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Sustaining SMEs Wood-Based Product Manufacturing through Best Practices – The Case of Indigenous Entrepreneurs in Kelantan

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Abstract

Due to stiff competition, only a small number of indigenous or Bumiputera SMEs manufacturing entrepreneurs are able to sustain in wood-based products in Malaysia. Therefore, this paper investigates on what and how sustaining entrepreneurs practicing their best in managing firm resources. The Resource-based View theory is used as a underpinning of the study. This study used qualitative research approach where a score of successful entrepreneurs in wood-based products throughout the state of Kelantan were approached and interviewed. The state of Kelantan was chosen not only because it has one of the highest percentages of indigenous entrepreneurs in the industry, but also due to the reason that it is a well-known state for its entrepreneurship. All transcripts of interviews were analyzed by using qualitative software - Nvivo 9. The study found that successful indigenous entrepreneurs in the said industry employed the best practices or strategies which suit to customer interests such as the ability to produce quality products, offer reasonable prices, good customer services, time factors, and a good networking especially with families, suppliers and government agencies. Based on the results, this paper suggested several recommendations that can help indigenous entrepreneurs in wood-based products to sustain and improve their current practices.

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Keywords: Indigenous; Entrepreneurs’ best practices; SMEs; wood-based products.

1. Background

The successes of entrepreneurs are important to the progress of society as it contributed to the creation of employment opportunities and a catalyst for economic growth (Wu, 2009). However, in reality not many entrepreneurs are able to sustain in their business venture. In Malaysia, according to Perbadanan Usahawan Nasional Berhad (Bernama, 2006 as referred by Firdaus, Jamil, Abdul
Rahman, Gluma, & Abg Zainoren, 2009), 13% of entrepreneurs in Malaysia failed in business during the period 2000-2006. A report from Companies Commission of Malaysia (2002) (as quoted by Murali Sambasivan, Limli-Yen, Raduan Che Rose & Mohani Abdul, 2010), from 36,000 entrepreneurs who start a business in Malaysia each year, only less than 10% grow to be successful.

Hence, the issue of sustaining manufacturing of the Indigenous or Bumiputera SMEs’ entrepreneur is central in a view of equity ownership in Malaysia. According to the Economic Planning Unit (2011), the achievement of the Bumiputera as being aspired by the government is far below the target of the New Economic Policy (NEP) of 30% stake in the overall country economy. As in 2008, only 21.9% was achieved. This imbalance in economic equity between the races should be taken seriously because it can lead to racial crisis as evidenced in the tragedy of May 13, 1969 (Howell, Llewellyn, Palmer & Ronald, 1993). Therefore, the government has continuously executed and is still implementing various socio-economic plans to help bumiputera entrepreneurs.

One of the sectors that contribute to the national economy is wood-based industry and it has emerged as the second most important commodity sector in the country after the palm oil industry. From being a large exporter of primary commodities, such as saw logs, sawn timber and plywood, the industry has been transformed to become a large exporter of value-added products, such as furniture, molding and joinery. As of 2008, the total number of workers employed in the sector was close to 415,000. Looking at the growing importance of the industry it is timely for existing indigenous entrepreneurs to strengthen their capabilities and attract others to enjoy the pie of the growing industry.

1.1 Issues of the paper

The wood-based sector, especially furniture industry, falls under the manufacturing sector which largely contributes to the national economy. Malaysian furniture industry stands as the 10th largest furniture exporter in the world, 2nd in Asia and 1st in ASEAN (Malaysia Furniture Industry Council, MFIC, 2007). Unfortunately, Bumiputra entrepreneurs are lagging behind and still have not achieved a level that the country was once proud of (Musa, 2004). This can be seen from the performance of the Bumiputra in the timber export related businesses as compared with the national performance; this is especially true in downstream activities. At international level, for example between the year 2000 and 2008, the percentage of Bumiputra export against other counterparts in the industry was relatively small, which is between 2.7% and 0.4%. Furthermore, the number of Bumiputra furniture exporters decreased significantly from 38 in the year 1997 to 15 exporters in the year 2009. According to the Furniture Manufacturing Malaysia (FMM, retrieved on 1st June 2010), the total number of manufacturers in Malaysia were 2,183 with only 261 manufacturing belonging to bumiputera in Peninsular Malaysia. This statistics show that it is a surmountable challenge for indigenous SMEs entrepreneurs to sustain in wood-based products in Malaysia.

