

Distinctive Capabilities and Performance: Empirical Evidence from Malaysian SMEs

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ABSTRACT

Despite the general notion that distinctive capabilities are crucial to the success of firms, empirical studies that focused on this strategic variable in SMEs remains limited. This study seeks to address this research issue by empirically investigating 100 SMEs in the Malaysian manufacturing sector. The findings of the study suggest that the SMEs studied established capabilities in several business functional areas. In addition, the results of the correlations indicate statistically significant positive relationship between distinctive capabilities and the performance of the SMEs in this study.

ABSTRAK

Walaupun didapati bahawa keupayaan distingtif sangat penting bagi kejayaan syarikat, kajian empirik tentang variabel strategik ini dalam perniagaan kecil dan sederhana (PKS) adalah terhad. Kajian ini melihat isu penyelidikan ini dengan mengkaji secara empirik 100 PKS dalam sektor pembuatan di Malaysia. Penemuan kajian ini menunjukkan bahawa PKS yang dikaji memiliki keupayaan dalam beberapa bidang fungsian perniagaan. Di samping itu, keputusan ujian korelasi menunjukkan perhubungan positif di antara keupayaan distingtif dengan prestasi PKS dalam kajian ini.

INTRODUCTION

Owners and managers of small and medium-sized enterprises (SMEs) must seek and identify sources to compete successfully in the market. To do so, SMEs need some form of resources in order to develop its competitive advantage. With regard to this, the resource-based view (RBV) theory of strategic management suggests that the principle source of a firm's competitive advantage lies in its distinctive capabilities.

Additionally, the proponents of the RBV theory have often emphasised the importance of distinctive capabilities as an important source of competitive advantage

that can influence organisational performance (Wernerfelt, 1984; Ulrich and Lake, 1990; Prahalad and Hamel, 1990; Grant 1991; Barney, 1991; Schoemaker, 1992; Kay, 1993; Grant and Craig, 1993; Hall, 1993; and Peteraf, 1993).

Therefore, establishing distinctive capabilities is a crucial step in determining a competitive advantage for SMEs. As indicated earlier, distinctive capabilities can provide SMEs with certain competitive advantage in order for them to compete successfully in the market.

The literature has clearly highlighted the importance of distinctive capabilities. Despite the fact that

distinctive capabilities are crucial to the success of firms, this issue has received only minimal attention in the small business research literature, particularly in the Malaysian context. The present study initiates an attempt to partially address this research issue.

The primary objective of this study is to determine the levels of distinctive capabilities in Malaysian SMEs. Secondly, the study attempts to investigate empirically the relationship between the distinctive capabilities and the performance of SMEs. More specifically, this study attempts to empirically answer the following questions:

1. What levels of distinctive capabilities exist in Malaysian SMEs?
2. What kind of distinctive capabilities/performance relationships exist in Malaysian SMEs?

RESEARCH TERMS

The small and medium-sized enterprise (SMEs) in this study refer to manufacturing firms that employed between 10 and 300 full time employees as well as have been in operations for at least three years.

Distinctive capabilities relate to the seven functional areas capabilities, namely; general administrative, production/operations, engineering/R&D, marketing, finance, personnel, and public and governmental relations. The distinctive capabilities in this study comprise both the individual functional distinctive capabilities (each functional area) and the combined distinctive capabilities (sum of general administrative, production/operations, engineering, research and development, marketing, finance, personnel, and public and governmental relations).

Performance is measured in terms of firm average and the business performance composite index (BPCI). Sales, assets, gross profit, employment, equity, return on sales (ROS), return on investment (ROI), return on asset (ROA) are used to assess the SMEs performance. The BPCI is derived from the mean values of ROS, ROI and ROA ($BPCI = ROS + ROI + ROA / 3$).

THE LITERATURE

Distinctive Capabilities

The literature on strategic management has underscored distinctive capabilities or competencies as an important part of an organisation's resources and competitive advantage. The basic conclusion of the literature reviews suggest that organisational distinctive capabilities may be defined as some resource, skill, activity or capability that a business is uniquely good at in comparison to rival firms (Stoner, 1987).

Additionally, the literature reveals that previous attempts to define organisational capabilities or competencies have resulted in various definitions and categories.

Ansoff (1965) developed one of the earliest works on distinctive capabilities. Based on four categories of skills and resources (facilities and equipment, personnel skills, organisational capabilities and management capabilities), Ansoff established the competency profile along the functional areas; research and development, operations, marketing, general management and finance. This competency profile is widely applicable to a single firm as well as most industries.

