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## **Unsteadiness of the Resource-based Competitive Advantage in Absence of Competitive Strategy: Lessons from the Malaysian Wooden Furniture Industry**

<sup>1</sup>Mohsen Ziaie, <sup>1</sup>Shukri Mohamed, <sup>1</sup>J. Ratnasingam, <sup>1</sup>Awang Noor and <sup>2</sup>Rosli Saleh

<sup>1</sup>Department of Forest Products Management, Faculty of Forestry,  
Universiti Putra Malaysia, 43400 UPM, Serdang, Selangor, Malaysia

<sup>2</sup>Faculty of Economics and management, Universiti Putra Malaysia,  
43400 UPM, Serdang, Selangor, Malaysia

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**Abstract:** The competitiveness of Malaysia's furniture industry is sinking, despite its sturdy growth over the last two decades. Prolongation of this trend will, on the long run, end up in declining of the furniture industry. Within this context, some literature suggests, from resource-based view, that the rising labor costs and dubious supplies of raw materials, coupled with inadequate capabilities, are intrinsic problems of this industry. However, from the view of competitive strategy, different factors need be considered for us to develop a comprehensive understanding of the structure of this industry in the current state of affairs. This paper investigates the approaches of Malaysian policy makers and academics to fostering the competitive power of Malaysia's wooden furniture industry by a comprehensive review of the related literature. The study seeks to clarify that unilateral emphasis on the Resource-Based Views (RBV) without consideration of the Competitive Strategy Views (CSV) has ended in the furniture industry failing to achieve stable competency place, sustainable competitive advantages, and supreme performance. Overview of the literature on the academic and governmental approaches to the industry trends reveals dominance of a one-sided RBV authority on almost every action that criticizes or maintains the movement of the industry. Recent investigations disclosed that reliance on RBV without exploiting CSV does not result in sustainable competitive advantages and of course paramount performance; negligence of competitive strategy perspectives in the government policy and the vision of the industry are the root causes of the current situation of the wooden furniture industry of Malaysia.

**Key words:** Furniture industry, competitive strategy view, RBV, competitive advantage

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### **INTRODUCTION**

The wooden furniture industry of Malaysia has marked impressive progress as the timber sector is heading toward downstream processing activities since 1986, the date corresponding to establishment of the first Industrial Master Plan. Ever since, the Malaysian furniture industry developed hinging on foreign markets (more than 77% of the produce is exported) (MTC, 1998), within a comparatively short period of time, Malaysia has emanated as one of the chief furniture suppliers to the world market of furniture. In this way, Malaysia currently ranks ninth on the global furniture export scale, eighteenth as furniture producer globally, second in Asia and first in the ASEAN region (Ziaie, 2010).

Malaysia's achievements in the world furniture market have been gained by means of competitive cost advantages like abundant raw materials and low-cost

labor, with all this coupled with a mass-scale production strategy that flows in harmony with the Original Equipment Manufacturing (OEM) approach to the world market. Even so, changes in these factors have taken place recently. Escalating labor costs and doubtful supplies of raw materials, on the one hand, and confront with forceful competitive cost leadership countries such as China, Indonesia, and Vietnam, on the other, have abated these competitive advantages (Norini, 2003; Ratnasingam and Lim, 2008).

As a matter of fact, coincident incoming of several competitors with almost similar features—mostly having cost-price advantages to the international markets has elevated the intensity of competition in the world market over the past decade. The environment of the current furniture export market is distinguished with cut-throat competition; price cuttings and expanded sales which will particularly affect the performance of those firms

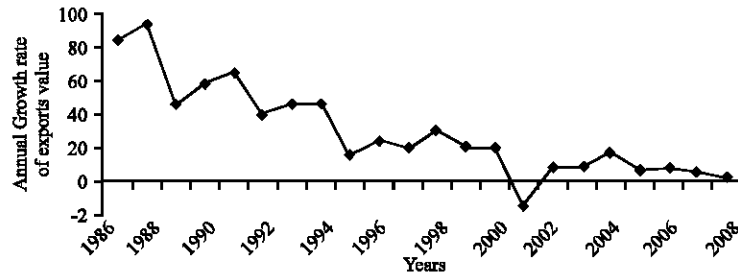


Fig. 1: Annual growth rate of Malaysia furniture exports value (1986-2008). Source: Calculated from MFIC (2002) and MFPC (2009)

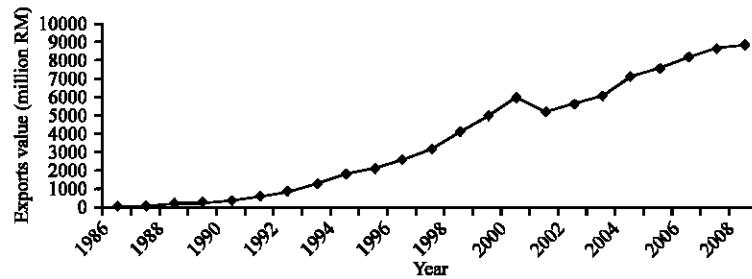


Fig. 2: Malaysia furniture exports value, annually (1986-2008). Source: Calculated from MFIC (2002) and MFPC (2009)

