



UNIVERSITI PUTRA MALAYSIA

***SYNERGISTIC MODEL DEVELOPMENT FOR LEAN
MANUFACTURING IMPLEMENTATION AT SMALL AND MEDIUM
ENTERPRISES IN MALAYSIA***

MOHD SHAHRIZAN BIN YUSOFF

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IMPLEMENTATION AT SMALL AND MEDIUM ENTERPRISES IN
MALAYSIA**

By

MOHD SHAHRIZAN BIN YUSOFF

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

August 2018

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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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August 2018

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Historically Lean Manufacturing (LM) is originally derived from Toyota Production System (TPS). The core functions of LM practices are to create high-quality products and to minimise non-value added (NVA) activities in a company. Although LM had successfully implemented in various large corporations around the world since the 1980s, however, the evidence of LM's adoption in Malaysian Small and Medium Enterprise (SMEs) were rarely documented. Malaysian SMEs predominantly characterised by low volume, highly mixed product yield as well as limited shop floor management and human control processes. Therefore, the focal objective of this study was to develop a model based on LM's philosophy to help Malaysian SMEs improving their competitiveness in manufacturing operations management by synergising or cooperation of the LM critical successful factors including the efficiency of production management and human resource development to create more positive impact on the sustainability of effective business management system. To achieve the objective of the study, three different research phases were integrated. The approaches cover methods of, research review, exploring the LM implementation in Malaysia using statistical inference and construction of Structural Equation Modelling (SEM) and industrial research in the real industry involving two SMEs in northern of peninsular Malaysia. The research review methods conducted by collecting qualitative research data, including observations and examination of documents to assess the impact of the implementation of the LM among the SMEs organisation. Then, for exploring the LM implementation among Malaysian SMEs, surveys with 250 sets of questionnaires were distributed. Quantitative data obtained with a response rate of 40% then was analysed by using descriptive and inferential statistics. Results of the descriptive statistical analysis show that most Malaysian SMEs provide positive feedback with the mean score above 3.00 against the proposed implementation of LM variables comprising elements of operations management efficiency, human resource development, and

preservation of the business. The findings from SEM results also confirmed that the LM variables did affect the performance of SMEs significantly. Then, the final model called as Synergistic LM for Malaysian SMEs (SyncLM) was developed using SEM. Lastly, the SyncLM model has verified its reliability through the implementation framework in two case studies of SMEs show a high tendency for them to implement and incorporate elements of the concept of LM that this synergy concept. The results showed that SyncLM model has managed to reduce 6.85% production time and 18.25% product defects for the first case study. Positive results are also obtained from second case study where the SyncLM model has successfully reduced 9.7% production time and 4.2% of product defects. Additionally, over 80% of the satisfaction scores have been achieved by respondents comprising management and employees from both companies with the implementation capability and effectiveness of benefits derived from the implementation of this SyncLM model. Therefore, it can be concluded that the SyncLM was able to improve the sustainability of the business functions of Malaysian SMEs.

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

**PEMBANGUNAN MODEL SINERGI BAGI PELAKSANAAN PEMBUATAN
LEAN BAGI SEKTOR INDUSTRI KECIL DAN SEDERHANA DI
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Menurut sejarah, pembuatan *Lean* (LM) diasaskan daripada Sistem Pengeluaran Toyota (TPS). Teras kepada LM adalah untuk mewujudkan produk-produk berkualiti tinggi dan meminimumkan aktiviti pembaziran dalam proses pembuatan (NVA) didalam sesebuah organisasi. Walaupun LM telah berjaya dilaksanakan sejak tahun 1980-an di pelbagai syarikat gergasi dunia, namun penerimaannya dalam sektor industri kecil dan sederhana (PKS) Malaysia jarang didokumenkan. Halangan utama pelaksanaan LM di kalangan PKS Malaysia adalah kerana kebanyakannya mempunyai jumlah pengeluaran yang terhad serta hasil produk yang pelbagai. Keadaan ini semakin rumit apabila organisasi dalam PKS ini turut mengalami masalah pengurusan pengeluaran dan sumber manusia yang terhad. Oleh yang demikian, objektif utama kajian ini adalah membina satu model rangka kerja berasaskan falsafah LM untuk membantu PKS Malaysia meningkatkan daya saing mereka dalam pengurusan operasi pembuatan dengan memberi tumpuan kepada mensinergikan faktor serta faedah pelaksanaan LM. Sinergi dalam kajian ini adalah bermaksud mencantumkan elemen- elemen dari faktor kecekapan pengurusan operasi, pembangunan sumber manusia yang berkesan bagi mewujudkan kesan yang lebih positif pada kelestarian pada sistem pengurusan perniagaan. Bagi merealisasikan objektif kajian ini, tiga kaedah penyelidikan yang berbeza telah diintegrasikan. Ia meliputi kaedah kajian kepustakaan, kajian tinjauan pelaksanaan aktiviti LM di Malaysia menerusi taburan statistik dan pembinaan model berstruktur (SEM) serta kajian industri di dua buah syarikat berstatus SMEs di Malaysia. Menerusi kaedah kajian kepustakaan, beberapa kaedah pengumpulan data penyelidikan secara pemerhatian dan semakan dokumen dilaksanakan untuk menilai impak pelaksanaan kerangka kerja ke atas prestasi pembuatan organisasi PKS. Dalam kajian tinjauan pelaksanaan aktiviti LM di kalangan PKS Malaysia, sebanyak 250 keping borang soal selidik telah diedarkan dengan kadar maklum balas sebanyak 40% telah dianalisis

