

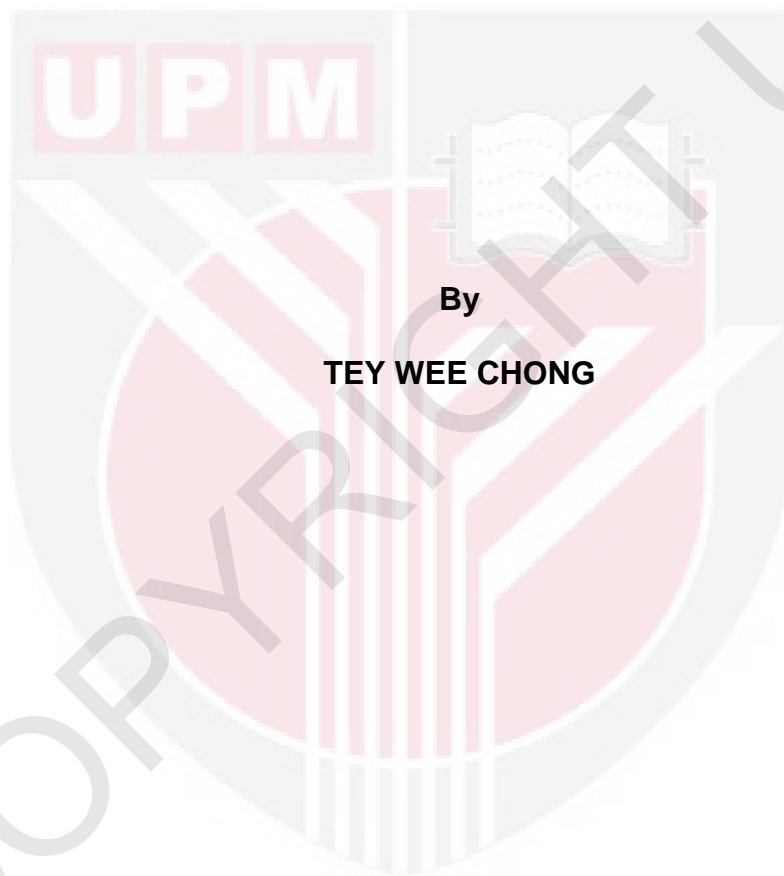


***KEY BUSINESS CHARACTERISTICS OF CHINESE ENTREPRENEURS IN  
THE MALAYSIAN FURNITURE INDUSTRY***

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**KEY BUSINESS CHARACTERISTICS OF CHINESE ENTREPRENEURS IN  
THE MALAYSIAN FURNITURE INDUSTRY**



By

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**A Project Report Submitted in Partial Fulfilment of the Requirements for  
the Degree of Bachelor of Wood Sciences and Technology in the  
Faculty of Forestry  
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## ABSTRACT

The rapid growth of the Malaysian furniture industry over the last two decades had successfully transformed an inferior cottage-based industry into a multi-billion Ringgit industry. The Malaysian furniture industry is predominated by small and medium enterprises (SMEs) and of Chinese entrepreneurs. Thus, this research was conducted to study the key business characteristics of Chinese entrepreneurs, which enabled them to sustain and dominate in the Malaysian furniture industry. Results from this research showed that the majority of the respondents practiced family management system and obtained the startup capital through bank loans. Other key characteristics found included respondents were focused on the export market, manufactured products based on their original design and the employment rate of foreign-contract workers was higher compared to local workers. The results concluded that Chinese entrepreneurs were more focused on business aspects, such as market, management and financial in their furniture businesses.

## ABSTRAK

Pertumbuhan pesat yang berlaku pada industri perabot Malaysia dalam dua dekad yang lalu telah berjaya membangunkan industri perabot di negara ini dan menjadikan industri tersebut sebuah industri yang menghasilkan keuntungan sebanyak billion Ringgit. Industri perabot di Malaysia didominasi oleh perusahaan kecil dan serdehana dan usahawan Cina. Oleh itu, kajian ini dijalankan dengan tujuan untuk memahami ciri-ciri perniagaan penting yang membolehkan usahawan Cina mengekalkan perniagaan mereka dan juga mendominasi industri perabot di Malaysia. Keputusan kajian ini menunjukkan kebanyakan syarikat responden masih diurus dan dikawal oleh ahli keluarga. Ciri-ciri lain yang penting ialah responden mendapatkan modal perniagaan melalui pinjaman dari bank, mementingkan pasaran eksport, menghasilkan produk berasaskan reka bentuk asal, dan pekerja asing yang mereka guna lebih ramai berbanding dengan pekerja tempatan. Dapatan kajian ini juga menunjukkan bahawa usahawan Cina lebih memberi tumpuan terhadap aspek perniagaan seperti pasaran, pengurusan serta kewangan.

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## APPROVAL SHEET

I certify that this research project report entitled “Key Business Characteristics of Chinese Entrepreneurs in the Malaysian Furniture Industry” has been examined and approved as a partial fulfilment of the requirement for the degree of Bachelor of Wood Science Technology in the Faculty of Forestry, Universiti Putra Malaysia.