Table 1: Pricing for 5 pieces windsor dining set

Year	Selling price per unit (FOB/US)
1986	115
1990	87
1995	63
2000	45

Source: Ratnasingam (2002b)

attending the low-price markets. This condition has been created chiefly for players who have emerged on the basis of competitive cost advantages like low-cost raw materials and labor and who compete in the low-price sector of the market like China, Malaysia, Indonesia, and Vietnam (Ziaie, 2010).

Thus, Malaysia’s furniture industry has encountered cumulative competitive forces in the furniture export markets. Extended and accumulative declines in the yearly export growth rate during the past two decades (Fig. 1), despite growth in the yearly export value (Fig. 2), is indicative of declines in competence of this industry. This could be attributed to a poor strategic stand and ineffective competitive advantages (Porter, 1980).

At large, the combination of all these factors has led to declines in prices as shown by Table 1, and, consequently, to narrowing of the margins of profits for Malaysia’s furniture products that was an immediate consequence of the industry’s involvement in the price competitions realm (Ratnasingam, 2002b). Meanwhile, the market shares of the wooden furniture industry of Malaysia were slowing down in the world market from 1994 to 1998 and went on doing so almost steadily after

1998 (Han *et al.*, 2009) (Fig. 3). Nonetheless, the value of Malaysia’s yearly exports increased firmly between 1986 and 2000 and continued slowly thereafter to hinge in 2009 (MFPC, 2009).

Since the approach of the Malaysian government to developing the wooden furniture industry originated from the Resource Based View (RBV) to competitive advantage and the value chain concept (Ong, 1986; Bu, 1999; Ziaie *et al.*, 2011), the most appropriate literature on the industry was based on these perspectives of competitive advantages. That’s to say, both the academics and policy makers have tried to analyze and interpret the present situation and suggest redemption ways on the basis of the RBV (Bu, 1999; Ratnasingam, 2002a, 2002b, 2003a, 2003b, Ratnasingam and Ioras, 2005; Ratnasingam and Lim, 2008). The Resource Based View to competitive advantages largely provides a theoretical framework for determining the capabilities and resources which produce competitive advantages and lead to premium return rates (Wernerfelt, 1984; Barney, 1991).

Despite the fact that a number of scholars in field of Malaysia’s furniture industry have alluded to competitive strategies as operation strategies at a corporate level (Ratnasingam, 2001), their analyses have mostly been lacking emphasis on the Competitive Strategy View at the business level that was presented by Porter (1980) and Ziaie *et al.* (2011). Porter’s categorization of the Competitive Strategy at the business level, coupled with his ‘Five Forces’ model provide a thorough framework

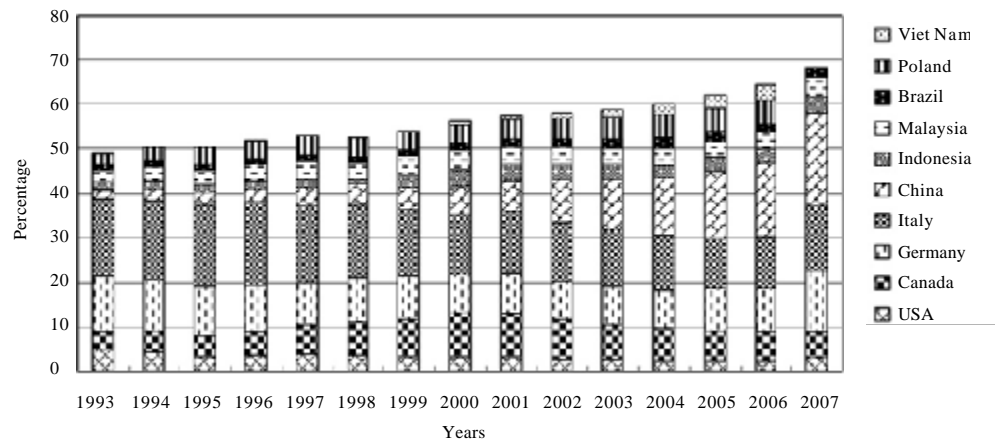


Fig. 3: Trends of market share in Malaysia and selected countries (1993-2007). Source: Calculated from UN Comtrade Database SITC Rev.3

that realizes the importance of attractive strategic stands, derived from the strategic actions of the particular company, in intelligently realizing superior performance and sustainable competitive advantages.