Therefore, the aim of the paper is to investigate what and how successful Bumiputera entrepreneurs in this industry strategize in order to sustain in a tight business environment. Their practices which are paramount for their continuity and survival are called as the best practices.

2. Literature review

2.1 Meaning of sustaining manufacturing entrepreneurs

To identify meaning of sustaining of manufacturing, this paper refers to the meaning of manufacturing success. This is because firm success is related to continue trading (Watson et al., 1998). Based on the literature, the meaning of success in a business context can be seen in different
perspectives. Osirim (1990) saw success of entrepreneurs as (i) the business is able to meet family responsibilities, and (ii) able to make money and meet family responsibilities. On the other hand, Khairuddin (2000) saw success in terms of operator’s ability to achieve the targets set by the organization. Therefore, in this study, the meaning of success refers to the ability of indigenous furniture company to continue or sustain their business overtime which is based on financial and non-financial performance.

2.2 Manufacturing sustaining factors

As far as the literatures are concerned, there are several factors that contributed to manufacturing success or sustainability such as price, customer service, management, and quality (Quesada & Gazo 2007); delivery, value (low cost), flexibility, and innovation (Vickery, Droge & Markland, 1997). Quesada and Gazo (2007) also found that critical business processes can be regarded as internal key aspects of a company, involving customers, operations and supply chain management products, cost, quality, delivery and flexibility (Quesada & Gazo, 2007; Amoako-Gyampah & Acquaah 2008; Vickery, Drog & Markland 1977; Avella, Fernandez & Vazquez, 2001; Shiferaw, 2008; Flynn, Schroeder & Flynn, 1999; and Ward & Duray, 2000). However, findings found in Thailand and Korea added more dimension of success. In Thailand, Apibunyopas and Songmuang (2007) found that the other factors of success consist of leadership, cooperation between the marketing and production, modern production technologies, employee training programs, moral and employee incentive programs. In Korean furniture industry, the key to survival is firm competencies which can be obtained through the strategic audit and value chain with other companies, adapting to the changing environment, activities outsourcing, changes in the value chain such as product design, and financial support for activities that have a positive relationship with performance (Gregory, Winter, McIntors & May 2003).

2.3 Best practices in manufacturing

Reviews on the literature show that manufacturing strategy has been moved from efficiency driven to post-industrial system by response to customer demands which focused on high variety and quality products (Doll & Vonderembse, 1991; Hayes, Wheelwright & Clarke, 1998). The researchers are interested in investigating on what the best practices are adopted by an entrepreneur that will lead to superior performance of a company, thus best practice is associated with higher performance level (Amanda & Ashok, 2002).

Several dimensions of the best practices amongst manufacturing were identified such as by Quesada and Gazo (2007) who identified five (5) key areas in measuring performance of wood furniture in the United States which are human resources, innovator of the researches, product orientations, tailoring and of the research, product operations, quality control and supply chain. Also, they suggested that in order to compete within the furniture industry in the US, it needs to refocus and define new and innovative strategies such as reduction of costs, increased technology, shorten lead time, flexibility, and quality and customer services. In Thailand, there are 5 dimensions of management processes of rubber wood which consist of raw material, strategic management, human resources management, operations management, and marketing management (Ketsaraporn & Tian, 2012). Samsom and Ford (1999) evaluated practices of manufacturing between Australia and New Zealand which involved the aspects of strategy and practices (planning, manufacturing structure, leadership practices, people management practices, customer focus, quality process, management planning and scheduling), operational and business performance, costs performance, and quality performance. Beaumont (2005) in his research divided it into three which were operational, internal and external process.
In this paper, the focus is on the best practices amongst sustaining bumiputera entrepreneurs in business strategy (to deal with competition), internal best practices and external best practices. (See 4.2.3 and 4.2.4 for the details).