secara statistik deskriptif dan inferensi. Keputusan analisis statistik deskriptif mendapati, kebanyakan PKS memberikan maklum balas yang positif dengan nilai skor min melebihi 3.00 terhadap cadangan pemboleh ubah pelaksanaan LM yang terdiri daripada elemen kecekapan pengurusan operasi, pembangunan sumber manusia dan kelestarian fungsi perniagaan. Manakala dapatan analisis statistik inferensi menunjukkan, keputusan yang signifikan bagi kebanyakan pemboleh ubah pelaksanaan LM dan prestasi PKS. Keputusan analisis SEM mengesahkan pembinaan model terakhir kajian ini yang turut dikenali sebagai model SyncLM. Manakala data pengesahan kebolehlaksanaan model telah dijalankan pada dua buah syarikat PKS di lapangan industri. Keputusan daripada kajian kes telah menunjukkan menunjukkan bahawa model SyncLM telah berjaya mengurangkan masa pengeluaran 6.85% dan kecacatan produk 18.25% untuk kajian kes pertama. Hasil positif turut diperolehi dari kajian kes kedua dimana model SyncLM telah berhasil mengurangi 9.7% waktu produksi dan 4.2% kecacatan produk. Di samping itu, lebih daripada 80% skor kepuasan telah dicapai oleh responden yang terdiri daripada pengurusan dan pekerja dari kedua-dua syarikat dengan keupayaan pelaksanaan dan keberkesanan manfaat yang diperolehi daripada pelaksanaan model SyncLM ini. Oleh itu, dapat disimpulkan bahawa SyncLM mampu meningkatkan kelangsungan fungsi perniagaan PKS Malaysia.

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IN THE NAME OF ALLAH, THE MOST GRACEFUL AND THE MOST
MERCIFUL

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This thesis was submitted to the Senate of the Universiti Putra Malaysia and has been accepted as fulfillment of the requirement for the degree of Doctor of Philosophy. The members of the Supervisory Committee were as follows:

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LIST OF ABBREVIATIONS

CI	Continuous improvement
FMM	Federation of Malaysian Manufacturers
GDP	Gross domestic product
HRM	Human resource management
ICT	Information & communication technology
IMP	Industrial master plan
LM	Lean manufacturing
MP	Mass production
MPC	Malaysia Productivity Corporation
NEP	New economy policy
NVA	Non-value added
OC	Organisational capabilities
OOM	Organisation operational management
OOV	Organisation operational value
OP	Operation production
QM	Quality management
SMIDEC	Small and medium industry corporation
SMED	Single minute exchange of dies
SMEs	Small and medium enterprise
TPS	Toyota production system
TQM	Total quality management
WI	Waste indicator
VA	Value added

CHAPTER 1

INTRODUCTION

This chapter is divided into six sections. The first section gives an overview of the research background. The following section discusses on research problem statement. The third section deal with the research aims and objectives while research focus is presented in the fourth section. The research question is presented in the fifth sections then followed while the last part highlights the whole thesis outline.

