UNIVERSITI PUTRA MALAYSIA

QUALITY MANAGEMENT SYSTEM IN WOOD FURNITURE INDUSTRY IN MALAYSIA

CHONG YEN YOON

FH 2015 12
QUALITY MANAGEMENT SYSTEM
IN WOOD FURNITURE INDUSTRY IN MALAYSIA

By

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

December 2015
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It is a general perceived that most globalized furniture manufacturing companies are often forced to seek ISO certification to improve quality. In this context, the fact that Quality Management Systems and Standards which were introduced in Malaysia since 1987, is often perceived to be a marketing tool within the export-led furniture manufacturing industry. However, many researchers reported that firms were not sure whether ISO certification managed to instill quality in their organizations. Although, there are more than 4,000 wood-based companies in Malaysia, with 125 of them being large furniture manufacturers and exporters, the portion of ISO registration within the industry is comparatively small compared to the total number of furniture companies. Therefore, this study was undertaken: (1) to determine the level of awareness of ISO 9001 certification among furniture buyers and level of certification among manufacturers in the Malaysia market; (2) to identify the major attributes and intentions of ISO 9001 certification among Malaysian furniture manufacturers; (3) to identify the drivers of ISO certification among furniture manufacturers; (4) to characterize the different furniture markets requirements and to compare the performance of ISO certified and non-certified suppliers of furniture in these markets; (5) to evaluate the reasons for adoption and non-adoption of ISO 9001 certification among furniture manufacturers; and finally (6) to identify the main benefits and challenges faced by ISO and non-ISO certified manufacturers from the furniture buyers’ perspective. The established relationship between ISO certification and product satisfaction, quality and the prevalence of repeat customers were used as the research framework for this study. Paired-sets of structured questionnaires were used to survey 100 foreign furniture buyers during the Malaysian International Furniture Fair (MIFF). For the Manufacturers’ perspective, 10 ISO and 20 non-ISO furniture manufacturers were surveyed. The result showed that manufacturers ranked quality improvement as the most important attribute. For respondents of ISO-certified manufacturers, the improvement on delivery time, quality and management were their major drivers to be ISO-certified. Nevertheless, the influence of the ISO system on product marketability is limited to specific markets, especially in Japan, Korea and East Asia, which are generally ISO-sensitive markets. On the other hand, the majority of the international furniture buyers were aware of ISO certification, and have
requested their suppliers to be ISO-certified. ISO certification generally improves the overall performance of the furniture companies and large-scale companies have a greater tendency for ISO certification. Undoubtedly, ISO-certified suppliers provided higher satisfaction levels to customers, compared to non ISO-certified suppliers. For the buyers’ perspective, foreign furniture buyers prefer to purchase from ISO-certified companies, due to the higher degree of confidence in their business and product quality. This study shows that ISO certification had significantly influenced the management of furniture enterprises. The study also showed that the intention for ISO certification was not driven by external factors, neither the requirement of the governmental law and regulations nor the customer pressure, as most furniture manufacturers operated on the OEM strategy. Despite the benefits gained from higher market share, the low adoption level of the ISO system in the furniture sector could be explained by its high certification cost and lack of perceived benefits of certification among the furniture manufacturers. Finally, the study revealed that ISO certification is a useful tool to enhance the management competency within the furniture manufacturing sector. It appears that a concerted effort must be drawn up to boost the awareness of the intangible benefits to be gained, if ISO certification is to be expanded throughout the furniture industry in the future.
Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk Ijazah Doktor Falsafah

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ACKNOWLEDGEMENTS

First of all, I would like to express my sincerely appreciation and thanks to the Universiti Putra Malaysia and graduate research fellowship (GRF) for supporting me so much to complete of my study of PhD. degree.

Foremost, I would like to express my profound appreciation and gratitude to my advisor, Prof. Jegatheswaran Ratnasingam for his supervision, guidance, supporting, constructive suggestion and continuous support of my study, especially for his patience and enthusiasm during the supervision period where he always share his experience and carefully reviewed the draft copy of thesis. His guidance helped me a lot in my research and the writing style of the thesis.