2.4 Theory Resources-Based View (RBV)

The resource-based view (henceforth RBV) was introduced by Penrose (1959), and further developed by others researcher such as Wenerfelt (1984), Barney (1991), Grant (1991), and Peteraf (1993). This theory states that organization's internal resource can be considered as strength for a firm to response to environmental opportunities, to so call 'neutralize' external threats such as competition and overcome internal weaknesses such as management of resources and decision making within the organization. Firms will be able to maintain a continuous competitive advantage and profitability - using the resources owned by them (Wernfelt, 1984; 1992; Black & Boal, 1994). These resources are considered production bundles of routines of a highly tacit and social nature. Resources which are needed to sustain competitive advantage include a firm’s management skills, organizational processes and routines, and the information and knowledge controls (Barney et al., 2002).

3. Methodology

The data of the paper were collected through the formal and informal face-to-face interviews. The interviews were conducted in the Malay language (Kelantansese dialect) because all respondents are Malays and it is appropriate for the language to be used in this study. The study was conducted in Kelantan, Malaysia because 95% of the total state population are Malays which is about 1,459,994 people (1.46 million or 5.3%) (Department of Malaysia Statistics, 2011) and this state is well-known for its richness in ‘art and culture’ of Malay tradition. Furthermore, the state is well-known because it has produced successful Malay entrepreneurs in Malaysia.

4. Findings

The results of findings are divided into demography and best practices amongst successful entrepreneurs.

4.1 Demography

4.1.1 Gender, age and formal education

A total of ten respondents have been interviewed and all of them came from small-sized companies. They are all males, age ranging from 50 to 60 years old. In terms of formal education, only two of them graduated from local university and others are non-graduated respondents.

Below are the related statistics:

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Age</th>
<th>Formal Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>50</td>
<td>Form 3</td>
</tr>
<tr>
<td>2</td>
<td>53</td>
<td>Standard 6</td>
</tr>
</tbody>
</table>
4.1.2 Experiences

Most of the entrepreneurs have experience in wood carving before they became an owner of manufacturing wood-based products companies. They gained experiences either as a worker, or as a student doing practicum. However, one of the entrepreneurs (respondent no 6) got experience by chance when he performed his duty as one of MTIB (Malaysian Timber Incorporated Berhad) employee, and another respondent (respondent 10) never attended any courses and seminar conducted by the government agency or private sector.

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Special Training (1 year or more)</th>
<th>Experience in wood carving before opening business</th>
<th>High skills in wood carving</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>*</td>
<td>3 Years</td>
<td>Yes</td>
</tr>
<tr>
<td>2</td>
<td>*</td>
<td>9 Years</td>
<td>Yes</td>
</tr>
<tr>
<td>3</td>
<td>IKM</td>
<td>Practical Training</td>
<td>Yes</td>
</tr>
<tr>
<td>4</td>
<td>*</td>
<td>Practical Training</td>
<td>No</td>
</tr>
<tr>
<td>5</td>
<td>IKM</td>
<td>4 Years</td>
<td>Yes</td>
</tr>
<tr>
<td>6</td>
<td>*</td>
<td>Former staff MTIB</td>
<td>No</td>
</tr>
<tr>
<td>7</td>
<td>IKM,ILP</td>
<td>17 Years</td>
<td>Yes</td>
</tr>
<tr>
<td>8</td>
<td>*</td>
<td>7 years (wood seller)</td>
<td>No</td>
</tr>
<tr>
<td>9</td>
<td>*</td>
<td>4 Months</td>
<td>Yes</td>
</tr>
<tr>
<td>10</td>
<td>nil</td>
<td>nil</td>
<td>Yes</td>
</tr>
</tbody>
</table>

