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Abstract
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A Comparative Analysis of Managerial Practices among SMEs from Malaysia, Singapore, and Thailand

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Introduction

This article* examines the managerial practices and problems of the SMEs in selected ASEAN countries. Since the early seventies, policy-makers in developing countries have become increasingly aware of the inappropriateness of large-scale plants and industries as engines of growth. These plants often use technologies that are unavailable in the developing countries. Further, because of their relative capital intensity, the large-scale plants have not made any significant impact in reducing the unemployment problem faced by many of the developing nations. It is therefore not surprising that the focus of development policies has since shifted to small-and medium-size enterprises (SMEs).[1] The shift in emphasis is particularly true in countries of the ASEAN region, where policies are now geared towards the development and support of the SMEs (James and Akrasanee 1986).

Accompanying the change in public policy is an increase in research activities on the SMEs.

While the activities cover a broad range of issues, they all point to the importance of the SMEs to the national economy. For example, Hiemenz and Bruch (1983) found that the SMEs in Indonesia account for 54 per cent of the employment in the manufacturing sector. Similarly, Chee (1985) provided evidence suggesting that the SMEs in Malaysia are responsible for 51 per cent of the total employment and 55 per cent of the gross output in the non-agricultural sector.

In terms of the specific issues analysed, some studies were concerned with the relative efficiencies between the SMEs and the large-scale plants. The evidence from earlier studies indicates that the SMEs are just as, if not more, efficient than the large-scale plants (Sarkar 1974; Hiemenz 1983). The recent studies by Little (1987 and 1988), however, suggest that the relationship between size and productivity is not that clear-cut. For Colombia, Korea, and Thailand, medium-size firms[2] are more productive than the smaller units, and in the case of India, plants with 200–499 employees had the highest productivity levels compared to other plants.

Another area that has received considerable attention in the literature is the nature of government support towards promoting the SMEs (Krongkaew 1988; Sandesara 1988; Yun 1988). The type of support provided varies from country to country but, in general, there appears to be a need for governments to advertise the services offered by the assistance agencies. Furthermore, because of limited resources, it has been suggested that the assistance programmes be more discriminatory, favouring those industries identified as viable for development purposes.

In recent years, the research direction is aimed at the SMEs' problems, brought about by increasing competition and rising labour rates. While there is not a single solution to these problems, it is generally agreed that adopting new technologies may help. More importantly, there is also a consensus that the term, technology, should be more broadly defined to encompass not only equipment and production processes, but also manufacturing management technology and managerial techniques. In other words, if the SMEs are to remain a driving force in the development process, the acquisition of equipment and blueprints is not enough. In addition, there is a need for the SMEs to have better trained business managers, knowledgeable in financial management, human resource management, and marketing management techniques.

With this broader definition of technology becoming increasingly acceptable, there are now several studies that have focused exclusively on the managerial practices and problems of the SMEs (James 1986; James and Akrasanee 1986 and 1988). To the best of our knowledge, the latter are the most comprehensive studies on the financial and marketing practices of the SMEs in Indonesia, Malaysia, the Philippines, Singapore, and Thailand. These studies have also increased our awareness of the managerial problems faced by the SMEs, and of the need for further analysis in this area.

Thus, the purpose of this article is to provide additional evidence on the managerial practices and problems of the SMEs in Malaysia, Singapore, and Thailand.[3] However, instead of analysing each country separately, as is the case in the James and Akrasanee studies, the present study focuses on the comparison of selected practices and problems across countries. This study adds to the SMEs research literature in two ways. First, the study examines not only the financial and marketing practices but also the human resource management practices. To date, little is known about the strategies of the SMEs in their dealings with employees. Second, the same questionnaire is used to gather the information across the three countries. This consistency in data collection should facilitate the comparison of managerial problems and practices across national boundaries.

Methodology

To ascertain the managerial aspects of the SMEs, a questionnaire was designed to gather information on the financial, human resource, and marketing practices of the SMEs. In addition, the respondents were asked to identify the problems they were experiencing in the three areas of management.[4] During the design of the questionnaire, it was decided that the appropriate medium for data collection would be through personal interviews instead of mail surveys. The questionnaire was then pre-tested with a sample of 70 firms in Malaysia. Following the pilot study, the interview guide was modified to remove potentially ambiguous questions.

