

CHAPTER 1: INTRODUCTION

1.1 Introduction

Companies throughout the region are facing a price squeeze and the squeeze is affecting every step in the supplier chain. Manufacturers and retailers are increasingly seeking new and innovation ways to achieve quantum performance improvements in their respective supply chains.

The fact that Japanese manufacturers made tremendous inroads on the global automobile market during the 1970s will surprise nobody. What may surprise many is that Toyota's productivity rates exceeded U.S. manufacturers' as long ago as the 1960s. Business historian Michael A. Cusumano details the spectacular developments in Japanese productivity, quality, and process flexibility that have occurred over the past thirty years [1].

Many people perceive attention to quality as one of the most important competitive issues of today and tomorrow. In fact, quality may be one of the most important ways a manager can add value to products and services to set them apart from those of a competitor.

Traditionally, managers consider productivity and quality as two sides of the same coin – one that can increase profit and built customer loyalty [2]. They believed that reduce the numbers of defective and increase the productivity – a “win-win” situation.

However, some industrialist believed that there was an inevitable trade-off between productivity and quality. They thought that the two were diametrically opposed – that increasing one meant decreasing the other. Therefore, Quality and Productivity relationship become a new issue in the Operation Management: Is Quality and Productivity an Oxymoron?

1.2 Purpose and Significance of the Study

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.

This study attempts to provide some insights and findings on how quality and productivity relationship in Malaysia manufacturing sectors. This will provide valuable knowledge to other companies for which are going in the process of implementing TQM. This study will also help us to understand more about productivity especially in the implementation aspect of TQM. However, there are not many local case studies are done in this subject. Most of the cases being revealed are overseas case studies.

The overall objectives of the study is summarized as follows:-

- (a) To know what were the actual factors contributing to the productivity and quality.
- (b) To find out quality and productivity relationships.

1.3 Research Methodology and Scope of the Study

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.

A questionnaire was designed to illicit opinion to allow the determination of the individual perceptions of TQM, factors affecting the productivity, as well as to identify problems if any, encountered during the implementation of TQM.

The analysis of the case was based on primary data and non-structured personal interviews through telephone interviews to gather primary data from concerned parties who were involved in the implementation of TQM from the Survey Company.

1.4 Limitations of the Study

As with any study, the study presented in this report has its limitations. The primary data collected are based on perception of the executives in company and they may be bias in their answers. Although the author has made an effort to explain the objectives and significance of the study to each of the respondents, information distortion could occur during the rating of personal feelings and due to subjective characteristics of the questions.

Another limitation is the difficulties for the researchers to get local case studies on this subject. As a result, the researcher depends heavily on overseas case studies as a reference to analyze the case. The limitation of this approach is the cultural context in which TQM is being implemented is totally different from the local context. Therefore, the researcher has to be careful when analyzing the implementation of TQM in the context of local culture.

In addition some of the company may be reluctant to reveal confidential and

"sensitive" data or information. The reasons given are to avoid the information from falling into competitors' hand.

Lastly, the limitation is time constraint. This problem may hinder the researcher from enlarging the scope and the depth of the study. Many aspects of the study may have to be forgone.

1.5 Organization of the Study

The research report is divided into five main chapters. Chapter One is the introductory chapter, which discusses the rationale and objectives of the study. Chapter Two gives a description the theoretical aspects of Quality and Productivity relationships. Chapter Three explains the research methodology of the survey conducted. Chapter Four analyses and presents the results of the research. Lastly, Chapter Five is the conclusion of the study and scheduling, milestones of recommendation of further Study.