
2 Hypothetical Path	159
3 A Summary of the Steps Required to Achieve the Objective	166
4 Date of Incorporation	170
5 Employee Distribution For all Companies	171
6a Equity Structure for Bumiputra Companies	173
6b Equity Structure for Non-Bumiputra Companies	173
7 Paid-up Capital	174
8 Company's Turnover	175
9 Company's Business Goals	177
10 Types of Organizational Structure	182
11 Companies' last Investment	184
12 Extent Functions Have Been Reorganized in the Last Three years	185
13 Amount of Capital Expenditure	186
14 Initiators of Manufacturing Improvement	188
15 Approaches in Manufacturing Improvements	188
16 Focus For manufacturing Improvement	191
17 Areas of Training Needed by the Companies	195
18 Workers Crucial for Future growth	196
19 Problems Faced with worker selection, Training and recruitment	196
20a AMT in PLACE	200
20b AMT in PROGRESS	201
20c AMT for Longer Term	201
21 Factors Influencing decision in Technology Improvement	208

22	Factors Which Impede AMT Implementation	212
23	Extent of Planning and Investigation for AMT implementation	215
24	Level of Use of Computer Controlled Equipment	217
25	Level of Computer Use in Design Activities	218
26	Level of Computer Use in Information Processing and Flow	219
27	Level of Information Transferred between functions	220
28	Level of Formal and Informal Integration	221
29	Sources of AMT awareness	224
30	Level of Awareness of Government Programs	225
31	Level of Use of Government Programs	226
32	Reasons For Not Using Programs	227
33	Graph T-O for All Industries	240
34	Graph T-O for Electronic/Electrical Industries	240
35	Graph T-O for Metal-Based Industries	241
36	Graph T-O for Furniture Industries	241
37	Graph T-O for Non-Bumiputra Companies	258
38	Graph T-O for Bumiputra Companies	258

LIST OF ABBREVIATIONS

AGV	Automated Guided Vehicle
AHMD	Automated Material Handling Devices
AHMS	Automated Material Handling System
AID	Automated Identification
AIN	Automatic Inspection
AITE	Automated Inspection & Testing Equipment
AITS	Automated Inspection & Testing System
AMS	Advanced Manufacturing System
AMT	Advanced Manufacturing Technology
ASRS	Automated Storage & Retrieval System
B	Balanced
BPMP	Malaysian Development Bank
CAD	Computer Aided Design
CAE	Computer Aided Engineering
CAM	Computer Aided Manufacturing
CAP	Computer Aided Process
CAPP	Computer Aided Process Planning
CEO	Chief Executive Officer
CGC	Credit Guarantee Corporation
CHIM	Computer Human Integrated Engineering
CIE	Computer Integrated Enterprise
CIM	Computer Integrated Manufacturing
CNC	Computer Numerical Control Machines
DNC	Direct Numerical Control Machines
EDM	Engineering Data Management
FMC	Flexible Manufacturing Cell

FMM	Federation Manufacturer
FMS	Flexible Manufacturing System
GDP	Gross Domestic Product
GT	Group Technology
HIM	Human Integrated Manufacturing
HRD	Human Resource Development
ICA	Industrial Coordination Act
IMP	Industrial Master Plan
IMS	Integrative & Managerial System
ITJM	International Journal of Management
JIT	Just In Time.
LAN	Local Area Network
MEDEC	Malaysian Entrepreneurship Development Centre
MIDA	Malaysian Industrial Development Authority
MITI	Ministry of International Trade & Industry
MNC	Multi National Corporation
MP	Malaysian Plan
MRP	Material Requirements Planning
MRP II	Manufacturing Resources Planning
MWL	Material Working Lasers
NC	Numerical Controlled
NCMT	Numerical Control Machining Technology
NIC	Newly Industrial Countries
NIE	Newly Industrialised Economies
NPC	National Productivity Centre
O	Organisational
OPP	Outline Perspective Plan
PBR	Pick & Place Robots
PLC	Programmable Logic Controller
PPIC	Production Planning / Inventory Management Software

QCC	Quality Control Circle
R&D	Research & Development
ROB	Other Robots
SBA	Small Business Administration
SDS	System, Devices & Stations
SED	Small Scale Enterprise Division
SIRIM	Standard & Industrial Research Institute of Malaysia
SME	Small & Medium Enterprises
SMI	Small & Medium Industries
SMIDEC	Small & Medium Scale Industries Development Corporation
SPC	Statistical Process Control
SPCS	Shop Floor Control System
SPSS	Statistical Package for Social Science
T	Technological
TBC	Time Based Competition
TQM	Total Quality Management
UK	United Kingdom
UKM	Universiti Kebangsaan Malaysia
USA	United States of America
WIP	Work In Progress

CHAPTER I

INTRODUCTION

1.1 Project Background

The SMIs play an important role in the development of a country. The entrepreneurial spirit that drives the small and medium scale industries must be encouraged and fostered because the economic well being of many countries depends on it. The small and medium-sized business of today can be the multinationals of tomorrow. The SMIs form the majority of enterprises in developed countries and they are also regarded as the engine of growth in the Newly Industrialized Economies (NIEs). Thus, proper support and creating a positive climate will ensure that small and medium sized businesses can develop their niche markets and become world players.

As one of the fastest developing country in the world, Malaysia has switched over its development strategies from an agriculture base economy to industrialization. It now has a more diversified economic structure, one based on manufacturing industries and guided by private-sector investment. Although large firms, particularly Multi-National corporation (MNC) dominate Malaysia's manufacturing sector in terms of output, investment outlay, technical know-how and employment generation, it is well recognized that the success of the efforts to accelerate and deepen the industrial base require a comprehensive and integrated approach for promotion and development of SMIs (Md. Salleh, 1990).