The modified questionnaire was first used in Malaysia and a total of 780 firms were interviewed. Singapore was next and data from 43 firms were collected. In the case of Thailand, the questionnaire was translated from English into Thai, and the translated questionnaire was then used to gather information on 277 firms.[5] The number of firms interviewed is largely a reflection of the types of sectors surveyed, and the choice of sectors is itself based on the importance of the sectors to the national economy.[6] In Malaysia, the sectors surveyed included the Food, Wood, Light Engineering, and Construction Materials industries. In Singapore, the firms were from the Food, Plastic, and Precision Engineering sectors. In Thailand, there were six sub-sectors including Finishing, Garment, Knitting, Plastic, Weaving, and Wood.

It should be pointed out that the firms selected for interviews are not drawn from a random sample. Instead, the sample used is one of convenience. For example, in Thailand, transportation constraints have made it necessary to deal with firms in the Bangkok region only. As such, the reader should be careful in generalizing the findings of this study. The results of the survey must be interpreted with this caveat in mind.

Empirical Results

In this section, the results of the three-country survey are presented. Since the focus of this article is on inter-country comparison of managerial practices and problems, it was decided that presenting the results on a country-by-country basis is inappropriate. Instead, this section is divided into the three areas of management under investigation and within each area, the practices of the SMEs in each country are presented, followed by the managerial problems as perceived by the SMEs. This approach in presenting the results should facilitate the comparability of managerial issues across Malaysia, Singapore, and Thailand.

Financial Management

The SMEs were asked to indicate their awareness and usage of various financial management techniques, ranging from income statements to variance analysis. The responses of the SMEs from the three countries are tabulated in Table 1. Although the types of industries surveyed vary across countries, there exists some similarities in the financial practices of the SMEs.

First, small firms are generally less aware and less likely to utilize financial management techniques than the medium-size firms. Second, projected income statements and variance analysis are among the least understood financial techniques. Third, income statements and balance sheets are the most known and widely used financial techniques. These findings suggest that the SMEs do not realize that many financial tools such as variance analysis can be used to identify problems in certain areas of operation and to help plan for the future. Instead, our suspicion is that because of their almost exclusive focus on income statements and balance sheets, many of the SMEs tend to equate financial management to record-keeping.

It is also worth noting that there is no major

TABLE 1
Financial Management Techniques

	Malaysia				*Singapore*				*Thailand*			
	Not Aware		*Used*		*Not Aware*		*Used*		*Not Aware*		*Used*	
	Small	*Med.*	*Small*	*Med.*	*Small*	*Med.*	*Small*	*Med.*	*Small*	*Med.*	*Small*	*Med.*
Income statements	7.5	0	88.6	96.7	0	0	100.0	100.0	12.9	11.6	82.0	79.0
Balance sheets	11.1	0	84.3	95.9	0	0	100.0	100.0	12.9	11.6	75.5	74.6
Report on sources and uses of funds	38.4	6.6	45.6	77.0	42.9	0	57.1	100.0	50.4	28.2	16.5	34.0
Product costing	37.8	5.8	46.4	81.0	40.0	4.8	60.0	61.9	18.0	13.8	61.9	64.5
Cash budgets	33.2	4.9	51.1	86.1	46.7	4.3	46.7	82.5	24.5	17.4	52.5	61.0
Projected income statements	50.5	11.7	24.6	61.7	46.7	8.7	40.0	78.3	45.3	24.0	23.7	39.9
Variance analysis	66.6	23.8	19.0	57.4	46.7	17.4	26.7	65.2	71.9	50.7	8.6	18.1

discernible difference between Malaysia and Singapore in terms of awareness and usage of financial techniques. This may in effect be an indication of the transferability of financial techniques across national boundaries. In general, the Thai SMEs lag behind the Malaysian and Singaporean SMEs in using the financial techniques. This is particularly true with the more sophisticated techniques such as variance analysis, projected income statement, and reports on sources and uses of funds. The difference in usage is particularly large with respect to the last technique. For example, in Singapore, all medium-size firms reported that they were using "report on sources and uses of funds". In Malaysia, the number of users is at 77 per cent whereas in Thailand, the figure stands at 34 per cent. Given that the liquidity question is most crucial to the SMEs, it would certainly be beneficial for the Thai SMEs to become more aware and subsequently make use of techniques that help them manage their funds.