1.1 Introduction

Small and medium enterprises (SMEs) constitute to the largest cluster of industrial organisations in most countries such as Britain, Brazil, Italy, India and others (Filho et al., 2016). These firms have contributed significantly to manufacturing productivity and the economic growth of nations, especially in the current highly competitive and globalisation marketplace (Doh & Kim, 2014). The definitions of SMEs may vary across countries, but general classifications are commonly based on the number of employees, sales value, and the value of production equipment. For example, SMEs in Britain is defined by the following three criteria: the number of employees, annual turnover, and annual balance sheet total (Wilson & Roy, 2009). By contrast, Malaysia defines SMEs based on annual sales turnover or the number of full-time employees. Thus, the firms are divided into two sectors (SMIDEC, 2013): the first one covers manufacturing, manufacturing related services, and agriculture industries, whereas the other, includes services (such as ICT) and primary agriculture, as shown in Table 1.1

Table 1.1 : Definition and categories of Malaysian Small-Medium Enterprise (SMEs)

Size	Number of Full-Time Workers		Annual Sales (RM)	
	Manufacturing (include agro-based manufacturing)	Services Sector (include ICT and the main farm)	Manufacturing (include agro-based manufacturing)	Services Sector (include ICT and the main farm)
Macro	<5	<5	<250 000	<200 000
Small	<50	<20	<10 000 000	<1000000
Medium	<200	<50	<25 000 000	<5000000

(Source : SME Corporation Malaysia SMIDEC, 2013)

The manufacturing sector of Malaysian SMEs has developed significantly over the past five decades. In Malaysia, “New Economic Policy (NEP)” was introduced by former Prime Minister Tun Abdul Razak in 1971; this policy was then succeeded by the National Development Policy in 1991 (National Economic Advisory Council, 2010). The policies aimed to improve people’s welfare and to restructure ethnic

imbalance by introducing economy activities related to SMEs. SME development was also included in the second and the third industrial master plans (IMP2; IMP3); where both IMPs were envisaged to enhance the growth rate of manufacturing across the value chain and create opportunities for Malaysian SMEs.

To date, 20,445 SMEs have been established, and they constitute 93.8% of companies in the manufacturing sector, as recorded by the Small and Medium Development Corporation. These enterprises provide goods and supplies, such as beverages, textiles, petroleum, wood, rubber, and electrical or electronic components, to numerous customers (Hashim, 2012). As of the first quarter of 2015, the demand for SME products has reached up to MYR 48 billion. In addition, experts predicted that the total production of SMEs would be worth more than MYR 120 billion, or 50% of the total output in the manufacturing sector, by the year 2020 (Deros et al., 2006).

SME Corporation Malaysia has also reported that textiles and apparel establishments are the largest among the manufacturing categories of the SME sector, followed by food and beverages, metal, and metal products, as shown in Table 1.2. The findings are also supported by the Federation of Malaysian Manufacturers (FMM).

Table 1.2 : Distribution of SMEs in the manufacturing sector

Sector	Number of Establishment (K)	Proportion of SMEs (%)
Textiles and Apparel	3419	18.2
Food and Beverages	2949	15.2
Metal Product	2918	14.8
Wood product	2776	14.1
Paper product	1288	6.5
Machinery	1249	6.5

(Source : Federation of Malaysian Manufacturers 2013)

Malaysian SMEs also contribute considerably to the total imports and exports in Malaysia. This sector adds to local income generation via outside sales or import substitution and accounts for 40% of GDP, as per the 2014 report issued by the Malaysia International Trade and Industry (Salikin, Wahab, & Muhammad, 2014). Thus, many Malaysian SMEs endeavour to progress with the aim of attaining the status of World Class SMEs Organization.

1.2 Problem Statement

Over the past half century in the Malaysian SMEs is still heavily influenced by Mass Production (MP) concepts or activities. According to Hosseini et al., (2012), MP refers to the idea of "Fordism", founded by Ford Motor Corporation in the early 19th century

which claims to the manufacturer to produce large quantities of standardised products. Although the mission of this philosophy is to create a model of economic expansion and technological progress based, this methodology requires an organisation to produce in huge volumes manufactured using special purpose machinery and labour to maximise the profit obtained. Nevertheless, Hu (2013) pointed out that the implementation of the MP has created many flaws and waste during the production operation is carried out.