Wenerfelt (1984) referred to a resource as anything which could be thought as a strength or weakness of a given firm (tangible and intangible assets such as brand names, in-house knowledge, knowledge of technology, employment of skilled personnel, trade contacts, machinery, efficient machinery and capital).

Thompson and Strickland (1987) described distinctive competence as a skill or activity that a firm does especially well in comparison to rival firms. These authors stressed that superior capability in some important aspect of creating, producing, or marketing can be the means to achieve a competitive advantage and better business performance.

Griffin (1987) classified an organisation's resources as human, financial, physical and information.

Barney (1991) categorised all firm resources into three categories: physical capital resources, human capital resources, and organisational capital resources.

Hall (1992 and 1993) considered intangible resources as assets and skills. Intangible assets include trade marks, patents, copyright, registered designs, contracts, trade secrets, reputation, networks, data bases and information in the public domain. Intangible skills are know-how of employees, suppliers, distributors, and the culture of the organisation.

Graig and Grant (1993) defined a firm's distinctive capabilities or competencies as both tangible and intangible resources, comprising of financial, physical, human, technology, reputation and relationship which the firm owns or has access too.

Black and Boal (1994) categorised resources on the degree to which the factors that made up the resource bundle can be identified. According to these authors, firm resources can be divided into two types: contained resources and system resources.

Price (1996) concluded that the quest for competitive advantage occurs in space of three dimension: products, processes and markets. Price claimed that competitive advantage can come from any organisational process such as manufacturing or production, administrative, marketing, information and financial.

In addition, the resource-based view (RBV) of strategic management suggests that resources and capabilities that are scarce, durable, defensible and hard to imitate can form the basis for sustainable competitive advantage. Moreover, Kay (1993) stressed that a company success depended on an effective match between the external relationships of the company and its own distinctive capabilities.

Similarly, Grant (1991), Grant and Craig (1993) and Peteraf (1993) viewed a firm as a bundle of somewhat unique resources and capabilities. According to the authors, if a firm's resources and capabilities are scarce, durable, defensible and hard to imitate, they can form the basis for sustainable competitive advantage and surplus profit, provided they aligned well the key success factors of the industry.

Furthermore, it is generally understood that distinctive capabilities can be analysed in different ways. With regard to this, Wheelen and Hunger (1993 and

1995) pointed that the distinctive capabilities of an organisation can be analysed by using the following approaches:

- i. the 7-S Framework (Peters and Waterman, 1982);
- ii. the PIMS analysis (Strategic Planning Institute);
- iii. the value chain analysis (Porter, 1985); and
- iv. the functional analysis (Ansoff, 1965).

Clearly, the literature has underscored distinctive capabilities as an important internal component of organisations. Additionally, the literature seems to suggest that capabilities in functional areas such as general administration, operations/production, marketing, finance, human resource management, engineering and R&D and public relations may, when emphasised appropriately become distinctive capabilities for organisations (Hitt and Ireland, 1985).

Performance

Different companies in different countries tend to emphasise on different objectives. However, the literature suggests financial profitability and growth to be the most common measures of organisational performance.

Nash (1984) claimed that profitability is the best indicator to identify whether an organisation is doing things right and hence profitability can be used as the primary measures of organisation success. Furthermore, according to Doyle (1994), profitability is also the most common measure of performance in western companies.

Profit margin, return on assets, return on equity, return on sales are considered to be the common measures of financial profitability (Robinson, 1982; Galbraith and Schendel, 1983). Abu Kassim et. al (1989) found sales, sales growth, net profit and gross profit were among the financial measures preferred by the Malaysian manufacturing firms.

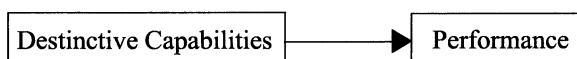
Relationship Between Distinctive Capabilities and Performance

As discussed earlier, the literature has underscored distinctive capabilities as an important component of a firm's internal environment. Of particular importance has been that firms need some form of distinctive capabilities in order to sustain its competitive advantage. The distinctive capabilities will determine what the firm can do best as well as decides how to compete in the market. Distinctive capabilities can therefore provide the basic direction for a firm's strategy as well as act as the primary source of profit for the firm.

THE RESEARCH FRAMEWORK

As discussed earlier, the literature suggests that a relationship exists between distinctive capabilities and organisational performance. Firms with distinctive capabilities will be able to establish some form of competitive advantage to compete with and hence will perform well. Therefore, distinctive capabilities can influence the performance of the firm. The schematic representation of the theoretical framework is presented below.

