

Reflections of the 1Malaysia Supply Chain (1MSC)



Munira Halili

Universiti Sains Malaysia, Malaysia

Latifah Naina Mohamed

Universiti Sains Malaysia, Malaysia

Yudi Fernando

Universiti Malaysia Pahang, Malaysia

INTRODUCTION

Malaysia aspires to achieve a developed, high income nation status by the year 2020 (National Economic Advisory Council, 2009). Gearing towards that direction, Malaysian Prime Minister introduced a New Economic Model (NEM) intended to liberalize the economy. Among the eight Strategic Reform Initiatives (SRI) proposed in NEM is the need to have better integration between products and between production centers, so that economy of scales can be created and ensuring sustainability of growth economically, environmentally and socially. Recognizing the importance of a collaborative and integrated supply chain to seamlessly produce an output that meets a market demand and that is socially conscious, Sheng (2010) introduced a new concept called 1Malaysia Supply Chain (1MSC) in 2010. It consists of three strategic directions: Focus, Simplify and Integrate – basically all that is needed to integrate to achieve higher productivity, economies of scale and be sustainable focused.

BACKGROUND

Manufacturing industry is the biggest contributor to Malaysia's economic growth. According to a report from Malaysia External Trade Development Corporation (MATRADE), the Electrical &

Electronics (E&E) industry is one of the leading industries, contributing 24.5 per cent to the manufacturing sector in the Malaysia's Gross Domestic Product (GDP). In 2014, Malaysia's exports of E&E products was valued at RM231.23 billion, with 49.2 per cent share of manufactured goods exports and 32.9 per cent share of Malaysia's total exports.

Although the manufacturing industry has flourished, there are several challenges that the industry faces such as rising operational cost, scalability and rapid technology advancements. In addition, there is fierce competition between rival supply chain networks in the industry (Lo & Power, 2010). Currently, manufacturing industries are resorting to outsourcing the non-value added activities to contract manufacturers or suppliers. Most manufacturing companies have adopted to integrate their supply chain in order to obtain visibility into the supplier's deliverables and to detect possible issues upfront. While with supply chain integration (SCI) the operational cost can be lowered to an extent, it still does not address the gap of limited number of capable suppliers in the market to support the growing industrial needs. Thus, collaborative relationship with suppliers is needed (Stock, Boyer & Harmon, 2010).

Lack of technological expertise in a region have also becomes a bottleneck that hinders manufacturer's speed to market an innovation. These challenges raise a pressing need to develop

an effective and efficient SCI in a supply chain network (Huang, Yen & Liu, 2014). A successful SCI depends on information, coordination, and organizational linkage (Lee, 2000). However, the empirical results of SCI in the literature have been inconsistent. There is little evidence that integration provide improvements in effectiveness and efficiency (Fawcett & Magnan, 2002; Bagchi, Chun Ha & Skjoett-Larsen, 2005; Fabbe-Costes & Jahre, 2007). This is due to lack of clear definition of SCI and variation of definitions and interpretation of the concept (Fabbe-Costes & Jahre, 2007; Van der Vaart & Van Donk, 2008). Thus, scholars need to develop a model encompassing factors of SCI to benefit both practitioners and scholars (Zhang, Gunasekaran & Wang, 2015). To address this issue, this chapter took the challenge and proposes nationwide SCI by adopting the 1Malaysia concept.

The 1Malaysia concept was introduced by Malaysia's Prime Minister in year 2010 which comprises of eight values as its key motivators. Culture of Excellence, Perseverance, Humility, Acceptance, Loyalty, Meritocracy, Education and Integrity are the motivators behind the implementation of this concept. It focuses on national unity and ethnic tolerance which aims to bring the multicultural and multiethnic population as one. During its design and introductory phase, the concept was unclear to many and was considered as an alienated topic. This concept has now been progressively acknowledged and Malaysian has been utilizing the facilities that 1Malaysia offers such as the 1Malaysia clinics and the Kedai Rakyat 1Malaysia (KR1M). The driving force behind the realization of this concept is the strong foundation of its supply chain which integrates different parties as one.

The 1Malaysia concept coupled with SCI forms the proposed nationwide SCI called the 1Malaysia Supply Chain (1MSC). The outcome of 1MSC is to achieve supply chain performance and social performance, in which SCI failed to reach consistent results (Cousins & Menguc, 2006; Chen, Mattioda & Daugherty, 2007; Sezen, 2008; Flynn,

Huo & Zhao, 2010). This chapter shall explore a similar integration which has been successfully implemented in Malaysia through the KR1M initiative (component of 1MSC).

This chapter is organized by first explaining the overview of SCI concept and its challenges that would be relevant to the 1MSC concept. Then, the chapter discusses elements in the conceptual view of 1MSC and its contributions. Last, this chapter provides recommendations, future research directions and conclusion.

SUPPLY CHAIN INTEGRATION (SCI)

As 1MSC concept is derived from SCI, it is important for reader to fully understand the concept of SCI. Nowadays, the concept of companies versus companies has been replaced with supply chain versus supply chain competitiveness strategy, however only a small number of companies have implemented a fully integrated supply chain (Georgise, Thoben, & Seifert, 2014). The 1MSC concept involves collaboration and coordination within a supply chain, adopting a similar integration concept with the SCI. SCI is a topic that often being discussed in the supply chain management (SCM) literature (Power, 2005; Guan & Rehme, 2012) and has been widely studied by researchers such as Danese & Romano (2011), Zhang et al. (2015) and Yunus & Tadisina (2016). Firms require integration of all product flow procedures in order for SCM to be effective and efficient (Huang et al., 2014); hence collaboration among the stakeholders plays a vital role in ensuring smooth activities for the firms. SCI is beneficial to firms as it provides operational flexibility to respond to dynamic global needs, actions of competitors and changes in customer demand. Collaborating with supplier for instance enables firms to order materials as needed and response to customer's needs and requirements.

As defined by Flynn, Huo, & Zhao (2010), SCI focuses on strategic collaboration and process integration by looking at the extent to which a

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