Besides my advisor, I would like to thank the rest of my thesis supervisory committee: Associate Prof. Dr. Shukri Mohamed and Dr. Mohamad Roslan Bin Mohamad Kasim for their encouragement, insightful and wise comments. Dr. Mohamad Roslan was also very helpful in my statistics part and kind guidance in the data analysis and conclusion.

Last but not least, my deepest thanks go to my beloved parent, Mr. Chong Kit Yin and Mrs. Leong Yoon Tai and my young brother Jay Chong Yen Jye, for their continuous encouragement, positive inspiration and morally support. My parents have devoted their life to the children. Not forget also all my dedicated friends who are not mentioned one-by-one here but always besides me and offering for helps. I wish you all live with peaceful mind and wisdom.
I certify that a Thesis Examination Committee has met on 16 December 2015 to conduct the final examination of Chong Yen Yoon on his thesis entitled "Quality Management System in Wood Furniture Industry in Malaysia" in accordance with the Universities and University 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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<td>ANOVA</td>
<td>One-Way Analysis Of Variance</td>
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<td>CAD</td>
<td>Computer Aided Design</td>
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<td>CEN</td>
<td>European Committee For Standardization</td>
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<td>EU</td>
<td>European Union</td>
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<td>IEC</td>
<td>International Electrotechnical Commission</td>
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<td>ISO</td>
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<td>MIFF</td>
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<td>MS</td>
<td>Malaysian Standards</td>
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<td>MTIB</td>
<td>Malaysian Timber Industry Board</td>
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<td>NATIP</td>
<td>National Timber Industry Policy (2009 – 2020)</td>
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<td>PDCA</td>
<td>Plan-Do- Check-Act</td>
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<td>QC</td>
<td>Quality Control</td>
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<td>QMS</td>
<td>Quality Management System</td>
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<td>SMEs</td>
<td>Small And Medium Enterprises</td>
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<td>SPC</td>
<td>Statistical Process Control</td>
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<td>TQM</td>
<td>Total Quality Management</td>
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<td>UK</td>
<td>United Kingdom Or Britain</td>
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<td>US</td>
<td>United States (U.S.) Of America</td>
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CHAPTER 1

INTRODUCTION

1.1 Research Background

The overall value of furniture is mainly based on its basic functional quality, but due to external pressure from global buyers or customers, most globalized furniture manufacturing companies are forced to seek ISO 9000 certification to improve their total quality, which involved a transition from the product function to the higher quality process-oriented method (Lakhe and Mohanty, 1994). In other words, these companies are forced to conform to quality standards determined by “a set of inherent characteristics” that fulfils the market requirement (ISO, 2000; Brown and Wiele, 1995).

It was reported that most Asian countries have no quality awareness due to unlimited access to resources (Kuo et al., 2009). Malaysia has been known for its wood-based furniture, where 80 per cent of the wood material used is Rubberwood, a light-coloured medium hardwood, which is also known as ‘Malaysian Oak’ (Ariff, 2005). There is also intensive effort in Malaysia and Thailand to brand it as ‘Hevea wood’ (MTC, 2011). The Malaysian furniture industry must move up from its commodity image, towards a higher value added furniture producer status (Au, 2012).

The Malaysian furniture industry is dominated by SMEs (Ng and Thiruchelvam, 2011). According to the SMIDP 2001-2005 report, SMEs in Malaysia are facing many challenges, domestically as well as globally. Most of the strategy used in the SMEs is based on cost control (Ndubisi, 2012) and branding as a move to enter the global furniture markets (Owen and Malkovich, 1995). But only a few manufacturers have established brands (The Star, May 25, 2013). Thus, many of the identified challenges faced by Malaysian furniture manufacturers can be possibly improved by using ISO certification, to ensure quality output, overcome low productivity and improve competitiveness.

Generally, a furniture company with ISO certification does not produce furniture of guaranteed quality, but the furniture product is produced according to a quality process standard, or management system, covering the processes through which it has been realized. Not only the product assurance, but also the quality management system must add value to the company operations, to produce value added products (Wiele et al., 2001).
The ISO 9001 applies to the processes that influence product or service quality, by satisfying the customer's demand and the manufacturing process capability (Waters, 2006). Schuurman (1997) stated that ISO certification is a good basic practice for initiating a quality system and Ackoff (1999) added that ISO certification ensures a holistic interaction of the whole system. On top of that, the extent to which certified-organizations can effectively improve their performance based on the ISO certification is an important issue (Boiral and Roy, 2007).

