Comparing Malaysian and Scottish Firms on Practices for Strategic Capability Management

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Abstract – The study of practices for Strategic Capacity Management at five Malaysian companies and four Scottish companies shows that the Malaysian manufacturing managers acted more reactive due to pressures by sales and processing orders, whereas the Scottish managers were implementing a manufacturing strategy more ‘independently’. Problems with suppliers, albeit sometimes caused by outsourcing, feature high on the list of challenges in both samples. Alignment of organisational structures and investment in technologies are seen by all as key to aligning the manufacturing strategy with the competitive strategy, though actual investments tend to be happening more in Scottish companies.

Keywords – Change model, manufacturing capabilities, manufacturing strategy, organisation, technology

I. INTRODUCTION

The discussion about the contribution by manufacturing to competitive advantage dates back to Skinner [1]. First, arguments were based on economies of scale and, later, augmented by trade-offs for performance criteria [2][3]. Subsequently, there is recognition that interrelationship between ‘individual’ manufacturing capabilities might be cumulative (e.g. [4][5]). Hence, the development of adequate manufacturing capabilities that match with strategic intents constitutes a core competence for manufacturing firms.

A. Research Objectives

While there is an extensive stream of academic research on manufacturing capabilities (e.g. [6][7]), one might question how these capabilities could be achieved in relation to the manufacturing strategy. For example, Schroeder et al. [8] show that superior performance of plants is related to internal learning, external learning from customers and suppliers, and proprietary processes and equipment, and Tracey et al. [9] demonstrate the link with (advanced) manufacturing technology. Rather than treating all aspects of manufacturing capabilities in isolation, for practice all these need to be brought together, in what one could call ‘strategic capability management’; however, no writing seems to exist under this term. Nonetheless, Dekkers [10] and Orr [11] introduce in their research a similar conceptual approach that covers all these aspects: Strategic Capacity Management (SCaM). That raises the question whether this notion of SCaM encompasses sufficiently the matching of manufacturing capabilities with strategic intents but also what practices companies have developed.

For the approach of matching manufacturing capabilities, this paper’s research objectives are trifold. First, it investigates what should be considered part of ‘strategic capability management’ through a literature review and whether the concept of SCaM is sufficiently encompassing. Second, it seeks to find out how companies are practising SCaM and whether its constituent elements could serve as tools for achieving strategic intents; particularly by examining the challenges manufacturing firms face when implementing the concept. Third, Scottish companies’ practices (a developed economy) will be compared with those of Malaysian companies (an emerging economy). The empirical research will contribute to understanding capability management for manufacturing and its relationship to strategy formation.

B. Scope and Outline of Paper

The first step is a literature review, including the framework for SCaM. The third section discusses the rationale for the case study methodology and the fourth section provides the results of the empirical research into manufacturing companies in Scotland and Malaysia. A discussion of findings and a concluding section complete the paper.

II. (SYSTEMATIC) LITERATURE REVIEW

As the first step in this study, it becomes necessary to define what is to be understood by ‘strategic capability management’ and to what extent it is covered by SCaM. With that in mind, three questions have guided the systematic literature review ([12][13]):

• Whether the concept of SCaM is the only available notion for strategic capability management in manufacturing firms.
• Whether its constituent elements: strategy, technology and organisational structures are sufficiently inclusive for strategic capability management.
• Whether its framework needs further extension based on challenges companies face.

By revealing what the constituent elements of strategic capability management are, particularly, with respect to the contribution to strategic competitive advantages, it can be answered whether the earlier notion of SCaM complies with