The respondents were also asked to identify various financial problems as experienced by their firms.[7] The aggregated responses are presented in Table 2. In general, it appears that small firms face more financial problems than the medium-size firms. In Malaysia, the financial problem with the largest perceived differential between small- and medium-size firms is cash flows, followed closely by loans and capital. In Singapore, the largest differential is related to the lack of capital and in Thailand, obtaining loans and credits are relatively the two most serious problems for the smaller firms. The pattern that seems to emerge from these findings is that the smaller firms face more difficulties in raising money than the medium-size firms. This may be due to the inability of the small firms to put up collateral for the loans or to the possibility that banks view loans to smaller firms as high risk and therefore impose more stringent conditions for these loans.

An examination of Table 2 also reveals that the perceived seriousness of the financial problems tends to vary across countries. In Malaysia, both small and medium-size firms report that the customers' failure to pay on time is their most common financial problem. In Singapore, the SMEs indicate that overhead costs, in particular the labour rates, constitute their most serious financial problem. In Thailand, taxes are perceived to be the most serious problem.[8] This is not to say that the Thai SMEs pay more taxes than their Malaysian and Singaporean counterparts. Rather, this finding suggests that the Thai SMEs are perhaps less able to pay their taxes, and hence find taxes more problematic than the other SMEs.

TABLE 2
Financial Problems

	Malaysia		*Singapore*		*Thailand*	
	Small	*Medium*	*Small*	*Medium*	*Small*	*Medium*
Lack of capital	44.2	27.3	41.2	8.0	55.4	40.6
Poor financial records	25.1	12.4	5.9	8.0	18.0	16.7
High product costs	32.6	36.4	58.8	28.0	18.7	12.3
High overhead costs	29.9	47.1	58.8	32.0	16.5	10.1
Overdue account receivables	66.9	59.5	41.2	32.0	51.8	37.7
Difficulties in obtaining loans	52.2	34.7	29.4	12.0	43.2	23.9
Difficulties in credit	36.1	25.6	0	4.0	32.4	11.6
Cash flows	63.9	44.6	41.2	20.0	26.6	16.7
High tax rates	26.0	35.5	5.9	2.0	72.7	58.7
High interest rates	40.6	49.6	29.4	20.0	57.6	47.1

It appears that the Singapore and Thai SMEs cannot do much about their more serious financial problems because these problems are largely "external" to the organizations. In contrast, the late payment problem in Malaysia is an internal issue, within the control of the SMEs. For example, they may try to increase the proportion of cash sales to total sales, offer shorter terms of credit, and improve their collections of account receivables. While these changes are by no means comprehensive, they should help reduce the seriousness of the problem. It must, however, be pointed out that "external" financial problems are by no means trivial in Malaysia. For example, the second most serious problem among the medium-size SMEs is the high interest rates charged by commercial banks.

The above discussion suggests that the more serious financial problems tend to be country-specific, reflecting the individual country's overall economic performance and institutional arrangements. This, however, does not indicate that the financial problems of the SMEs are all beyond their control. The SMEs can still attempt to minimize the adverse impact of these financial problems, and this would require an increase in the awareness and usage of the various financial techniques designed to help the SMEs anticipate future problems.

Human Resource Management

The respondents in the survey were asked to indicate (1) their awareness and usage of managerial tools, and (2) their perceived problems associated with the human resource management area. The responses to the two issues are presented in Tables 3 and 4 respectively. As expected, the smaller firms in all three countries studied are generally less aware and less likely to use the human resource techniques than the medium-size firms. In addition, a comparison of the figures in Tables 1 and 3 suggests that the level of awareness and usage of human resource management (HRM) techniques is less than that of the financial management techniques. There are several reasons for this. First, the area of financial management is much more established than the human resource management area. It is therefore not surprising that the level of awareness in the latter is lower. Second, government regulations often require firms to use some of the financial management techniques (for example, balance sheet). No such requirement is found for the HRM techniques. Third, financial issues are usually perceived to be more important than issues dealing with the workers.