This study, tries to scrutinize and clarify the crucial and complementary role of competitive strategy view is in attaining premium performance and sustainable competitive advantages in conjunction with the RBV for Malaysia’s wooden furniture industry in its present competitive condition.

**The Malaysian government approach:** The wood-based industries play important roles supporting and augmenting Malaysia’s national economy. As regards the total exports, these industries, (include furniture industry with major portion) ranked third next to the petroleum, palm oil, and palm oil product exports (Ming and Chandramohan, 2002). In addition, Malaysia is one of the biggest exporters of high quality tropical timber to world markets. Since the timber industry matured in the 1980s, it calls for establishment of an industry that can provide the country with long-term returns, full utilization of the natural resources, and great socio-economic earnings for its people. The Malaysian government has identified its furniture industry as one of the industries that can meet the above-mentioned objectives via exports (Ratnasingam, 2002b). Accordingly, carrying out programs and formulating policies that would steer more development of the timber industry has been one of the interests of the local government.

This way, one of the core objectives of the first Industrial Master Plan (IMP) that was set up by the Malaysian government in 1986 for the wood-based

industries was to transfer the export segment from low value raw materials to high added-value products such as moldings, joineries, paper products, specialty products, and furniture (MIER, 1996). The first IMP had proposed establishment of large production grounds with creation of timber processing regions and furniture complexes wherein investors are to be invited to establish production units such that all created units would ultimately interact with one the other producing synergistic effects.

The second IMP has been set up subsequent to success of the first one. It extended over the time period from 1996 to 2005. This plan aimed at further boosting of the development of consolidated industry-wide view, encompassing both business and manufacturing support services (Ziaie, 2011).

As a matter of fact, the government of Malaysia launched the second IMP, which was much similar to Porter's value-added chain, to promote long-term growth of the wood-based bundles. As shown by Fig. 4, the second IMP lineated measures to help the wood-based clusters increase their value-added production and the total factor productivity and strengthen their competitiveness globally by getting on with the value chain from the strategy of Original Equipment Manufacturing (OEM) which entails manufacturing resources and somewhat capabilities to the Original Brand Manufacturing (OBM) strategy which engages product design, research and development, marketing, and distribution. Illustration of the approaches of IMPs to the wood-based industries, especially the wooden furniture industry, illustrates superiority of the RBV over the competitive advantage views in the government’s attitudes (Ziaie *et al.*, 2011).

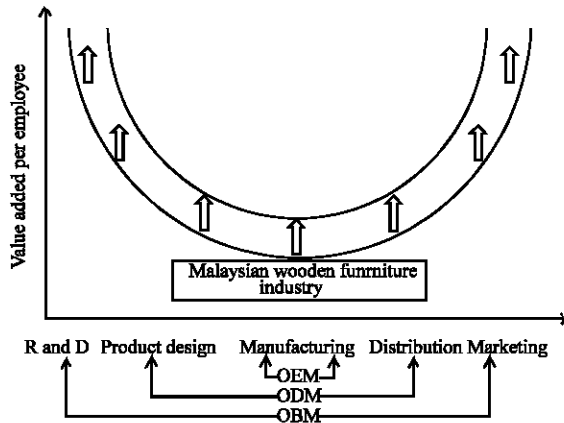


Fig. 4: The value chain of the Industrial Master Plan (1996-2005). Source: Modified from second Industrial Master Plan 1996, 1996-2005: Executive Summary, MITI, 28 November 1996, Chart 4.

In this way, governmental charities responsible for the furniture industry have focused on quality competency and construct design as new promoting resources in the enterprises, much more than any other value-added generator operations. Foundation of the Malaysian Furniture Design Center in 1998 by the government is one of those motivating and supporting programs that were launched to promote the design capabilities of the furniture manufacturers (Ziaie, 2011). Nonetheless, it seems that the efforts of the local government for promoting strategic positions for the furniture industry through a shift from an OEM to OBM manufacturing, which were implemented by emulate absolute RBV, have not been successful. Though, the government pushed strongly in the direction of shifts to Original Design Manufacturing (ODM) and OBM, the degree to which these strategies are applied within the industry are quite limited (Ratnasingam and Lim, 2008).

It thus seems that emphasizing on quality and design, or on any other relevant capability and resource, without implementing strategic marketing which leads the activities of the particular company towards specific strategic directions, results in wasting capabilities and resources (McDonald and Brown, 1995). Strategic marketing begins with environment analysis. As such, the competitive strategy views approach is one of the best directions in this regard that was previously introduced as comprehensive conceptualization of the characterizations of the competitive environment of industry (Barney, 2002).

