

## ABSTRACT

Over the past decade, quality and productivity has played a pivotal role in hastening industrialization prosperity in Malaysia. Improving quality is one important way to maintain a competitive position in today's markets. Productivity is in the news these days as an effective means of counteracting the downward effects of various other important economic forces.

There is a clear positive relationship between quality and productivity. Generally, when quality increases, waste is eliminated, so will productivity increase as well. However, some researchers view quality and productivity move in opposite directions. There is a trade-off between quality and productivity. It is thus the aim of this study to examine the relationship between quality and productivity in Malaysia manufacturing sectors.

The study focuses mainly on manufacturing firms located in the Free Trade Zones ( FTZ ) or those enjoying the status of Licensed Manufacturing Warehouse ( LMW ). Data on these firms were collected from questionnaire forms sent to them in the course of this study. Productivity measurement will be done on those firms that have or have not embarked a journey towards TQM. This analysis revealed the significant difference between firms implementing TQM and pre-implementation firms. The difference is that implementing firms increase input in significantly more activities than pre-implementation firms did.