1.2 Statement of Problem

Although, there were more than 3,500 wood-based companies in Malaysia in 2012, with 125 of them (3.6 percent) being large furniture manufacturers and exporters, the number of ISO-certified was less than 20, which is relatively small compared to the total number of furniture manufacturers in Malaysia (Matrade, 2012; Ratnasingam et al., 2010; SIRIM, 2012;).

In recent years, the Malaysian furniture industry has come under increasing competitive pressure from other cheaper furniture manufacturing countries, particularly in Vietnam and China. Therefore, for a developing nation such as Malaysia, it can increase its trade activities and business development by improving the quality of its manufactured or exported products or services. The Small and Medium-Sized Enterprises (SMEs) accounted for 90 percent of all furniture manufacturing establishments in the country. Therefore, the small furniture manufacturers are typically constrained by company size, lack of technical proficiency, managerial skills, and limited by financial and human resources (Lee and Oakes, 1995).

However, relatively limited researches related to quality management in the furniture manufacturing industry have been carried out previously. This could be due to the fact that the industry contributes little to Malaysia's GDP and only a few of them have adopted the quality management system, compared to other SMEs (Mustapha et al., 2011). In fact, Ratnasingam (2010) stated the adoption of ISO certification in furniture industry as a "lukewarm", as its growth shown is at a low rate.

Thus, this study's main research question is to evaluate the effects of the ISO quality management system (QMS) on the management capabilities and export-led performance of furniture companies, and also the evaluation of quality expectation among foreign furniture buyers in the country, which is crucial for the Malaysian furniture manufacturing industry to penetrate the global market. The questionnaire used is aimed at answering the research objectives as shown in Appendix 1.
1.3 Objectives of Study

Against this background, the objectives of this study are:

(1) To determine the level of awareness of ISO 9001 certification among furniture buyers and level of certification among manufacturers, in the Malaysia market;

(2) To identify the major attributes and intentions of ISO 9001 certification among Malaysian furniture manufacturers;

(3) To identify the drivers of ISO certification among furniture manufacturers;

(4) To characterize the different furniture markets requirements and to compare the performance of ISO certified and non-certified suppliers of furniture in these markets;

(5) To evaluate the reasons for adoption and non-adoption of ISO 9001 certification among furniture manufacturers and to identify the main benefits and challenges faced by ISO and non-ISO certified manufacturers from the furniture buyers’ perspective.

1.4 Research Framework

In developing the research framework for this study, the established relationship between ISO certification and product satisfaction, quality and the prevalence of repeat customers were used (Figure 1.1). The adoption of ISO 9001 is generally perceived to lead towards better business (competitive) advantage.
Figure 1.1 Relationships between ISO Certification and the Satisfaction, Quality and Repeat Customers
The premise of this study is based on the established fact that, as ISO is a form of Quality Management System (QMS), the impact of product quality on furniture manufacturers’ competitive performance is important (PIMS, 1986). Product quality is so important to business profitability, and businesses that are early entrants into the markets by using premium-quality products or services, usually have much higher potential to dominate the market. A better quality management is usually leads to larger market share, but at the cost of reduced short-run profitability (Evans and Lindsay, 2011). Figure 1.2 shows the benefits of ISO certification, where both the quality of conformance, as required by the ISO and quality of design, as faced by the furniture manufacturers, are improved.

**Figure 1.2 Quality and Profitability**
(Source: PIMS, 1986; Evans and Lindsay, 2011)
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LIST OF PUBLICATIONS

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Editor and Contributor. In the Book “Introductory Forest Science”, Serdang: Universiti Putra Malaysia Press. (2014). Contributed four Chapters: Forest Structure (Chapter 4, 23-30), Forest Pests and Diseases (Chapter 11, 93-98), Forest Management (Chapter 14, 111-118), and Wood Science (Chapter 17, 135-144).

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