*Attended a short courses organized by government agencies, ** Never attended any courses

4.2 Best practices in sustaining manufacturing companies

In this paper, the practices of sustaining entrepreneurs in wood-based products can be viewed into three (3) dimensions which are business strategy and internal best practices and external relations:

4.2.1 Business strategy
Based on the interviews made, there are several strategies used by indigenous entrepreneurs:

\textit{a. Quality Product}

All entrepreneurs interviewed mentioned that they believed that their ability to produce certain quality products as an important factor contributed to their effort to sustain in business. Therefore, they were required to understand what customers want and try their best to produce quality products by using good raw materials, detail process of arts carving, monitoring and getting a customer feedback. Some companies are implementing quality assurance through services after sales in order to maintain long term relationship with customers. That is why they will urgently handle customer’s complaints and offer one to three years product warranty to their customer.

\textbf{Interview excerpt 1: “Those who come to buy at this company are looking for a beautiful and durable product”}.

\textbf{Interview excerpt 2: “Therefore the companies must take care of quality workmanship. From the past until now, the company’s product quality has not decreased”}.

\textit{b. Customer relations}

The practice of engaging good relationship with the buyers is another practice of the wood based entrepreneurs with their buyers. They admitted that they put great efforts to establish good relationship with the buyers via various actions such as good communication, vendor’s action in fulfilling the expectation of customer and ensure quality of products at the best level. As an example, respondent 4 said;

\textbf{Interview excerpt 4: “We must fulfill our promise to customers, starting from customer’s order until the delivery of the product to customer.”}

In dealing with customers, the Islamic value being practiced by entrepreneurs is identified as the main factor that influences decision and behavior of entrepreneurs in dealing with their customers. In this case, respondent 2 admitted that he practices ‘\textit{sadaqah}’ (give certain discount portion of his products to customers) and he believed that he will be rewarded in ‘\textit{akhirat}’ (hereafter).

\textit{c. Price}

Usually, the basic formula used by entrepreneurs in determining the price is based on the cost of raw materials purchased and the level of quality of a product. However, most of the manufacturers stated that their companies offered unfixed price, can still be negotiated with the client. Overall their prices offered are industry based, usually not much different as compared to other manufacturers.

\textbf{Interview excerpt 6: ”I took the standard middle price. I know where the cheapest, the most expensive. I take the average of the cheapest and the expensive and that is where the price is.”}  

They also believed that sometimes they priced their products more expensive than in the hardware stores because they produce their product by number of order, not by ‘mass-production; as practiced by larger companies.
However, one entrepreneur offers a slightly lower price than other manufacturers even though he had to trim a bit of profit target.

Interview excerpt 2: "... we take the price of a little less (than) ordinary people. Is a bit cheap. Fear people feel expensive... ".

d. Delivery

Delivery time also needs to be flexible enough according to customer’s demand. This is one of the ways to build relationship with customer. The firms can only give their expectation on how many days they can finish the product, but if the product is done earlier, it gives the firm an advantage because this will increase customer’s satisfaction and over expectation. An example, entrepreneur 4 of company D says:

Interview excerpt 4: “Usually, every single customer who comes to my shop, I promise them that I will finish their product not more than 10 days”.

The firms will take all necessary actions to ensure that there is no delay in the delivery.

Interview excerpt 2 : “if we forecast that the product can be completed in 2 weeks, which is about 14 days, we will promise to customer that it can be done within 20 days”.

e. Flexibility

Most entrepreneurs stated that “products produced are based on the demand and situation”. Today’s product will not be the same with the tomorrow because it is always changing according to environment and situation. In terms of material, it is also different because other companies will produce using other different materials”. An organization should also be flexible enough in terms of unit of production produced. The production should be based on the customer’s booking of their product. Some of them prepared early as stated by respondent 3;

Interview excerpt 3: “For example, we know that Education Ministry has booked for 30 items, so when we have extra time to produce, we will produce all the 30 items ordered by them so that we can deliver the products early”.