In terms of inter-country comparisons, it appears that among the small firms, the Singaporean firms use the HRM techniques more frequently than the Malaysian firms. The latter are in turn more frequent users of the HRM techniques than the Thai firms. Among the medium-size firms, the Malaysian firms have a greater usage level, followed by the Singapore and Thai firms respectively. With regard to the individual HRM techniques, profit-sharing is one of the least used among the SMEs, irrespective of size and country of origin. On the other hand, interviews are the most frequently used technique among the SMEs.

Employee performance appraisals are quite common among the SMEs of Malaysia and Singapore, but not in Thailand. On the other hand, the use of flexitime is most common in Thailand[9] but not in Malaysia and Singapore. In a sense, this suggests that the Thai SMEs are less bound by rigid production schedules. Furthermore, the lack of employee appraisals indicates the Thai SMEs have a relatively casual attitude towards their employees, in that they are not concerned to *objectively* identify the better employees.

Table 4 presents the human resource management problems as perceived by the SMEs. In all three countries in the sample, the medium-size firms report more human resource problems than the small firms. This result is not unexpected since by definition, medium-size firms have more employees and

TABLE 3
HRM Techniques

	Malaysia				*Singapore*				*Thailand*			
	Not Aware		*Used*		*Not Aware*		*Used*		*Not Aware*		*Used*	
	Small	*Med.*	*Small*	*Med.*	*Small*	*Med.*	*Small*	*Med.*	*Small*	*Med.*	*Small*	*Med.*
Job analysis	45.5	11.5	31.8	66.4	50.0	12.0	44.4	64.0	31.7	21.7	43.2	61.6
Interviewing techniques	32.6	8.2	40.1	77.0	33.3	20.0	50.0	64.0	21.6	8.7	59.0	79.7
Employee performance appraisal	40.9	13.1	38.9	72.1	52.9	16.0	29.4	72.0	52.5	29.7	17.9	35.5
Job rotation/enrichment	41.1	10.7	31.0	50.8	55.6	28.0	38.9	44.0	43.2	21.0	23.0	38.4
Management by objectives	65.4	23.8	12.7	37.7	33.3	20.0	50.0	64.0	49.6	19.6	36.0	62.3
Profit sharing	50.0	21.3	16.6	18.9	77.8	28.0	11.1	32.0	53.2	23.9	9.4	13.8
Flexitime	55.6	27.9	12.7	18.9	82.4	44.0	5.9	20.0	36.7	21.0	41.0	41.3

TABLE 4
HRM Problems

	Malaysia		*Singapore*		*Thailand*	
	Small	*Medium*	*Small*	*Medium*	*Small*	*Medium*
Poor employee motivation	19.4	24.6	21.4	53.0	25.2	25.4
High absenteeism	16.1	24.6	14.3	35.3	44.6	42.0
Problems with relatives	14.1	14.8	0	0	5.8	9.4
Dissatisfaction with pay	14.6	30.3	42.9	41.1	12.9	15.9
Too much dispute time	3.1	7.4	14.3	17.6	4.3	5.1
Lack of concern for quality	12.7	24.6	14.3	58.8	32.4	26.0

therefore more human resource problems. When comparing the HRM problems to the financial management problems, the former are generally perceived to be less of a concern among the SMEs. The one exception is the medium-size firms in Singapore. In this case, the responses seem to indicate the HRM problems are more widespread than the financial management problems. A possible explanation for this particular result is that the medium-size firms in Singapore are doing very well. They can therefore afford to pay for the best financial advice but at the same time, they cannot find enough qualified employees. Under this scenario, it is conceivable that these firms find HRM problems more pressing than the financial problems.

Among the small firms, the Thai companies appear to experience the HRM problems most frequently whereas among the medium-size firms, the Singaporean companies have the most problems. One interesting piece of evidence is that in both categories of firms, the Malaysian firms reported having the least problems with their workers. Thus, it is possible to argue that when comparing Malaysia to the other two countries, the former has the best employer-employee relationship, at least in the eyes of the employer. This may be because the Malaysian workers are indeed very good or that the Malaysian employers are easily pleased. Another possible explanation is that the Malaysian sample consists of a large number of rural SMEs whereas in the other samples, all the SMEs surveyed are from the urban areas.