Figure 1
The Research Model



Research Hypotheses

To test the theoretical framework of the study, the following hypotheses are developed:

Hypothesis 1: Each of individual (functional) distinctive capabilities (general administration, production/operation, engineering, R&D, marketing, finance, personnel, and government and public relations capabilities) is positively related to SMEs performance.

Hypothesis 2 : The combined distinctive capabilities (the sum of general administration, production/operation,

engineering, R&D, marketing, finance, personnel, and government and public relations capabilities) are positively related to SMEs performance.

RESEARCH METHODOLOGY

Procedure and Sample

The 548 firms in various industries were selected from the 748 firm list obtained from the Labour Department. The owners/managers of the 548 firms were contacted by telephone and their participation were requested and confirmed. Subsequently, the interviews were held at the earliest possible time. In most of the cases, the interviews were held the following day. By using a structured questionnaire, the data for the study were collected through the personal face-to-face interviews with the owners and managers of the selected SMEs. Of the 548 owners/managers who were reached by telephone, 100 confirmed their participation and completed the interview. This outcome resulted in the overall response rate of 18.2 percent.

Measurements

Distinctive Capabilities

The distinctive capabilities variable was measured by using the instrument developed by Hitt and Ireland (1985). Hitt and Ireland's instrument comprises 55 capabilities grouped according to the following seven functional areas:

- a. general administration;
- b. production/operations;
- c. engineering, research and development;
- d. marketing;
- e. finance;
- f. personnel; and
- g. public and governmental relations.

In the present study, the distinctive capabilities were also categorised into the seven functional areas. How-

ever, some functional capabilities in the Hitt and Ireland's instrument had to be omitted and changed to suit the conditions of the local business. This was done to encourage the owners/managers of SMEs to respond, as Hitt and Ireland's instrument was developed for research in the United States of America and some information was not applicable to SMEs in Malaysia.

From the original 55 functional capabilities, the present study adopted only 50 items. The 50 distinctive capabilities of the seven functional areas in this study was measured in terms of their levels (strengths) in the firms.

In measuring the levels of the distinctive capabilities, the owners/managers were asked to rate the level of each capability on a five-point numerical scale ranging from "none" to "very high." The ratings were grouped by function and summed to determine the relative strength of each major group of functional distinctive capabilities. A list of the 50 functional capabilities is provided in the Appendix A.

In addition to establishing the level of each of the functional areas of distinctive capabilities of the firms, this study also attempted to determine the role of the overall (combined) level of distinctive capabilities in influencing the performance of the firms surveyed. In this study, the combined distinctive capabilities (overall) was derived by dividing the scores of the total seven functional distinctive capabilities by seven.

Performance

This study evaluated performance by using the actual figures of dollar sales volume, the amount of assets, the amount of equity, the number of employees, return

on investment ($ROI = \text{net profit} / \text{total equity}$), return on sales ($ROS = \text{net profit} / \text{total sales}$) and return on assets ($ROA = \text{net} / \text{total assets}$) over a three to five-year period.

The average performance measures were derived by adding the annual figures of (dollar sales volume, the amount of assets, the amount of equity, the number of employees, ROI, ROS and ROA) for over a three to five year period and divided by three or five. In addition, this study adopted Lee's (1987) business performance composite index (BPCI) as the mean values of ROI, ROS and ROA ($BPCI = ROI + ROS + ROA/3$).

The Respondents' Position in the Firms

Table 1 shows the positions of the respondents in the firms surveyed. Of the 100 respondents, 57 were Managing Directors/Chief Executive Officers of their firms, 10 were Directors or Executive Directors, 12 were sole owners or partners/managing partners in the companies, five were senior managers as well as owners, and 16 were employed senior managers in the firms.

The Sample Firms By Types of Industries

The following Table 2 presents the summary of the firms by industries.

The Sample Firms Characteristics

The following Table 3 displays the characteristics of the 100 firms in the study.