**Migration strategy perspective:** Hobday (1995, 2000) suggested an OEM-ODM-OBM transition strategy and proposed that the latecomer supplier should at first start

to develop process capabilities, then product design capabilities and lastly new product/branding capabilities. As far as transfer from OEM to OBM is concerned, the process can be thought of as training for technological learning (Hobday, 2000). Berger and Diez (2006) indicated that production capabilities are what an OEM enterprise needs for maximizing its earnings. Nevertheless, when the particular business shifts to ODM from OEM, product design capabilities are still needed. On the other hand, in the case of an OBM firm, research and development, product development, and basic marketing capabilities are necessary.

Malaysia's furniture industry rose based on the OEM strategy since it was originally based on it (Anonymous, 2007). Consequently, the most successful approach to analyze the current trends in this industry is the migration strategy approach (Bu, 1999; Ratnasingam, 2002b, 2003a; Ratnasingam and Ioras, 2003, 2005; Ratnasingam and Lim, 2008). This approach claims that the OEM strategy which is widely employed in the industry, harnessed the manufacturing resources and capabilities of reproducing furniture of set up designs. Naturally, the OEM strategy forecasts well for mass production that ensures price competence. Degradation of the growth rate of this industry during the period of Malaysia's second IMP was declarative of a contract manufacturing base losing its competitiveness (growth rates, productivity, performance, and market share). The evident result is decline of the export value growth rates, most of the time, produced by reductions in sale prices (Ratnasingam, 2002b; Ratnasingam and Lim, 2008). That is, implementing the OEM approach placed Malaysia's furniture manufacturers in the low performance (low-price) segment of the global market where the strength of competition is high because of presence of prominent competitors such as China (leadership of cost and market share in the furniture global market (Ziaie *et al.*, 2011).

This condition leads us to the conclusion that Malaysia's furniture industry should have taken innovative measures coordinately to assist the Malaysian manufacturers in shifting from the OEM to the ODM strategy and later further to the OBM one. On the other hand, to facilitate achievement of the OBM strategy, a latecomer enterprise definitely needs to heavily invest in capital and in other resources. Rise of latecomers who implemented the OEM strategy to the OBM one transfer had many connections between the stages of market innovations and technology. The two strategies are additionally the two major causes of boosting corporate competency (Nelson and Rosenberg, 1993).

On the whole, the migration strategy view highlights shortages in some capabilities and resources like design,

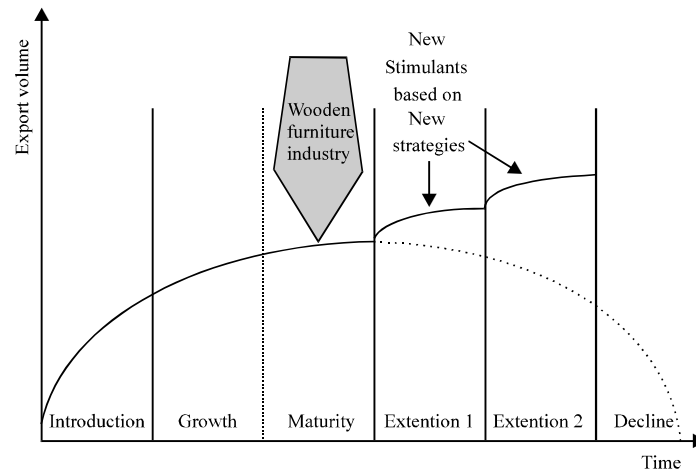


Fig. 5: The product life cycle of the Malaysia wooden furniture industry

productivity and quality on the one hand and surplus of some others like protective tariffs and government subsidies, on the other, as the principal causes of the decline trend and truncation of the industry's competitive advantage. Besides, this strategy accounts for maintaining that OEM, being poor strategy in terms of resources and capabilities, is the root cause of these problems. In closing, the approach influenced by RBV to competitive advantage elucidates some vital capabilities and resources to re-promote the competitive advantages of the industry. Even so, it didn't address the magnitude of influence of the competitive strategies in appropriation with the competition environment of the industry.

**Industry life cycle view:** In the meanwhile, some previous studies have attempted to analyze the present condition on the basis of the life cycle model of the product (industry) (Bu, 1999; Ratnasingam, 2000). This approach posts that since Malaysia's wooden furniture industry has experienced several stages of life-cycle (Vernon, 1996) from 1986 to 2008, its average export growth rate was tremendously slowing down beginning from 1995 until 2008 and it settled to 12.4% in comparison with an average growth rate of 53% over the years 1986-94. This approach claims it may be deduced that the period of the second IMP, i.e., from 1996 to 2005, was a period of consolidation of OEM as the operation strategy most commonly followed by the Malaysian manufacturers, which is a kind of industrial maturity. That's to say, this approach considers the product (industry) life cycle model as a suitable concept to demonstrate that the operation strategy of this industry has gone through growth and maturity stages and that it will be experiencing a stage of declining if it adheres to old, delicate operation strategies

rather than shifting to new, prolific ones (Fig. 5). This approach stresses that expansion of the internal capabilities and resources of the firm is a pre-requisite for preparing the operation strategy shift and for accomplishment of new competitive advantages that will revive growth of the industry.