It means that the entrepreneur will try to finish the product as fast as they can. Type of product produced also needs to be flexible. So the firms need to cope with the environment and customer demand.

4.2.3 Managing internal resources

The entrepreneur’s capabilities are not only related to product per se but can be extended to the organization through human resources, financial management, marketing and innovation.

a. Human resources

Most of the entrepreneurs in the study employed local people as their workers and the selection of workers is based on the level of competency. Workers with high skills will be paid higher rather than ordinary workers. However, some paid their workers based on the number of work pieces
being produced and only certain workers such as driver, clerk were paid based on monthly salary. This strategy works well because it motivated their staff to work hard to get more reward. Overall, the number of staff turn-over is very low because the employer takes care of the most basic human resources needs such as reasonable wages, benefits and insurance and other employee’s welfare. Many workers are loyal to their companies.

Since majority of entrepreneur’s are skillful, they are capable to teach or train their workers, so ‘on-the-job training’ is a common practice. This approach saves money, time and fulfills specific needs by that particular company. For an example, respondent 1 said:

**Interview excerpt 1:** “I can teach (my) employees until they know”.

**b. Financial resources**

Financial resources are significant because without them, entrepreneurs will not be able to sustain, commercialize the innovation as well as to grab available opportunities in the market. For example, entrepreneur 1 is creative enough in managing his finance such as he used the available money to further expand his firm.

**Interview excerpt 1:** “we make a loan with MTIB (government agency) to buy a new machine” and “we received financial support from the government to buy machinery”.

**c. Marketing**

Small size industry solely depends on product quality, prices, and customers relations as a way to market their product rather than relying on proper advertisement. To them satisfied customers will promote or recommend their friends and families to buy the product at the same place they had bought before. Indirectly, marketing occurs between the customers and future customers through “word-of-mouth”. Without advertisement and planning promotion, they can still maintain and sustain their business. This is because they are able to maintain the quality of product and customer service continuously.

**Interview excerpt 1:** “Quality is an important factor and the relationship should be maintained with the customer. This relationship factor is an important asset”.

**d. Technology and Innovation**

In overall, majority of small manufacturers used limited and old technology, and only few manufacturers have modern equipment such as computer aid design. However, they are creative in modifying their ‘mata-koma’ (special tool machine to produce product). Most of the entrepreneurs had experiences and modified their machines at the beginning of the company started-up. As stated by interviewee 1:

**Interview excerpt 1:** “One machine was able to make 4 to 5 types of production process”.

The ability of entrepreneurs to apply tacit knowledge can be noticed through the ways they make adoption or innovation of their products. They gained knowledge, ideas to create new product just by looking at the design in any magazine, studying house building plan, visiting expo, discussing with customers, or seeing advertisement on television.

4.2.4. External factors:
a. The government:

The paper found that the government contributed to entrepreneurial success. The government helped entrepreneurs in the industry through inviting entrepreneurs to join various courses, seminars, workshops, study visits and subsidies in during extracting raw material (especially woods).

Interview excerpt 1: “We make a loan with MTIB to buy a new machine” and “we received financial support from the government to buy machinery”.

Interview excerpt 4: “As provider (vendor) to government agencies, my company will gain more profit”.

Also, all informants from all companies have positive attitude in terms of willing to learn and always try to improve their product design.

b. The suppliers:

Instead of giving customer satisfaction, the relation with the customer is also important. Based on the research, entrepreneurs (4 altogether) stated that good relationship with suppliers is one of the factors to maintain sustainability and competitive advantage in market.

