

## **Exploratory Study: Design Capabilities Development for Malaysian Vendors in Automotive Industry**

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### **Abstract**

The involvement of vendors in product development (PD) is able to make the process more efficient, effective and economical. Since vendors account for more than half of the total cost of production, their involvement have major influence on the cost and quality of the products. Vendors' involvement in PD has significantly increased their importance; expose them to greater risks and challenges. As a return, the vendors are able to improve business performance results, productivity, and reputation, thus increasing the companies' competitive advantage. To be successful in PD require certain level of design capabilities (DC), thus huge investment is needed. However, the Malaysian automotive market size is considered small and vendors' capabilities are also limited. Since, studies on vendors' DC, particularly, in Malaysia is very limited, an empirical study was conducted to explore on the critical success factors (CSFs) in enhancing the vendors design capabilities for the Malaysian automotive industry. A series of interviews were conducted on selected automaker and vendors from different categories to identify the critical success factors (CSFs) that are able to enhance the design capabilities development for Malaysian vendors.

### **Keywords**

Vendors, design capabilities, CSFs, Malaysian automotive industry

### **1.0 Introduction**

The first Malaysian national automaker, Perusahaan Otomobil Nasional (Proton) was set up in 1983. Seventy percent of Proton production is mainly for the Malaysian market [1]. Proton is 100% owned by Malaysia, therefore Malaysian government has strong voice in Proton decision making. Malaysian government has implemented rules and policies to secure local companies in automotive industry [2]. All policies and rules are applicable to automakers and vendors operated in Malaysia (automotive suppliers are known as vendors in Malaysia). According to Malaysian Companies Commission or Suruhanjaya Syarikat Malaysia (SSM), the body responsible for company registration in Malaysia, a local company is defined as company who is registered and operated in Malaysia. Local company can be divided into three categories; Bumiputra, non-Bumiputra or foreign. Majority share (>50%) determine the status of the company. Hence, the actual Malaysian vendors are those from Bumiputra and non-Bumiputra companies. More than half of Malaysian vendors are fall in SME category, especially the Bumiputra ones [3].