This standpoint, synchronized to the RBV to competitive advantages, as well, accentuates the firm's internal strengths regarding how certain capabilities and resources can be exploited to attain competitive advantages rather than focus on external opportunities and threats (Mahoney and Pandian, 1992). Stated otherwise, it does not introduce any scheme for allocating appropriate weights to develop every capability or resource in apportionment with the competition environment of the particular firm namely competitive strategy.

**Global marketing view:** The global marketing strategy, in the sense of internationalization phases, is another approach to developing processes of Malaysia's wooden furniture industry that was hinted to by Bu (1999) whereas global marketing is defined as the process of concentrating on the organization's objectives and resources in the context of global threats and opportunities (Keegan, 1995). In this meaning, global marketing is all the time associated with the corporate level strategy of the firm due to that it engages a series of processes and, in many cases, the firm is called for to invest a large portion of its resources. The link between the firm's corporate level strategy and the global marketing strategy can be found in the areas of organizational structure, personnel and government relations, technology and manufacturing.

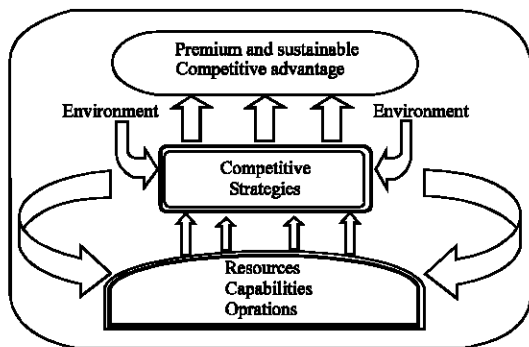


Fig. 6: Complement affects of Resources and Competitive Strategy on competitive advantage. Source: Modified from Ruiz-Ortega and Garcia-Villaverde (2008) and Ortega (2009)

Bu (1999) offered prospects of the industry in view of the model proposed by Douglas and Craing (1989) which is displayed in Fig. 6. Depending on this view, the global marketing strategy of Malaysia's wooden furniture industry, as export-based industry, must respond to the phases of internationalization for the time-being and potentially even for the future. In this manner, aside from understanding the end consumer's value concept and supplying its due and suitable capabilities and resources, the industry needs to determine its competitive resources and characterize itself from its competitors so that it will achieve and sustain a global rationalization.

Although, Bu (1999) stated that competitive response is a vital process for developing competitiveness of the industry in the world market, he classified the competitive activities at a corporate level strategy side by side with other capabilities that impart competitive advantages to the firm. It looks like that this approach originated from scholar's resource-based view to competitive advantage. Though, there are differences between the business and the corporate level strategies; the latter addresses the question of which businesses a firm should compete in whereas, the latter is concerned with the question of how the firm should compete in the very industry (Schendel and Hofer, 1979) which is crucial to success of the firm in competing with other firms in the specific industry. One general definition of strategy at the business level is that it is the basic existing pattern, deployments of planned resource and environmental interactions that denote how the organization will satisfy its objectives (Hofer and Schendel, 1978). The competitive strategy is the tool by which a firm accomplishes and maintains a competitive advantage over its competitors in the specific industry (Porter, 1980, 1985).

**The Resource-based View (RBV) and Competitive Strategy View (CSV) to competitive advantage:**

As a theory established by industrial economists, the RBV presumes importance of capabilities and resources for obtaining competitive advantage as an end target to a superior performance (Barney, 1991; Peteraf, 1993), where the resources of the firm are identified as all the capabilities; assets; institutional processes and firm information, attributes, and knowledge. The firm is enabled to comprehend and execute strategies that enhance its efficiency and effectiveness by controlling its resources (Barney, 1991). The RBV maintains that the competitive advantages derive from the firm's own capabilities and resources rather than from product market processes and, as a consequence, the RBV is capable of accounting for differences in firm performance that are not explained by industry elements. In its essence, the RBV concentrates on defining and specifying the value of firm's capabilities and resources (Teng and Cummings, 2002) and on how a firm can attain, maintain, distribute, and expand its capabilities and resources in such a way as to establish their competitive advantages (Berman *et al.*, 2002; Knott, 2003; Zott, 2003; Ahuja and Katila, 2004). The resources may be material assets like facilities and process technologies or immaterial as in the case of brand name, reputation, patents and secrets of trade (Hall, 1992). The term 'capabilities' refers to the capacity of the firm to distribute and re-assemble its resources to enhance productivity (Makadok, 2001) and realize its strategic goals (Teng and Cummings, 2002).