Also criticised the production methods for MP is Villa & Taurino (2013). He stated in his study MP production methods are in fact far more complex process as it is a large-scale manufacturing process or method. Even, Lucato et al. (2014) clarified that the traditional mass production is no longer relevant for today business culture as a consequence of large-scale production create high variability of cost including the resource, process, labour, inventory and high-risk goods produced could not be marketed properly.

Malaysian SMEs are dominantly characterised by low volume, highly mixed product yield, and customised orders with variable volume rates, rather than orders to stock, regular machine set ups or changeovers, and limited inventory processes (Chong et al., 2012; Rahman et al., 2013). Thus, when lead time on shop floors is high, the production environment is unstable, and “production cash flow” is reduced.

Jeyaraman et al., (2010) and Hasle et al., (2012) had stated that the failure to implement lean manufacturing is related to “how to create overall lean strategies on the shop floor” with minimal negative influence from outside of the organisation. As per an in-depth examination of the situation, most problems can be categorised into a few clusters based on the 4 Ms, namely, man, machine, money, and method (or procedure). According to Moori et al., (2013), Man is referred to organisations whose operation includes management and support staff, whereas machine consists of the apparatuses and tools used on shop floors (Rahman et al., 2013). Money relates to the ability to pay or spend, and finally, method denotes the system or procedure applied in shop floors (Raisinghani et al., 2005)

For the first M which is money, the most critical points among the barriers to the adoption of lean manufacturing by Malaysian SMEs are related to investment cost (Rahman et al., 2013). The majority of enterprises believe that every manufacturing system requires considerable expenditure; some businesses expect to spend on automated machines, high-end computers and software, and the training and hiring of professional consultants as a result of lean manufacturing implementation (Wahab et al., 2013). Also, local SMEs are concerned with return on investments, while other organisations are concerned about over-budgeting and disruptions to production schedules in the event of delays (Dombrowski et al., 2014; Dora et al., 2013).

Another point of M to ponder is Man or how people are an essential element of any SMEs. Angelis et al., (2011) reported that lean manufacturing would succeed if every member of a company is committed and dedicated to the system. Many SMEs are self-managed; thus, knowledge and understanding of the lean manufacturing philosophy are crucial as this implementation may be rendered ineffective due to a lack of management support, poor procedure or standards, and vision. Al-Zuheri et al., (2012) concluded that the management is the main driver for lean manufacturing implementation initiatives in SMEs. However, the other barriers to this adoption involve company workers themselves; Schlosser (2013) stated that some employees disrupt the application at the shop floor given that most SMEs employ people with low skill levels who have a limited background in lean manufacturing. In certain cases, employees fear infringement and cannot foresee the advantage of this practice (Ling & Shan, 2009).

Thirdly, machines are another problem in lean manufacturing implementation, although they help SMEs operate efficiently. The point is highly variable and low-volume operations complicate machine setup by SMEs (Deo, 2013), and acquiring fast machines is not the ideal solution to this issue. Related factors, including the configuration time, process time, layout, number, and placement of machines, influence operating performance as well. Other aspects that contribute to NVA process wastes include a long setup period, significant distances between machines, transportation, and motion at shop floors. Azlina et al., (2011) also highlighted the failure of many local SMEs to maintain machines and equipment systematically.

Finally, researchers note situations wherein most local organisations collect, analyse, and report data without understanding their relevance to issues (Ling & Shan, 2009). Most data were not evaluated and were simply presented in “black and white” without considerable input. In a few cases, the methodologies used were too complicated. Then, there also cases where some SMEs merely copy findings from seminars or their mentors; this practice is ineffective because the researchers do not understand the relevance and implications of their results for implementation. Many reported cases exhibit the concept of “do it quickly, evaluate the result, and if the change is unsuccessful, try another solution.” Ultimately, the competitive advantage of lean manufacturing is unfortunately not utilised. Proper and proven guidelines could have assisted the current and future SMEs in Malaysia to have high-efficiency LM outcome with least resources involved. In the light of discussion mentioned above, existing problem and elaborated the gaps in implementing lean manufacturing in Malaysian SMEs can be summarised as follow:

Table 1.3 : The gaps for implementing Lean Manufacturing among Malaysian SMEs

Categories	The Gaps
Man	Lack of technical knowledge Sabotage from support staff Lack of management support
Machine	High variation and low Volume Ineffective control system Poor layout design
Method	Not understand the relevance Distinctiveness from big multinational companies
Money	Wrong perception Small Capital Low cash flow management

