

**MANAGEMENT CAPABILITY OF MALAY AND BUMIPUTERA SMEs IN
MALAYSIA**



**RESEARCH MANAGEMENT INSTITUTE (RMI)
UNIVERSITI TEKNOLOGI MARA
40450 SHAH ALAM, SELANGOR
MALAYSIA**

BY :

**MUHAMMAD ROZI MALIM
MOHD SAZILI SHAHIBI
ABDUL HALIM SIDEK
GHAZALI DAIMIN**

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5. Report

5.1 Proposed Executive Summary

Management Capability has been an important indicator of performance in management. It indicates beyond the individual's skill level to reflect the impact of these skills at organizational level. "Capability" is the ability to perform actions. As it applies to human capital, capability is the sum of expertise and capacity. It measures the application of management to the total organization and to the resulting organizational performance that is achieved. Excellent in management capability performance leads to sustainable performance and business growth.

The interest in small and medium-sized enterprises (SMEs) has witnessed significant growth over the years. In Malaysia, SMEs operate in almost every major industry. Small business entrepreneurs operate and manage various businesses and contribute to the national economy. SMEs, especially the Malays, are often confronted with problems that are uncommon to the larger companies and multinational corporations. One of the major problems in SMEs is management skill. Improving the management skills of managers of SMEs contributes to their survival and growth.

This study wishes to investigate the overall management capability of Malay SMEs. The main objective is to evaluate the management skills and competences of Malay SME managers in Malaysia using Management Capability Index (MCI). The MCI converts the evaluation of management performance of a manager into an index. The index then is a useful indicator of how capable or inadequate a Malay SME manager is against a set of predetermined criteria. Another objective is to identify all the Malay talents in Malay SMEs, and how they acquire their knowledge and skills.

To realize the objectives, a survey will be conducted using comprehensive questionnaires. The questionnaires will be mailed out to at least 500 Malay SMEs at all over Peninsular Malaysia especially Klang Valley.

5.2 Enhanced Executive Summary

Management Capability is an important indicator that evaluates the management performance in an organization. Organizations with excellent management capability will be able to demonstrate sustainable business growth and performance. Small and medium-sized enterprises (SMEs) operate in almost every major industry, and contribute to the national economy. In Malaysia, the interest in SMEs has witnessed significant growth over the years. Malaysian SMEs, especially the Malays and Bumiputera, are often confronted with problems that are uncommon to the larger organizations. One of the major problems is management skills. Improving the management skills of Malay and Bumiputera SMEs will contribute to the growth and survival of their businesses.

This study aims to evaluate the management skills and competences of Malay and Bumiputera SMEs in Malaysia based on ten major drivers using Management Capability Index (MCI). A total of 296 Malay and Bumiputera SMEs had completed the questionnaires, and the MCI is registered at 65.36. This suggests that the management of Malay and Bumiputera SMEs in Malaysia is performing at 65.36 of its potential 100 capability. All major criteria of management capability are being practiced across most of the organizations with further improvements and good performance in most areas.

5.3 Introduction

Management Capability is an essential indicator of management performance of an organization (MIM-MPC, 2010). It indicates beyond the individual's skill level to reflect the impact of these skills at organizational level. As it applies to human capital, capability is the sum of expertise and capacity. It evaluates the application of management in an organization. Organizations with outstanding management capability will demonstrate sustainable performance and business growth.

Small and medium-sized enterprises (SMEs) formed a vital component of the Malaysian economy (Mohd Khairuddin, 2010). Evidence from the literature review suggests that they not only play an important role in the national economy, but also contribute significantly to the Malaysian economy. The interest in SMEs has witnessed significant growth over the years (Mohd Khairuddin, 2000). In Malaysia, SMEs operate in almost every major industry.

Many developing countries such as Malaysia always encourage local entrepreneurs to take advantage and play major roles in the management of their economies (Mohamad Hanapi and Ching, 2009). Although various incentives and flexibilities are offered, the improvement in performance is always the priority. The variance in organization performance has attracted the interest of many researchers. Even organizations in the same industry and environment show differences in their performance.

Knowledge and skills of management are considered a major factor in economic growth and has a particular interest in the "management capability" (Massey et al., 2005). Frequently, the managers of small companies lack management knowledge and skills (Jayne, 2007), and most of them are not interested in taking part in formal management training compared with managers from large firms (Gray, 2004). The main factor is related to the monetary costs of such training, including the working time that should be allocated for the training (Fuller-Love, 2006).

Most SME managers are broadly involved in the daily operations of their enterprises and have no time for other activities including training (Coetzer et al., 2009). However, this does not mean they do not learn anything, but they always believe that informal learning is more effective in smaller companies. The management training offered by training providers often tend to make money and do not consider the actual needs of SME managers (Storey, 2004).