In spite of the lively importance of the capabilities and resources, firms having the principal resources need a strategy and pertinent tactics compliant with their competition environments to outspread these resources. The relevant strategy and pertinent tactics enable such firms to achieve rewarding strategic positions with high performance since they can maximize firm profitabilities through positioning these firms in less competitive environments (Ziaie *et al.*, 2011).

The view of competitive strategy developed by Porter (1980, 1985), realizes the importance of an attractive strategic stand (competitive advantage) drawn from the company's strategic activities. By development of strategic activities, firms can achieve at least one of the three basic forms of the competitive advantages that are traced back to the structure of the industry, namely, focus, differentiation, or low cost (Porter, 1985). The competitive strategies in general and the competitive tactics in particular practice a large influence on performance of the firm (Ansoff, 1965; Andrews, 1971; Spanos *et al.*, 2004). As an elaboration, the objective of

the management must be to minimize the effects of competitive forces, as identified by the five forces model (Porter, 1980), on the enterprise. Hence, the competitive strategy stands as a key tool within this framework. The term “competitive tactics” refers to the activities developed by a firm so as to set up its strategy (Barney, 2002). Consequently, these tactics, i.e., strategic activities, reverberate the company’s desired strategic orientation and position, and form the basis for competition (Covin *et al.*, 2000).

Both of the RBV (Barney, 1991; Bharadwaj *et al.*, 1993) and the CSV (Porter, 1980, 1985, 1996) assume significance of an advantageous strategic stand (competitive advantage) derived from organized capabilities and resources or strategic activities that are established by the particular firm. Nonetheless, from the competitive strategy point of view, by developing these strategic activities, firms must improve utility of the consumer, which depends on response of firm supplies to consumer needs. By this token, the competitive position is more related to the strategic marketing of the firm than to its capabilities and resources. It entails selection of suitable markets and generation of new products, product differentiation, and substitute distribution channels. Moreover, it may involve different price or cost structures that serve to confer superior competitive position on the firm vis-à-vis its competitors. According to Porter (1980) view, to be transient in formulating and deploying a unique competitive strategy and relevant corresponding tactics can imply becoming “stuck in the middle” with no characteristic competitive advantage. Firms which fall in such position will not consequently be successful in attaining their preferred competitive performance and advantages. That is, the effects of implementing the competitive strategy include that it provides plans to maintain sustainability of the competitive advantages of firms in association with dynamic competitive environments. Meantime, the capabilities and resources of the firm will affect the competitive strategy. All and above, the more resources the firm has, the larger its capability will be to design a competitive strategy that enables the firm to gain competitive advantages. Briefly, the RBV is largely an inside-oriented and manufacturing-based approach to competitive advantage as compared with the CSV which is an outside-oriented and marketing-based approach to it. Accordingly, it looks like that the CSV performs an intelligent complementary role for the RBV.

In this sense, recent studies have illustrated that the resource-based approach and competitive strategy complement one the other in interpreting firm performance

that derives from competitive advantages (Ruiz-Ortega and Garcia-Villaverde, 2008; Ortega, 2009). Moreover, in spite of the manifest conflicting views of the resource-based approach and Porter's framework, both approaches have the potential to co-exist and mold a solid framework for explaining firm performance (Ruiz-Ortega and Garcia-Villaverde, 2008). By this token, one of the main theoretical, as well as practical, implications of the findings of these studies is that capabilities are elementary promoters of the effects of competitive strategy on performance of the firms and vice versa. And this suggests that the theoretic recommendations of the RBV and CSV must be combined strategically by firms for achieving the maximum possible beneficial effects.

### **Competitive strategy view in the forest products**

**industry:** Over the years, the forests products industry has leaned heavily on running effectiveness (capability) for success of the business (Rich, 1986). Though, it looks like that of the two elements of business success; operation effectiveness and competitive position, the latter, that’s, marketing, is more significant in competitive environments (Sinclair, 1992). Forest products corporations which strategically focus on their competitive positions rather than on their operating effectiveness are ideally more rewarding (Rich, 1986). Within this context, Porter (1996) alerts that strategy differs from operational efficiency. For the future, it is inevitable to take alternative ways of operation into consideration rather than just improving the efficiency of the particular company.

In her approach to developing a competitive strategy view in the furniture industry, Wan and Bullard (2008), adopted a total of 23 presumed tactics (strategic activities) for the Porter's competitive strategies which he constructed from earlier studies (Dess and Davis, 1984; Stalk, 1988; Bush and Sinclair, 1991; Suri, 1999) with the intention of identifying and evaluating the competitive strategies prevalent in the U.S furniture industry (Table 2). These tactics included vital resources, capabilities and operations that have been classified in three main strategic directions. This categorization of the capabilities and resources provided a tactical system for assisting the involved management in allocating the proper weights so as to develop all capabilities, resources and operations proportionately with their significance in terms of the firm's desired competitive advantage and the pertinent competitive strategy it undertakes.