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## CHAPTER 1

### INTRODUCTION

#### 1.1 Background

The abundant resources from tropical rainforest have made the Malaysian wood and wood products industry to achieve the success and become the envy of many other countries within the global wood and wood products sector (Ratnasingam and Tan, 2002). The wood-based industry is not only a major segment of Malaysia's dynamic manufacturer sector, but it also plays a fundamental role in the Malaysian economy.

Ratnasingam (2015) states that incomes generated by the wood-based industry was the fifth largest source of export earnings for the country in 2012 and the industry was classified as a strong socio-economic sector in Malaysia. He also claims that the contribution of the wood-based industry to the GDP was 0.8% from the commodity sector and 2.83% of the country's total merchandise export in the same year. At the same time, the timber sector also provided employment to about 300,000 workers. Basically, as a major socio-economic sector for Malaysia, the wood and wood products sector is believed to be remained as a main driver of economic growth for Malaysia in the future.

The foundation for the Malaysian wood and wood products industry is the formulation of the world-renowned Malayan Grading Rules (MGR) for tropical hardwood sawn timber in the early part of the last century (Andersson *et al.*,

2006). In the beginning, Malaysia started to produce and export tropical saw logs and sawn timber, while imported finished wood products from other countries. During the next phase of development, the Malaysian wood and wood products industry began to manufacture value-added products, including panel products, moldings, joinery and furniture. This was essentially the import substitution phase for the industry.

After the implementation of the 1<sup>st</sup> Industrial Master Plan (1986-1995), the Malaysian wood and wood products industry had experienced a transformation towards exports. Since then, remarkable changes had occurred in the export contributions of the industry of primary commodities and value-added products in the following years.

The government's strategic development plan implemented through the provision of various investment incentives, such as infrastructure, fiscal and tax instruments, beneficial industrial and trade policies have undoubtedly paid dividends (Ratnasingam, 2000a). The transformation of the Malaysian wood and wood products industry from being an importer of value-added wood products to an exporter of value-added wood products has been successful. The rise of the furniture industry from an inferior cottage-based industry to a multi-billion Ringgit industry is ample testimony to the success of the industrial development policies in the country (Ratnasingam and Tan, 2002).

The Malaysian furniture industry has shown enormous growth rates since 1982. The export value of the Malaysian furniture industry had risen from RM27 million in 1982 to RM9.529 billion in 2016 (Rashid, 2016). Nearly 80% of the Malaysian furniture production are being exported every year. Besides the wooden furniture, the export of other materials-based furniture such as metal, plastic and rattan is also gaining the prominence (Ratnasingam, 2015). Significantly, there is a growing trend in mixed-materials construction for furniture, which capitalizes on the diverse resource base available in the country (Ratnasingam, 2015).

## **1.2 Problem Statement**

Malaysia is currently categorized in top 10 largest exporters of furniture in the world. United States of America, Japan and Australia are the most important global markets for Malaysian furniture. In 2015, there were more than 2,000 furniture companies in operation in Malaysia (Ministry of International Trade and Industry, 2015). The Malaysian furniture industry is under a manufacturing sector of the small and medium enterprises (SMEs) due to the prevailing low-entry barrier (Ratnasingam, 2015). Based on the statistics published by Department of Statistics Malaysia (DOSM), the number of Malaysian SMEs involved in furniture manufacturing was 1,843 SMEs (DOSM, 2011).

In fact, the Malaysian furniture industry is dominated by Chinese entrepreneurs. However, most of the previous researchers studying about

the business performance and challenges focused on the Bumiputera entrepreneurs in the Malaysian furniture industry. Therefore, in this study, the key characteristics of Chinese entrepreneurs which enable them to sustain and predominate in the Malaysian furniture industry will be determined.

### **1.3 Justification**

As the Malaysian furniture industry is predominated by Chinese entrepreneurs, their business characteristics are worth to be studied. This research was mainly focused on the business characteristics of Chinese entrepreneurs in the Malaysian furniture industry, based on five business aspects, including management, financial, market, technology and human resource. In addition, this study was conducted to identify the most important aspect among these five business aspects of Chinese entrepreneurs in sustaining their businesses and being competitive in the global and local markets. Studying and understanding the key business characteristics of a group of successful entrepreneurs always help the startup companies and also the small and medium enterprises (SMEs) to achieve higher performances in their businesses.

### **1.4 Objectives**

The general objective of this study is to establish the business trends of Chinese entrepreneurs in the Malaysian furniture industry.

The specific objectives are:

- 1) to determine the key characteristics of Chinese entrepreneurs in the Malaysian furniture industry.
- 2) to examine the importance of business aspects (management, financial, market, technology and human resource) for Chinese entrepreneurs to sustain their furniture businesses.

### **1.5 Limitation of the Study**

Information on the furniture industry is often in the hands of top management of the companies. In Malaysia, the majority of furniture manufacturing companies are owned and managed by Chinese families. Transformation from family management to professional management is not yet evident in Chinese community involved in the Malaysian furniture industry. This causes some barriers to obtain the data needed for the study. In order to ensure the competitiveness of their companies and products manufactured, they do not intend to share most of the information related to their business, including the annual profit and the practice of business management. As a result, it is challenging to get information from Chinese entrepreneurs who are involved in the Malaysian furniture industry.

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