Table 1
Respondents' Positions in the Firms

Position	Number	Percentage
1. Managing Director	57	57.0
2. Director/Executive Director	10	10.0
3. Sole Proprietor/Partner	12	12.0
4. Senior Manager/Owner	5	5.0
5. Senior Manager	16	16.0
Total	100	100.0

Table 2
Firms by Industries

Type of Industry	Numbers	Pecenatge
1. Food	23	23
2. Beverage	6	6
3. Tobacco	1	1
4. Textile products	10	10
5. Wood product	1	1
6. Furniture and fixtures	15	15
7. Paper products	3	3
8. Industrial chemical	3	3
9. Pharmaceutical products	3	3
10. Rubber products	1	1
11. Plastic products	2	2
12. Non-metallic products	1	1
13. Electrical and electronics products	10	10
14. Supporting products	8	8
15. Souvenirs and handicrafts	2	2
16. Sports goods and equipment	1	1
17. Jewellery and related products	1	1
18. Motor vehicles components	2	2
19. Miscellaneous	7	7
Total	100	100

The below Table 3 covers the following characteristics:

- i. the legal forms of the firms;
- ii. the number of owners;
- iii. the number of employees;
- iv. the initial capital;
- v. the number of products made and sold;
- vi. the dollar of sales (1996); and
- vii. the age of the firms.

Levels of the Distinctive Capabilities

The following Table 4 presents the mean and standard deviation scores for each of the distinctive capabilities and the combined distinctive capabilities (sum of the general administration, production/operations, engineering, research and development, marketing, finance, personnel, and government and public relations) as reported by the 100 firms.

Table 3
The Sample Firms Characteristics

Firm Characteristics (n=100)	Frequency	Percent	Mean	SD	Range
Legal Form:					
Sole Proprietorship	10	10.0			
Partnership	7	7.0			
Private Limited	83	83.0			
Number of owners:			4.00	6.88	1 –60
One	10	10.0			
Two	41	41.0			
Three	14	14.0			

Firm Characteristics (n=100)	Frequency	Percent	Mean	SD	Range
Four	16	16.0			
5-10	15	15.0			
More than 10	4	4.0			
Number of Employees:			61.00	65.72	10 – 300
10-50	63	63.0			
51-100	17	17.0			
101-150	13	13.0			
151-200	3	3.0			
201-250	1	1.0			
251-300	3	3.0			
Initial Capital:					1,000-
Less than 50,000	35	35.0			11,000,00
50,001-100,000	21	21.0			
100,001-500,000	17	17.0			
More than 500,000	27	27.0			
Number of Products Made and Sold:			6.00	10.00	1 – 77
One product	32	32.0			
Two products	15	15.0			
Three products	11	11.0			
Four products	10	10.0			
5-15 products	23	23.0			
More than 15	9	9.0			
Dollar Value of Sales:					
Less than 1 million	42	42.0			
1-3 million	30	30.0			
3-5 million	6	6.0			
5-7 million	4	4.0			
More than 7 million	18	18.0			
Age of Firms (years):			13.00	10.92	
3-5	28	28.0			
6-8	17	17.0			
9-11	22	22.0			
12-14	5	5.0			
15-17	6	6.0			
18-20	4	4.0			
More than 20	18	18.0			

The Performance Measures

The following Table 5 provides the means and standard

deviations (SD) scores of the average and the BPCI performance measures of the firms surveyed.

Table 4

Summary of the Mean and Standard Deviation (SD) Scores of the Levels of the Distinctive Capabilities Variable

Distinctive Capabilities Dimensions:	Mean	SD
1. Level of Each Functional Distinctive Capabilities:		
i. General Administration	3.78	.51
ii. Production/Operations	3.38	.53
iii. Engineering, R&D	2.76	1.08
iv. Marketing	3.12	.71
v. Finance	3.40	.54
vi. Personnel	3.33	.57
vii. Public and Governmental Relations	3.67	.61
2. Level of the Combined Distinctive Capabilities	3.29	.47

Table 5

Means and Standard Deviation of the Average and BPCI Performance Measures

Performance Measures:	Mean	SD	Minimum	Maximum
1. Average:				
a. Sales	4,001,472.4	9,643,946.24	43,333.33	82,000,000
b. Assets	1,434,254.0	2,564,154.18	26,000.00	17,600,000
c. Employment	51.79	55.75	6.67	270
d. Equity	1,012,571.4	2,609,547.93	32,000.00	18,400,000
e. ROS	0.13	0.17	0.00	1.58
f. ROI	1.00	2.79	-0.03	20.75
g. ROA	0.33	0.51	0.00	3.83
2. BPCI	0.49	1.08	-0.01	7.62

Table 6

Correlations between Levels of Distinctive Capabilities and Average Performance Measures.