In terms of the individual HRM problems, two problems — dealing with relatives and time spent in resolving disputes with workers — are among the least serious. This finding holds in all three countries and in all the firms, regardless of size. There is, however, no such common pattern with regard to the more serious problems. In Malaysia, employee motivation is the most serious problem among the small firms, whereas the medium-size firms view employee dissatisfaction with wages as their most important HRM problem. The latter is also the most frequent problem among the small Singaporean firms. The medium-size firms, however, find that the lack of concern for quality among the workers to be their most pressing problem. In Thailand, both types of firms report absenteeism as their most serious problem. Interestingly, these same firms do not perceive that their employees are underpaid. It would be worthwhile in future research to identify the reasons for the high absenteeism levels among the Thai SMEs.

Marketing Management

Table 5 presents the awareness and usage levels of various marketing techniques among the SMEs. The results reveal a pattern similar to the ones associated with the other two types of managerial techniques. The medium-size

TABLE 5
Marketing Techniques

	Malaysia				*Singapore*				*Thailand*			
	Not Aware		*Used*		*Not Aware*		*Used*		*Not Aware*		*Used*	
	Small	*Med.*	*Small*	*Med.*	*Small*	*Med.*	*Small*	*Med.*	*Small*	*Med.*	*Small*	*Med.*
Sales training	44.9	12.3	17.2	37.7	44.4	26.1	38.9	43.5	54.0	38.4	3.6	10.7
Sales forecasting	40.0	8.2	29.0	67.2	11.1	17.4	83.3	60.8	48.9	34.1	19.4	34.1
Market research	56.4	10.7	11.0	49.2	44.4	25.0	55.6	50.0	59.0	35.5	11.5	25.4
Break even analysis	49.4	11.5	29.6	63.9	33.3	25.0	61.1	54.2	50.4	26.1	31.7	43.5
Market planning	40.3	8.2	38.0	71.3	38.9	25.0	55.5	66.7	48.9	28.3	18.7	36.2

firms are more aware of, and more likely to utilize, marketing techniques than the smaller firms. This differential is most noticeable in Malaysia, where approximately 45 per cent of the small firms are unaware of various marketing practices compared to only 10 per cent among the medium-size firms. The data collected unfortunately does not allow us to explain why such a large differential exists in Malaysia.

Another familiar pattern emerging from Table 5 is that the Malaysian and Singapore SMEs are generally more knowledgeable of, and more inclined to use, the marketing techniques than the Thai SMEs. Among the small firms, the Singapore firms reported the most frequent usage. On the other hand, the Malaysian medium-size firms seem to be the most frequent users of marketing techniques among the firms in this class.

It does not appear that there is any common pattern in terms of which marketing technique is most favoured among the SMEs. In Malaysia, market planning is the preferred tool whereas in Singapore, sales forecasting is among the most frequently used techniques. While the preferred marketing tool tends to vary by country, there is, however, a pattern regarding the least used technique. In general, the SMEs use sales training less than all other techniques. There may be several possible explanations for this finding. First, sales training is among the lesser known marketing techniques. This evidently should translate into a lower utilization level. Second, the SMEs may be quite satisfied with their existing sales. In addition, they may be quite confident that they can maintain their present market share without much effort. As such, these firms do not see any need in pursuing sales training. Last, it is also possible that from the SMEs' viewpoint, the skills of a salesperson are acquired on-the-job, in a learning-by-doing fashion. Accordingly, there will be a general reluctance among the SMEs to actually adopt a formal programme whereby employees are trained in various selling techniques.

With regard to the marketing problems reported by the SMEs (Table 6), there are several patterns that are common across the countries surveyed. As with other managerial problems, the size of the firms seems do play an important role. In general, the medium-size firms encounter fewer marketing problems than their smaller counterparts. Low margins appear to be the most common problem faced by the SMEs, whether small or medium. To some extent, this is an indication of the competitiveness in the Southeast Asian market. One may also argue that this finding is to be expected because few firms will ever admit that they achieve high profit margins, especially in personal interviews. The survey also suggests that the SMEs do not have much of a problem with the quality of their products. That is, the SMEs believe that their customers are satisfied with their products. This perception may have been formed because there are perhaps few returns and complaints from the customers. Otherwise, it is unlikely for the SMEs to state that they have no problem with product quality. The Thai firms appear to have the most problem in this area but even then, only 15 per cent of the smaller firms reported as having "product quality" problems. It is interesting to note that all the medium-size Singapore firms in the survey are satisfied with the quality of their products.

