



UNIVERSITI PUTRA MALAYSIA

**COMPETITIVE STRATEGY ASSESSMENT OF MALAYSIAN
WOODEN FURNITURE MANUFACTURERS**

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**COMPETITIVE STRATEGY ASSESSMENT OF MALAYSIAN WOODEN
FURNITURE MANUFACTURERS**



By

MOHSEN ZIAIE

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

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Dedication

This work is dedicated to

The Soul of My Parents

My Lovely wife and My Lovely Children



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

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June 2011

Chair: Associate Professor Shukri Mohamed. PhD

Faculty: Forestry

Despite the strong growth of the Malaysian furniture industry over the last two decades, evidences suggest that the industry's growth in the global market is declining. A drop in the annual export rate, global market share, and unit product price are testimonies implying that the industry is currently facing escalating competition in the export markets. Hence, the main goal of the study was to analyze the industry's competitive environment to find the key forces driving the industry's profitability in association with the competitive strategies and strategic trends in the industry. Porter's theory, comprising the five-force model and generic competitive strategies, was employed to achieve the research objective.

This study identified the competitive forces driving the competitive environment in the Malaysian wooden furniture industry in the exports markets. We evaluated 23

strategic activities and the overall competitive strategies of the sampled companies in the industry at the time of the study (June to November 2009) and for the near future (next five years). Furthermore, the effects of the firm's size and market on the formation of the competitive forces and strategies were examined. Strategic groups among the companies were tracked and finally the effects of the competitive forces on the firm's performance in association with the corresponding competitive strategy were evaluated. The results of this research were drawn from data manipulation and statistical analysis and testing, using several multivariate statistical techniques. The results showed that "the intensity of rivalry" within the industry, coupled with "the bargaining power of buyers" are the two key factors driving the competitive environment and determine profitability of the industry. In addition, these two factors have the most pronounced effects on the firm's performance as a function of the practice, extent, and level of implementation of competitive strategy. Meanwhile, "the bargaining power of suppliers" was identified as a potential competitive force which will pose severe pressure on the competitive environment of this industry. An evaluation of strategic activities and three overall competitive strategies at the time of the study and for the near future demonstrated that this industry does not currently follow a distinct competitive strategy. This could be considered as an explanation of the origin of the current decline in the industry's growth rate in the global markets. However, for future growth and prosperity, the industry is developing its strategic activities in distinctive strategic orientations, specifically Differentiation, Cost leadership, and Focus. Investigation of the companies'

strategic activities enabled us to identify four strategic groups illustrating the current and future strategic trends in the industry. Furthermore, the research findings indicated that the firm's size and the market have effects on the formation of the competitive forces and strategies. The findings of this research demonstrated that the industry faces intensive competition which has arisen from its stuck in the OEM strategy with resource based view, and negligence to competitive strategy view. Hence, the industry's future growth and success depends entirely on developing appropriate competitive strategies by the companies.

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

**PENILAIAN STRATEGI KOMPETITIF DI ANTARA PEMBUAT PERABOT
KAYU DI MALAYSIA**

Oleh

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Walaupun terdapat pertumbuhan kukuh dalam industri perabot Malaysia selama dua dekad yang terkini, bukti mencadangkan bahawa pertumbuhan industri dalam pasaran global sedang merosot. Penurunan dalam kadar eksport tahunan, bahagian pasaran global, dan harga unit keluaran ialah testimoni yang menunjukkan bahawa industri ini kini menghadapi persaingan dalam pasaran eksport. Maka, matlamat utama kajian ialah untuk menganalisis persekitaran kompetitif industri untuk mencari kuasa utama yang memacu keuntungan industri dengan kerjasama strategi kompetitif dan tren strategik dalam industri ini. Teori Porter, yang mengandungi model lima daya dan strategi kompetitif generik, telah digunakan untuk mencapai objektif penyelidikan ini.