In the mean time, Wan and Bullard (2008) study illustrated that the competitive strategies of Porter moderate the effects of the competitor forces on the



performance of the firms. Equally likely, Bush and Sinclair (1991) study on the U.S. lumber industry showed that strategic group members following specific competitive strategies enjoy more of the desired performance than industries which are neglectful of the competitive strategies.

In sum, firms achieve supreme competitive performance and advantages that deploy their capabilities and/or resources in characteristic competitive strategic frames (Ziaie *et al.*, 2011). The resource-based perspective for achievement of sustainable competitive advantages is a must, nonetheless, it is not adequate as the RBV and competitive strategy views are complementary approaches. Accordingly, neither the RBV, nor the competitive strategy view, can accomplish superior and sustainable competitive advantages in the absence of the other (Fig. 7).

**Some wrong approaches to competitive business level strategy:** We noticed that some researchers have introduced Malaysia's furniture industry as a follower of cost leadership strategy since it has been known as a price competitor in the world markets (Bu, 1999). Even though, in light of Porter (1980, 1985) views to merely have access to low-cost labor and raw materials, and to passively compete in price, like what the furniture industry of Malaysia is doing, cannot be regarded as an example of a cost leadership strategy. Apart from vital needs for abundant raw materials, offering low material price and low-cost labor to achieve overall cost leadership strategy badly needs simultaneous accomplishment of several strategic tools like having a substantial market share, having well-trained production staff, on-going

investment in new processing equipment, access to low-cost distribution systems, and reducing lead times. In the case of Malaysia's furniture industry, it appears that due to manufacturer's lack of many of the afore-mentioned tactics the industry can not be regarded as a cost leadership achiever.

Table 2: Classification of strategic activities in appropriate to competitive strategies

Competitive strategies	Relevant strategic activities (tactics)
Cost leading ship	<ul style="list-style-type: none"> <li>- Improving efficiency of production facilities</li> <li>- Having well trained production personnel</li> <li>- Offering a lower price than competitors for similar quality products</li> <li>- Procurement and use of lower cost raw materials</li> <li>- Obtaining necessary capital at low cost</li> <li>- Investing in new processing equipment</li> <li>- Manufacturing products with mass appeal</li> <li>- Low-cost distribution system</li> <li>- Reducing lead times</li> </ul>
Differentiation	<ul style="list-style-type: none"> <li>- Developing recognizable brand name</li> <li>- Using new marketing methods</li> <li>- Controlling channels of distribution</li> <li>- Research for new product design and development</li> <li>- Providing better customer service than competitors</li> <li>- Having a reputation of quality</li> </ul>
Focus Strategy	<ul style="list-style-type: none"> <li>- Bringing new products faster than competitors</li> <li>- Concentrating marketing toward certain geographic areas</li> <li>- Manufacturing customized products for individual consumers</li> <li>- Targeting particular customer groups</li> <li>- Competing in niche markets</li> <li>- Developing/maintaining customer loyalty</li> <li>- Focusing on high price point products</li> <li>- Focusing on promotional or low price point products</li> </ul>

Source: Wan and Bullard (2008)

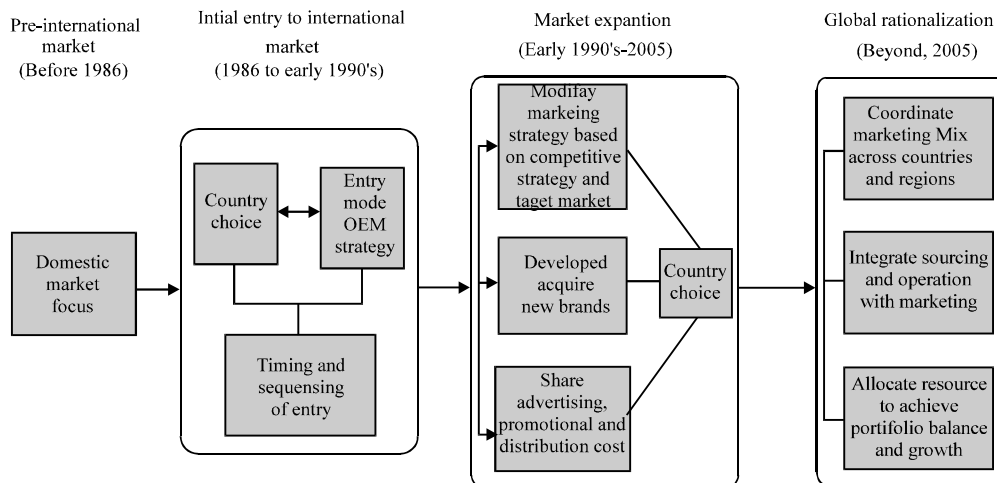


Fig. 7: Evaluation of the wooden furniture industry's outlooks according to stages of internationalization. Adapted from Douglas and Craign (1989)

Still, adoption of a cost leadership strategy by Malaysian manufacturers of furniture will be a strategic mistake because of the attendance of China as a large, global leadership of cost and market shares to the world furniture market. In this sense, Sinclair (1992) clarified in his valuable book "Forest Product Marketing" that achievement of a cost leadership strategy in the wood-based industries ideally calls for a large market share and some additional peculiar advantages.