Interview excerpt 4: “we must fulfill our promise to customer starting from customer’s order to the delivery of the product to customer.”

4.3 Indicator of success

The measurement of success on manufacturing are based on the length of time in business-venture, and financial and non-financial indicators as used by Md Aminul Islam, Mohammad Aktaruzaman Khan, Abu Zafar Mohamad Obaidullah and M Syed Alamn (2011).

4.3.1 Length of time in business-venture

Most of the companies are in the range of 10 to 28 years in business venture. Only two of them are around 10-11 years and the rest are 20 years above.

4.3.2 Financial indicator

The achievement of manufacturing in financial indicators can be divided into three categories which are low (3 companies), medium (3 companies) and high (4 companies) as stated below:

<table>
<thead>
<tr>
<th>Company</th>
<th>Annually income (Ringgit currency – RM )</th>
<th>Level of satisfaction with</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 3: Financial Indicators
There are four companies with high-achievement level of satisfaction.

5. Discussions

In order to sustain in wood-based product manufacturing, the entrepreneurs need to pay attention on strategies and internal management processes. In manufacturing strategies, they were practicing approaches of producing quality product, good of customer treatment, prices, time of delivery, and flexibility. The approaches of producing quality products as a strategy are in line with the findings of Quesada and Gazo (2004).

Besides that, they need to be taking-care of their customers such as through good treatment during communication, sharing knowledge, besides giving them the opportunity to express their ideas and interests. The point of making a good customer treatment is similar to the findings of Quesada and Gazo (2004, 2007). Therefore all entrepreneurs were very concerned with time delivery as they have put full efforts to complete the products within the time as promised to customers. They believed this strategy will delight the customers. These findings are parallel to the findings of Vickery, Droge and Markland (1997) where they found that one of the factors for the companies to be successful in the furniture industry in the United States is factor delivery.

Price strategy is also a part of the strategy to sustain in business, where, with good or reasonable prices, it will be accepted by majority of the customers. All entrepreneurs pointed out that they setup prices based on the quality of the products, product design, and the degree of difficulty to produce certain products. Generally, the prices of a product offered by most of the entrepreneurs are not much different but they believed that the price of a product offered is usually higher than the price of similar products sold in certain shops or supermarkets (mass production). Entrepreneurs, however, agreed that the price offered is quite 'flexible', which means it can be negotiated.

In order to perform strategies as mentioned in 5.1, the entrepreneurs need to be competence in several aspects such as knowledge, abilities and skills. Based on the findings, most of the entrepreneurs prepared themselves before starting up their own business through ‘informal study’ in certain manufacturing companies whether as a worker or as a practicum trainer. They normally learn how to carve, to do business contacts and help owner to manage firms. This means that they learned through tacit knowledge; experience, observation, interaction with skills workers, ‘learning by doing’, as well as attended formal courses or workshop organized by government agencies in
order to enhance management skills. With those talents, the entrepreneurs are capable to adapt and innovate or replicate products just by looking at finished products in exhibitions, magazines, catalogs provided by the salesmen, house or building plans, and customers’ specific request. These findings confirmed that the competence of an entrepreneur is one of the keys to the success of the company as founded by McClelland and Santiago (1987), Chadler and Jensen (1992).

The study confirmed that entrepreneurs must know how to manage their resources such as general management, financial management, marketing management, and technical management. In the context of management, the findings is similar to the study by Quesada and Gazo (2007) who found that the significance of management in managing business. Such management factors are customers, operations and supply chain management.

In relation to the financial management, the study found that all entrepreneurs start a business with little start-up capital that was in between RM100 to RM100 000. In the early stages, majority of them bought second-hand machinery to cut the budget of starting up the business. They also employed a small number of employees and trained the workers on their own. In current practices, they kept financial records, use credit approach to buy raw materials, charge a deposit of between 10% -30% to customers who make a reservation, save money in the bank, and give priority to the payment of workers’ wages every month. These findings are in line with the work of Basu et al. (2008) which concluded that all forms of entrepreneurship financing considerations are important to the success of firms.