Kajian ini mengenal pasti kuasa bersaing yang memacu persekitaran kompetitif industri perabot kayu Malaysia dalam pasaran eksport. Kami menilai 23 aktiviti strategik dan strategi kompetitif keseluruhan untuk syarikat dalam industri yang disampel pada masa kajian (Jun hingga November 2009) dan untuk waktu terdekat (lima tahun berikutnya). Tambahan pula, kesan saiz dan pasaran firma pada susunan kuasa dan strategi bersaing telah diperiksa. Kumpulan strategik antara syarikat dijejaki dan akhir sekali kesan kuasa bersaing pada prestasi firma dengan kerjasama strategi bersaing sepadan telah dinilai. Keputusan penyelidikan ini telah dibuat dari pengolahan data dan analisis dan ujian statistik, menggunakan beberapa teknik statistik multivariat. Keputusan menunjukkan yang "kekuatan persaingan" dalam industri dan "kuasa tawar-menawar pembeli" ialah dua faktor utama yang memacu persekitaran kompetitif dan keuntungan dalam industri. Kedua-dua faktor ini juga mempunyai kesan yang amat ketara terhadap prestasi firma berasaskan kepada amalan, takat, dan tahap pelaksanaan strategi bersaing. Sementara itu, "kuasa tawar-menawar pembekal" telah dikenalpasti sebagai satu daya saing berpotensi yang akan memberi tekanan pada suasana persaingan industri ini. Satu penilaian terhadap aktiviti strategik dan tiga strategi bersaing keseluruhan pada masa kajian dan untuk masa akan datang menunjukkan bahawa pada masa kini industri tidak mengamalkan satu strategi bersaing yang khusus. Ini boleh dianggap sebagai satu penjelasan kepada asal kemerosotan semasa dalam kadar pertumbuhan industri dalam pasaran global. Bagaimanapun, untuk pertumbuhan dan kemakmuran masa depan, industri akan membangun aktiviti strategik dalam

orientasi strategik khusus, terutama Pembezaan, Kepimpinan kos, dan Tumpuan. Siasatan terhadap aktiviti strategik syarikat membolehkan kami kenal pasti empat kumpulan strategik yang menjelaskan tren strategik semasa dan akan datang dalam industri. Tambahan pula, penemuan penyelidikan menunjukkan saiz dan pasaran firma mempunyai kesan pada susunan kuasa dan strategi bersaing. Penemuan penyelidikan ini menunjukkan bahawa industri menghadapi persaingan yang intensif akibat dari kecuaiannya untuk strategi bersaing. Jadi, pertumbuhan dan kejayaan masa depan industri bergantung kepada keseluruhannya kepada pembangunan strategi-strategi yang kompetitif sesuai oleh syarikat-syarikat.

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I certify that a Thesis Examination Committee has met on date of viva voce to conduct the final examination of MOHSEN ZIAIE on his thesis entitled “Evaluating Competitive Strategy Approach in Association with Competitive Forces and Performance among the Malaysian Wooden Furniture Manufacturers in the Export Market” in accordance with Universities and Universiti Colleges Act 1971 and the Constitution of the Universiti Putra Malaysia [P.U.(A) 106] 15 March 1998. The Committee recommends that the student be awarded the Doctor of Philosophy.

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DECLARATION

I hereby declare this the thesis is based on my original work with except for quotations and citations which having been duly acknowledged. I also declare that it has not been previously, or concurrently, submitted for any other degree at the University Putra Malaysia or at any other institutions.

MOHSEN ZIAIE

Date:6 June 2011

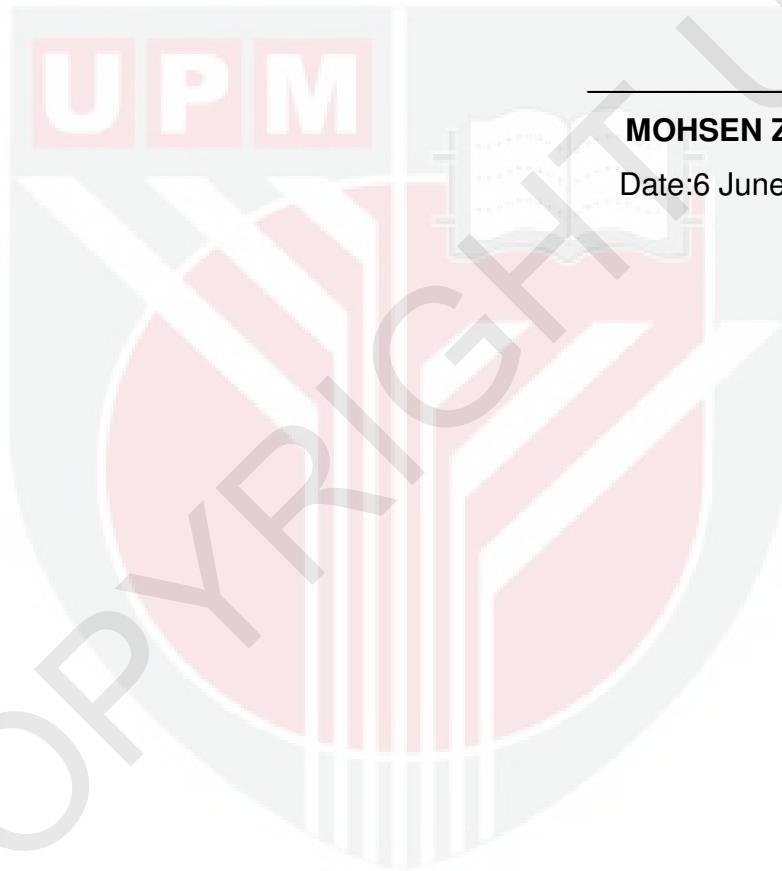


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