Distinctive Capabilities:	Sales	Asset	Gross Profit	Employment	Equity	ROS	ROI	ROA
Individual distinctive capabilities:								
General Administration	.13	.26**	-.06	.31***	.14	.22*	-.04	-.04
Production/Operations	.12	.36**	-.07	.28**	.12	.25**	.01	.01
Engineering, R&D	.28**	.34***	-.04	.48***	.23*	.30**	-.08	-.08
Marketing	.01	.24**	-.21*	.29**	.15	.17	-.08	-.08
Finance	.01	.19	-.10	.37***	.07	.17	.00	.00
Personnel	.12	.36***	.01	.27**	.14	.24**	-.02	-.02
Government and Public Relations	.04	.31***	-.23**	.27**	.05	.26**	.09	.09
Combined distinctive capabilities	.15	.38***	-.06	.43***	.19	.29**	-.04	-.04

***p<.01, **p<.05, *p<.10

THE RESULTS

Testing of Hypothesis

The correlations analysis was used to test the two research hypotheses. The following Table 6 presents the results of the correlations between each of the functional distinctive capabilities, the combined distinctive capabilities and the average performance measures.

Correlations Between Each of the Functional Distinctive Capabilities and the Average Performance Measures

As indicated in the above Table 6, the results of the correlations between each of the functional distinctive capabilities (general administration, production/operation, engineering, R&D, marketing, finance, personnel, and government and public relations capabilities) and the average rate of asset, employment, and ROS were significant. These findings offer some support for hypothesis 1.

However, the correlations between each of the functional distinctive capabilities and the average sales, gross profit, equity, ROI and ROA were not significant.

Correlations Between the Combined Distinctive Capabilities and the Average Performance Measures

The results in Table 6 indicate that the correlations between the level of the combined distinctive capabilities (sum of general administration, production/operation, engineering, R&D, marketing, finance, personnel, and government and public relations capabilities) and the average rate of asset, employment, and ROS were significant. These results appear to provide some support for hypothesis 2.

The correlations between the combined distinctive capabilities and the average sales, gross profit, equity, ROI and ROA were not significant.

The following Table 7 shows the results of the correlations between each of the functional distinctive capabilities, the combined distinctive capabilities and the business performance composite index (BPCI).

Correlations Between Each of the Functional Distinctive Capabilities and the Business Performance Composite Index (BPCI)

As indicated in the above Table 7, the correlations between each of the functional distinctive capabilities (general administration, production/operation, engineering, R&D, personnel, and government and public

Table 7

Correlations between Levels Individual and Combined Distinctive Capabilities and the Business Performance Composite Index.

Distinctive Capabilities:	Business Performance Composite Index (BPCI)
Individual distinctive capabilities:	
General adiministration	.21*
Production/Operations	.25**
Engineering, R&D	.28**
Marketing	.16
Finance	.18
Personnel	.21*
Government & Public Relations	.26**
Combined distinctive capabilities	.28**

***p<.01, **p<.05, *p<.10

relations capabilities) were significant. These findings provide some support for hypothesis 1. However, the results of the correlations between marketing, finance distinctive capabilities and the BPCI were not significant.

Correlations Between the Combined Distinctive Capabilities and the Business Performance Composite Index (BPCI)

The results in Table 7 indicate the correlation between the combined distinctive capabilities and the composite business performance index was significant at $p=0.05$. This finding offers support for hypothesis 2.

DISCUSSIONS

As indicated in Table 4, the overall score of the level of the individual distinctive capabilities in the 100 firms is above the average value of 2.5 (on the scale of 1 to 5), suggesting that the firms surveyed have above average level of distinctive capabilities.

The mean score of the level of the distinctive capabilities for the 100 firms appear to be highest in the general

and administration function (mean=3.78). The lowest level of distinctive capabilities was found in the engineering and R&D function (mean=2.76). The mean scores for the other functional distinctive capabilities range from 3.12 to 3.67. One explanation for this findings may have been that Malaysian SMEs find it easier to learn or acquire the capabilities in the general administration area than in the engineering and R&D area. Unlike the engineering and R&D area, the general administration function requires less learning emphasis. However, the engineering, R&D function requires creativity, innovativeness and lots of financial resources, that Malaysian firms in general seem to lack. Hence, the tendency for Malaysian firms to have higher level of distinctive capabilities in the general and administration area instead.

The pattern of the correlations as indicated in Table 7 provides some support for hypothesis 2. The results of the correlations as provided in Table 6 also offer partial support for hypothesis 1. As a whole, this study provides some empirical evidence that suggests positive relationship exists between distinctive capabilities and the performance of SMEs.