In marketing management, small company entrepreneurs do not do advertisement because it involves cost and their products quantity is limited. They expected that information with regard to their product, price, quality and customer service occurs through ‘word-of-mouth’ among customers. However, there are few SMEs in medium-sized companies that have a special section on the marketing functions.

The Government’s role is seen as important in helping indigenous manufacturing entrepreneurs through the offering of courses, seminars, organized expo, loans, subsidies and some of them felt lucky to be appointed as vendors to supply products to government agencies. This finding is similar to Yusof (1995) in Pakistan and Sarder, Ghosh and Rosa (1997) in Bangladesh who confirm that their firms received support services such as marketing, management education and training, technical, consulting and development, information, and public facilities management to increase their sales, employment and productivity.

6. Implications of the study

6.1 Theory Resource-based View

The study has contributed in the application of the RBV theory in the context of Malaysia business environment. Empirically, this study has proven how entrepreneur's ability to sustain in business was based on strategies that they used and their ability to manage resources. This study also helps to overcome the lack of explanation of RBV theory empirically, that is, how an entrepreneur manages organizational resources whether physical resources (tangibles) or non-physical resources (intangibles) involving human resource management (recruitment, training, remuneration, employee, distribution of work and skills, creativity and loyalty of employees), production, marketing, finance and technology. In this context, entrepreneurs have the wide legal range of skills such as talent (tacit), management, relationships with suppliers and the government support as the fundamental strengths of the company.
This study also confirms the theory of RBV in the context of the entrepreneur's ability to neutralise the external competitive threats. This stems from the ability of entrepreneurs to compete on customer relationships, reputation, competitive products and reasonable prices. Only parts of the entrepreneurs interviewed were less worried about each other’s competition, but they are more doubtful towards competition from large factory producing ‘mass-production and use of raw materials such as steel, aluminium, plastics and fibre instead of wood. Nevertheless most of them remain confident that their product are getting acceptance because its originality and wood sculptures.

Also, the paper contributed in identifying the attributes of competitive advantage in wood-based products which are quality design, colours, type of wood use, stability, durability and unique. In manufacturing operations, advantages can be gained through skilled workers, monetary, modern equipment, location of manufacturing, reputation, and networking especially with government, suppliers and customers.

6.2 Incompatible elements with the RBV theory

The government's role is not addressed in the RBV theory, but this paper showed that the government agencies assisted indigenous in many things such as training, marketing, designing, subsidizing and others. Therefore, few companies have been very successful in gaining lucrative income. This finding can be considered as an additional to competitive advantages of RBV theory. Also, the indigenous entrepreneur always works together with local competitors especially in sharing knowledge and expertise. Some of them shared on how to do things (how to carve a certain product), information on product’s prices, borrowing finished product, or sometimes they help new entrepreneurs to share their machines.

7. Conclusion and recommendations

To sustain in competitive market, the successful entrepreneurs practiced relevance strategies which suit to customer’s interest such as the ability to produce quality product, offer reasonable prices, good customer treatment, timely factor, and have a good networking especially with government, suppliers and customers. In order to implement those strategies, an entrepreneur needs to learn and equip himself with experiences, tacit and explicit knowledge, besides skills in managing resources in organization. The study found the more skills possessed by entrepreneurs, the more can be done by the entrepreneur and this should create better outcome to the company. This research identified that majority of the respondents (entrepreneurs) possessed craft skills and managed their own company’s resources. Most of them know how to craft wood, to adapt, to innovate, to train staff, and to manage financial resources.

For further research, it is suggested that the focus should be made in quantitative method analysis with wider scope throughout Malaysia. If possible, a comparative study on strategy between SMEs indigenous entrepreneurs and non-indigenous entrepreneurs should be given priority.

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