On the other side, there is definite emphasis on design and quality as decisive resources to transfer from OEM to ODM and eventually to OBM, more willingly than marketing, distribution and research and development in both the official and academic literature. Each strategy, not only the migration strategy (OEM, ODM, and OBM) as a model of the RBV to competitive advantage, but also the competitive strategy approach, encircles a variety of complementary strategic activities. That is to say, realization of each strategy depends on simultaneous implementation of all corresponding activities. Concurrently, a number of experts in governmental and academic centers try to equalize the transfer from OEM to OBM with following a differentiation strategy. In whatever way, we must recall that the differentiation strategy is achieved in a typical manner by a blend of operations, products, and services (Table 2), which requires a broad account of the product concept. This board view not only includes the factual material product, but also the multitude of services and image features that can have effect(s) on fulfilling customer imagination and needs, and on facing the competition (Sinclair, 1992).

In brief, although there are some similarities between the tactics of the competitive and migration strategies, they can not be regarded as equivalents or even alternatives; the migration strategies encircle a narrow range of activities and are inattentive to environment, i.e., they are manufacturing-oriented, while the competitive strategies cover a broad range of activities and respond to the environment, that is, they are marketing-oriented.

## **DISCUSSION**

In spite of the robust growth of Malaysia's furniture industry over the past two decades, there is enough evidence to propound that the competitiveness of this industry, as indicated by performance, market shares, and yearly growth rates) is falling. This condition has developed not only from rising labor costs and uncertainty in supplying raw materials, but also from the OEM approach which placed the industry in the price-competitors group where China, as prime global producer and exporter, is the leader.

Since the government policy for development of the industry was originally established upon the value chain concept for efficient utilization of the wood resources, this policy has followed a resource-based perspective of the industry competitive advantages and competency, and as such, it has concentrated on provision of sustained resources and extension of relevant capabilities, specifically including design and quality. Meanwhile, in spite of one or two short hints to the competitive strategies and forces, scholars have mostly criticized trends in this industry within the context of the RBV model. In this fashion, they have, for the most part, considered resources and manufacturing capabilities as vital factors for promoting the industry's competitive advantages.

Nevertheless, the RBV is one of the basic approaches to the competitive advantage of the firm. Still, it faces some criticisms. In this regard, one criticism argues that the role of the market environment in the RBV is undeveloped. That's to say, there is presumption that a firm can be advantageous in extremely competitive markets if it makes us of valuable capabilities and resources, however, this may not necessarily be the state of affairs. The criticism argues that the RBV overlooks external factors related to the industry. So, Porter's analysis of the competitive strategy and industry structure ought to be considered (Priem and Butler, 2001a, b). Consequently, it is additionally argued that the competitive theory of Porter should be coupled with the resource-based approach such that the firm can develop much more valid competitive strategies and sustainable competitive advantages.

Essential operations that must be implemented for satisfying this objective hence encircle (i) executing strategic activities, (ii) on-going control of the external and internal environments and (iii) analysis of the competitor environment to define the main sources of competitor forces, determine present and desired future strategic stands, formulate an appropriate competitive strategy in association with the industry's capabilities and resources and specify arrays of strategic activities. It hence seems that a competitive strategy perspective founded on Porter's theory that can meet this purpose should be considered both by the respective industry and the government.

## **CONCLUSION**

In depth, the trends in Malaysia's wooden furniture industry show that both the manufacturers and local government have been inattentive to the competitive strategy perspective over the past two decades. It thus appears that overlooking the competitive strategy

viewpoint has put the industry in a stray condition in the sense of strategic positioning and, therefore, of characteristic competitive strategies and tactics. This corresponds to what Porter describes as "stuck in the middle" situation which eventually ends in decelerating competitive advantages and performance. Accordingly, this particular hypothesis seems to remarkably apply to Malaysia's wooden furniture industry since absence of competitive strategy views in the approaches of government and industry to competitive advantages, as well as aberration of firms in terms of competitive strategies, is a considerable source of the trend of decline in the real growth rates of this industry.

In this meaning, the efforts the industry pays in undertaking and implementing the relevant competitive strategy will define its future growth and sustainability. Yet we must recall that governmental policies for support of the industry are critical in this regard. Nonetheless, Malaysia's furniture industry is regarded as a supplier late attending to the middle-high value sector of the global furniture market despite its 20 years of experience in the low value sector (Hobday, 1995; 2000).

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