

### **(3) RESEARCH METHODOLOGY**

#### **(i) Research Propositions**

Before proceed into the discussion of research methodology used, it is necessary to reiterate the main objective of this research is not simply to coin out what are the reactions for both foreign and local manufacturing companies pertaining to China's entry to WTO, but rather than providing a qualitative assessment of perception and preparation of both foreign and local manufacturers in Malaysia towards China's entry to WTO.

Moreover, this research also aims to unravel as many as possible the multiplicity of constructive proposals that serve to further enhance and strengthen the Malaysia's manufacturing competitiveness in order to compete with China. Given such objectives, it is only natural that the data collected must be both quantitative as well as qualitative and sources of data must come from a variety and latest up to date primary and secondary sources to obtain higher credibility and validity.

In short, the proposed research questions of this research are as per following propositions :

- (1) Malaysia will most likely to lose its comparative advantage of the labor-intensive manufacturing industry such as assembled-products of low-value-added or low-end electronic parts such as radio cassette players, toy, shoe, textiles and apparel to China.
- (2) At present moment, Malaysia will mostly likely to retain its comparative advantage of the high-end and high-value-added manufacturing industry from China. Nevertheless, these comparative advantages will be fast losing out within years unless immediate

countermeasures being taken and implemented to counter the rise of China as the 'World Factory' to all kinds of consumer-products.

- (3) Due to cost-pressure factor and higher profit margin consideration, Malaysia's foreign companies are more likely to consider production-relocation and restructuring to country that offering cost-effective resources than local companies.

(ii) Selection of Measures

Pertaining to the above three research propositions, this research seek to adopt the below research measures to address and verify the respective propositions :

- (1) To verify whether Malaysia is likely to lose its comparative advantage of the labor-intensive manufacturing industry such as assembled-products of low-value-added electronic parts such as radio cassette player, textiles and apparel to China, this research will look into the comparative advantage of export structure for selected manufactured goods between Malaysia and China of which the data was derived & compiled from the Handbook of International Trade & Development Statistics (2000). The selected manufactured goods are in labor-intensive products (SITC 65~69 & 84) and technology-intensive or high end products (SITC 71~77).
- (2) As to verify Malaysia whether still competitive in high-end and high-value-added manufacturing against China, this research will look into the degree of association in manufacturing export specialization by verifying the World Export Ratio (WER) base on revealed comparative

advantage (RCA) indices between Malaysian-China in their respective high-end export products. These RCA data was derived and compiled from secondary sources of Sunil, 2001.

(3) As to verify whether due to cost-pressure factor and higher profit margin consideration, Malaysia foreign companies are more likely to consider production-relocation and restructuring to country that offering cost-effective resources than local companies, this research conducted interview surveys (guided with questionnaire) among the two pre-selected groups of company, foreign TNCs subsidiaries and local electronic or related supporting manufacturing companies.

### (iii) Sampling Design

Pertaining to the selection of the samples of subsidiaries of foreign TNCs and local manufacturers in the Malaysia electronic industry as to verify the above research proposition No. (3), the judgment sampling was being used to pre-select fifty related companies. Due to the author attached as a procurement manager in one of the Japanese electronic TNC and by utilizing the author's networking capacity and company business relationship with some of the pre-selected companies, the initial interview survey request was being approved by all the pre-selected companies top management scheduled from September 2001 to December 2001.

In short, a total of fifty pre-selected foreign TNCs and local electronic companies agreed to be involved in the interview survey. However, due to certain unforeseen circumstances and time constraint such as last minute appointment cancellation and lots of festive holidays from

November~December 2001, there are eight companies that could not be reached out for interview. In the end, out of targeted fifty companies, only forty-two companies were successfully interviewed. Appendix 1 contains the list of all the companies involved in the research, their manufacturing activities, the total number of employees, the most senior manager interview, company location and the country of origin of their parent company. Below listed a summary table (Table 9) of the total companies interviewed and their respective business nature.

Table 9 : Total Companies Interviewed & Business Nature

No.	Company Origin	Nature of Business In Electronic Sector			Total
		Consumer	Component	Industrial	
1	Japanese	7	8	-	15
2	United States	2	12	2	16
3	Korea	1	-	-	1
4	Local	-	10	-	10
	Total	10	30	2	42

Representative in terms of the companies origin interviewed is reasonable as for the past five years, both Japan and United States are the top two major foreign investor in Malaysia (MIDA, 2001). As for the representative in nature of electronic business, it is slightly under-representative for the industrial electronics manufacturers and over representative for the component electronics manufactures. This may partly reflect the country's electronic export structure whereby the consumer and component industry occupied almost eighty percent and above out of total electronic products export value. (Department of Statistic Malaysia, 2000)

Meanwhile, a set of questionnaire was being designed in order to obtain the required information orderly from the all the targeted samples and

the concerned questionnaire was divided into 5 section of which covering the below aspects :

- (1) Section 1 : Inquiry for the company bio-data
- (2) Section 2 : Evaluation for Malaysia Business Operating Climate
- (3) Section 3 : Evaluation for the impact of China's WTO Entry
- (4) Section 4 : Preparation against China's WTO Entry
- (5) Section 5 : Inquiry for the 'Company Future Direction'

(iv) Data Collection Procedures

For the research proposition No. (1), the main data used is secondary data derived and compile from the Handbook of International Trade & Development Statistics (2000) through the library and the search of Internet for latest update of data. The selected data of manufactured goods are in labor-intensive products (SITC 65~69 & 84) and technology-intensive or high end products (SITC 71~77).

For the research proposition No. (2), secondary data of manufacturing export specialization indices of revealed comparative advantage (RCA) indices between Malaysian-China and their respective RCA in high-end products was obtained and compiled from secondary sources of data from Sunil, 2001 through the search of library.

For the research proposition No. (3), primary data was basically collected from an interview survey conducted between the months of September 2001 to February 2002 with the senior managers of both foreign TNCs and local manufacturers, ranging from Transnational electronic firms to its supporting industries. Secondary sources include literature on China's

entry to WTO and its impact to world economy especially in Asia, latest economic trends in both China and Malaysia as well as various latest Government and private publications, magazine and newspaper articles as up to early March 2002.

The interviews conducted were semi-structured in nature and guided by a set of questionnaire of covering below aspects :

- (1) Section 2 : Evaluation for Malaysia Business Operating Climate
- (2) Section 3 : Evaluation for the impact of China's WTO Entry
- (3) Section 4 : Preparation against China's WTO Entry
- (4) Section 5 : Inquiry for the Company Future Direction

Whenever possible, the interviews were also tape-recorded to ensure none of the important points being missed out and almost all the companies interviewed requested the author cooperation not to reveal the company's identity and opinion for section 5 of regarding the company future management direction whether to relocate or restructure the company operation to China. This is because as long as the company decision regarding section 5 not yet confirm or finalize, it is the company best interest to keep it confidential as it may affect the staffs working spirit and morality.

Out of total forty-two companies of which successfully interviewed, about half of the managers interviewed were either managing director or the general manager of the concerned company. The rest of the managers interviewed were consisting of either sales manager or the purchasing manager. Because of the inability to meet up all the managing directors from the forty-two companies especially from those foreign TNCs companies, when come for conclusion for the survey question of section 5

of company future direction in Malaysia, the conclusion taken was based on answer from the concerned available manager plus the latest news and literature information from their headquarter. The average length of the interview survey is about one hour.