Even though there are some common marketing problems across the three countries, major differences are apparent. Irrespective of the size of the firms, the problem associated with low sales varies significantly between the countries. In Singapore, low sales is not a problem. In Thailand, about one-third of the SMEs reported sales problem, and this figure rises to over 50 per cent with the Malaysia SMEs. These inter-country differences probably reflect the difference in the level of economic performance between these countries.

The inability to increase exports is most serious to the Singapore SMEs and it is of least concern to the Thai SMEs. The Malaysian SMEs are somewhere in between. This finding

TABLE 6
Marketing Problems

	Malaysia		*Singapore*		*Thailand*	
	Small	*Medium*	*Small*	*Medium*	*Small*	*Medium*
Low Sales	64.4	52.9	0	0	37.4	34.1
Low margins	57.2	52.9	72.2	48.0	77.0	59.4
Unable to export	20.5	24.0	61.1	48.0	18.7	24.0
Poor product quality	5.0	5.8	11.1	0	15.1	9.4

should, however, not be interpreted as suggesting that the SMEs of Malaysia and Thailand have been more successful in exporting their products. Rather, our position is that the latter are mainly concerned with the local markets whereas the Singapore SMEs are more export-oriented, reflecting the relative size of the domestic market in these countries. Under these circumstances, it is not surprising to find the "export" problem more frequently reported by the firms in Singapore.

Conclusion

The purpose of this paper has been to provide some evidence regarding the SMEs' managerial practices and problems in Malaysia, Singapore, and Thailand. With respect to the practices, our findings suggest that medium-size firms are generally more aware and more likely to utilize the various managerial tools than the smaller firms. Inter-country comparisons also reveal that the Malaysian and Singapore SMEs have higher levels of awareness and usage of the managerial tools than their Thai counterparts.

Perhaps the most important finding of the survey on managerial practices is that the SMEs appear to have a very limited knowledge of the overall spectrum of managerial practices. For example, even among the financial techniques, the SMEs' view of these techniques is limited to income statements and balance sheets. This narrow perception gets progressively worse in the other two managerial areas. While we are by no means implying that the SMEs should be using all available managerial tools, we would, however, argue that the benefits of some of these tools are not yet fully appreciated by the SMEs. The latter should be made aware of the potential benefits of the lesser known techniques, and be encouraged to use them as they become relevant. In other words, there is a need for management training aimed at the managers of Southeast Asian firms.

Among the managerial problems, it seems that the problems tend to be country-specific. In Singapore, the problems revolve around high overhead costs, poor employee attitudes, and the inability to compete in international markets. In Thailand, the more serious problems appear to be financial in nature. In addition, these problems which include high taxes and interest rates are beyond the control of the Thai SMEs. On the other hand, the Malaysian SMEs are faced with overdue accounts and low sales. While the first problem is within the SMEs' control, the second problem may be a reflection of the economic performance of the country.

NOTES

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1. For the purpose of this study, SMEs are defined as those organizations that employ between 10 and 199 workers.
2. Medium-size firms are those that employ between 50 and 199 workers.
3. The SMEs in these countries have been the subject of three comprehensive studies in which the authors have participated.
4. The questionnaire also included other information such as the size and age of the firms, the type of production process used, and so on.
5. In all three countries, local research assistants were hired and trained to carry out the interviews.
6. The researchers' knowledge of certain sectors could also have influenced the selection process.
7. After the Malaysian survey, we decided to use a five-point rating scale (1 = no problem to 5 = very serious problem) to measure the seriousness of the problems. To enable a comparison between the Singapore and Thai data with the Malaysian data, we have assumed that responses of 1 and 2 indicate no problem and responses 3, 4, and 5 indicate that there is a problem.
8. By coincidence, the Singapore SMEs view taxes as one of the least financially troublesome problems whereas in Thailand, the SMEs view overhead costs as their least serious problem.
9. Firms operating on flexitime allows their employees to choose their working hours but all employees have to be present for certain core hours.

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