These findings add support to the earlier studies that found positive relationships between distinctive capabili-

ties and organisational performance (Hitt and Ireland, 1985 and 1986). Additionally, these findings seem to agree with the normative view that distinctive capabilities can influence organisational performance. With regards to this, the findings of this study are consistent with the resource-based view (RBV) theory of strategic management which suggests that distinctive capabilities as one of the principle source of competitive advantage for firms.

CONCLUSIONS

The purpose of this study was to examine the relationship between distinctive capabilities and the performance of SMEs in the Malaysian manufacturing sector. The results of the study suggest that there is a significant positive relationship between distinctive capabilities and the performance of SMEs.

This study has important practical implications. First, based on the results of this study, owners/managers of SMEs must realise that the measurement of firm performance is a very complex construct. As a result, owners/managers should be aware that distinctive capabilities has different impacts on the performance of SMEs, depending on which components of performance are considered.

The second implication for practitioners is that the results of the study shows that owners/managers of SMEs need to be aware of the positive relationship that exists between distinctive capabilities and the performance of SMEs. In order to ensure that their firms would continue to survive, owners/managers of SMEs need to be concerned with developing distinctive capabilities that are crucial determinants of competitive advantage and improving organisational performance.

While this study demonstrates that there exists a positive relationship between distinctive capabilities and the performance of SMEs, it should be noted that the correlation coefficients (less than 0.5) are somewhat lower than expected. This suggests that more research is needed on distinctive capabilities in SMEs. Further studies may pursue several directions. For instance,

replications of this study using fewer industry settings would help clarify the relationships identified in this study, and overcome the limited generalizability of the current study. Testing the relationships between distinctive capabilities with other indicators of performance (such as growth sales, assets and profit) may also be useful. In addition, future studies might consider skills, processes, knowledge and certain tangible resources (such as finance, machines, raw materials) in the measurement of distinctive capabilities.

APPENDIX A

Distinctive Capabilities By Functional Areas

A. General Administration:

1. Ability to attract competent employees.
2. Ability to retain well trained employee.
3. Achieving a better control of general company performance.
4. Developing a company identity, mission, and objectives.
5. Communicating the company identity, mission and objectives to all in the company.
6. Improve coordination among key personnels.
7. Having an effective companywide strategic planning for company development.
8. Conduct ongoing training and development programmes.
9. Increased participative decision making at all levels.
10. Effective use of computer systems for managerial decision making.
11. Ability to perceive new business opportunities and potential threats.

B. Production/Operations:

1. Increased automation of production processes.
2. Having expanding capacity.
3. Improved plant layout.
4. Improved workflow.

5. Improved work environment.
6. More efficient and reliable material procurement.
7. More effective equipment maintenance and replacement policies.
8. Increased computerisation of production control systems.
9. Improved materials and inventory control.
10. Improved industrial engineering capabilities.

C. Engineering and R&D:

1. Improved in research capabilities.
2. Improved in new product development capabilities.
3. Using economical and easily available raw material substitutes.
4. Improved process engineering with emphasis on energy efficiency.
5. Better overall management of R&D.
6. Effective coordination between R&D, operation and marketing (research).

D. Marketing:

1. Improved marketing research and information systems.
2. Widening the customer base by intensive market penetration.
3. Widening the customer base by intensive market development.
4. Ability to secure large contracts from government and other large customers.
5. More effective use of different pricing strategies.
6. More effective sales promotion and advertising campaigns.
7. Efficient and effective product line policy for product additions and deletions.
8. Maintaining the focus on customers.

E. Finance:

1. Lower cost of equity and long term borrowings.
2. Sound capital structure allowing flexibility to raise additional capital for internal growth.

3. Strong working capital position allowing flexibility to raise short term capital at low cost.
4. Effective tax management.
5. Effective capital expenditure evaluation procedures.
6. Periodic monitoring of product-cum-market profitability.
7. Efficient, effective and independent internal auditing system.

F. Personnel:

1. Effective and efficient personnel policies for hiring, training, promotion, compensation, and employees services.
2. Optimising employee turnover.
3. Improved employee motivation, job satisfaction and morale.
4. Effective performance reward systems for rewarding creativity.
5. Effective grievance procedures.
6. Continuing to educate employees for development in their fields.

G. Public and Governmental Relations:

1. Ability to maintain effective relations with relevant regulatory bodies.
2. Better relations with special interest groups such as environmentalists, consumerists and others.
3. Improving overall company image.

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