(Source : Ling & Shan, 2009, Jeyaraman et al., 2010, Azlina et al., 2011, Angelis et al., 2011, Al-Zuheri et al., 2012, Hasle et al., (2012), Wahab et al., 2013 and Dora et al., 2013, Dombrowski et al., 2014)

1.3 Research Aim and Objectives

The aim of this research is to investigate and develop an effective lean manufacturing framework for SMEs organisation, especially for Malaysian SMEs. It can be done by transforming the raw data into usable, understandable and communicable information for the use of improving the quality management at operational management level among the SMEs organisation. The model is hoped to enable Malaysian SMEs to achieve better productivity improvement. The specific objectives of this research are:

- i. To investigate the enablers variables for the LM implementation activities among the Malaysian SMEs.
- ii. To examine the effect of the implementation of the LM activities on the Malaysian SMEs operational performance and waste reduction.
- iii. To develop a Synergistic Lean Manufacturing (SyncLean) framework through the implementation of effective operational management practices and human resource development to enhance the sustainability of the SME business function.
- iv. To test the feasibility of a framework built through SyncLean industry and its impact on SMEs in Malaysia.

1.4 Scope and Limitations

This study only focuses on Malaysian SMEs manufacturing sector which is defined by SMIDEC. Also, the process of data collection via surveys will only involve companies that are recognised practising LM by Malaysian Productivity Corporation (MPC) for better understanding of the impact of LM among SMEs in Malaysia.

The results of this study are expected to help businesses in Malaysia SMEs that are still lagging in understanding the importance of the application and the correlation of LM in improving the quality and performance of the company, particularly in human resource development towards preserving existing manufacturing systems. The implementation of the concept of evidence-based research and the vindication through structural equation modelling (SEM), the case also helped to improve the reliability of the research study.

1.5 Research Questions

This study explored the question of "What are the factors that lead to the implementation of LM among local SMEs?". There is also the question that gathers some concerns related to the internal environment of an organisation of SMEs and methods that can be used to increase the efficiency of the implementation of LM among local SMEs. These research questions were also raised to achieve the main objective of the thesis:

- i. Why should Malaysian SMEs implement LM?
- ii. What are the elements for implementing LM in this sector?
- iii. What is the status of development for Lean Manufacturing among Malaysian SMEs?
- iv. What are the relationship between the variables of human resources and the choice of strategic operation management to reduce waste in the organisation?
- v. How can the execution of LM process based on the application of the concept of synergy LM improve operational performance of organisation?

1.6 Thesis Outline

This thesis contains six chapters. Chapter 1 provides the overview of the current practice of lean manufacturing among Malaysian SMEs industries and the objectives of this research. The whole research was described as to prepare readers for what this project is all about and the aims to be achieved. The problem statement was stated to explain why LM was chosen and its overview can be found in the first section. Then, Chapter 2 provides the reviews on the available literature which encompass critical thinking, ideas and approaches to this LM policy. This chapter also contains information on history, principles, research trend, along with tools and techniques used in the research areas.

In sequence with the discussion of many kinds of literature on lean manufacturing, Chapter 3 discusses the model development process that's been used throughout this research which is an explanatory mixed-method research (qualitative and quantitative approaches). Background and reasons for selecting these methods are also discussed in detail.

A preliminary framework has been developed from literature, and to be augmented through a survey in Chapter 4. A survey using structured questionnaire was designed which comprises of several sections including respondent profile and general knowledge on lean manufacturing concept, attitudes and behaviour. Then a structural equation model and the statistical approaches analysis are detailed out in this chapter.

Subsequently, Chapter 5 describes the step by step process on case studies that have been conducted in two SMEs companies in Malaysia. The use of a case study methodology is suitable for exploring a phenomenon within its real-life context, understanding the issues, and uncovering the strategies for continual improvement.

Finally, Chapter 6 summarises the whole research work encompass on how research aim and objectives were achieved based on the results obtained. Some recommendations for future action in lean manufacturing for SMEs are also provided at the end of this chapter.

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LIST OF PUBLICATIONS

Journal

Shahrizan Yusoff, Z. Leman, S. Sulaiman, M.I.S. Ismail, and M.Y. Ismail (2018).
Lean Manufacturing mplementation: A Case Study At Small Jig Fabrication
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Improving Operational Management for Manufacturing Competitiveness among
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