

THE PERCEPTION, BENEFIT AND CHALLENGE OF  
STRATEGIC ALLIANCE TOWARDS DEVELOPMENT  
OF NATIONAL COMPOSITE CENTRE (NCC).

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**THE PERCEPTION, BENEFIT AND CHALLENGE OF STRATEGIC  
ALLIANCE TOWARDS DEVELOPMENT OF NATIONAL COMPOSITE  
CENTRE (NCC)**

**FINAL YEAR PROJECT**

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## DECLARATION

"I admit that this report is the result of my own except the summarizes and quotes that I have explained the sources"

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A handwritten signature in black ink, appearing to be 'R' with a vertical stroke and a horizontal base.

Signature : .....

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Date : 7<sup>th</sup> June 2016

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Report submitted in fulfillment of the requirement for the Bachelor of  
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## DEDICATION

I dedicated this research for my bachelor study and my family especially to my parent Mr. Azman Bin Mohd Jamil and my loving mother Mdm. Mazlah Binti Bujang for nursing me with affections and love; lecturer at UTeM especially for my supervisor Datin Suraya Binti Ahmad, my panel Dr. Ismi Rajiani, friends and those people who have guided and inspired me throughout my journey of this research.

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## ABSTRACT

This research is approaching on the study of The Perception, Benefit and Challenges of Strategic Alliances towards Development of National Composite Centre (NCC). The scope of the research is at the composite industry companies in Malaysia. In addition, the researcher defines on how strategic alliances influence the development of (NCC), then, the researcher is will investigates the perception, benefit and challenges of strategic alliance in Malaysian composite companies. Next, the method use by the researcher in this research is survey by distributing the questionnaire to the employees who are working in the composite companies. The respondents for this distribution is involving a number of respondents that being calculated using sampling data table. Total number of respondent was determined by the research location that researcher approach. Researcher will analyze the data using SPSS software in order to see the relationship between perception, benefit and challenge in strategic alliance will develop the National Composite Centre (NCC). After that, researcher will discuss and conclude the final data in order to see is it this research will prove the research objective.



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## CHAPTER 1

### INTRODUCTION

#### 1.1 Background of Study

Composite Industry is one of the industries in this world that are more to growth than other industry. This is because composite can be define as when two or more different materials are combined together to create a superior and unique material. The impact of this founded innovation has lead the world to the best manufacturing system in any field. In November 2009 the Government at United Kingdom launched the UK Composites Strategy. Meanwhile the National Composite Centre was newly launched according to the MIGHT news “Langkawi, March 17, 2015 – Malaysia launched its National Composite Center (NCC) at the Malaysian Industry-Government Group for High Technology (MIGHT) pavilion during Langkawi International Maritime and Aerospace Exhibition (LIMA) 2015 earlier today. The launch was officiated by Minister in the Prime Minister Department, YB Dato' Mah Siew Keong and witnessed by Minister of International Trade and Industry (MITI), Dato Sri' Mustapa Mohamed and Science Advisor to the Prime Minister, Tan Sri Zakri Abdul Hamid.

Malaysian Industry-Government Group for High Technology (MIGHT) take this alternative to launch National Composite Centre (NCC) in Malaysian is because they want to develop and implement new discovery of manufacturing technology that have been used widely around the world in order to develop and sustain the composite



industry in Malaysian. The statistic show by Lucintel (Insight theMarket) the growth of composite in Asian region is anticipated to have a market share of approximately 50.7% by volume in 2020. In addition, the launching of this NCC will use strategic alliances as a method to gather all composite industry in Malaysia under one umbrella. A strategic alliance in business is a relationship between two or more businesses that enables each to achieve certain strategic objectives neither would be able to achieve on their own. The strategic partners maintain their status as independent and separate entities, share the benefits and control over the partnership, and continue to make contributions to the alliance until it is terminated. Why researcher want to conduct this research is because National Composite Centre is a new thing for composite industry in Malaysian.

## **1.2 Problem Statement**

Composite industry is one of the industry that growth in Malaysia and at the international level also. This industry starting to improvise the manufacturing industry with add on of composite material into the manufacturing element. As we know, all manufacturing industry in Malaysia like aerospace industry, automotive industry, wood industry and plastic industry are using composite material to strengthening their manufacturing product. Therefore government took initiative to allies all composite industry in Malaysia under one center which is NCC. Before the establishment of NCC, all the composite companies in Malaysia runs by their own management system and do not attach to each other. With the establishment of this NCC, it will remove all lack of integration issues among composite companies in Malaysia

### **1.3 Research Question**

- i. What are the perception of strategic alliance formation towards development of National Composite Centre (NCC)
- ii. What are the benefits of strategic alliance towards development of National Composite Centre (NCC)
- iii. What are the challenges of strategic alliance towards development of National Composite Centre (NCC)

### **1.4 Research Objectives**

- i. To study the understanding of composite companies in strategic alliance formation towards development of National Composite Centre (NCC)
- ii. To study the benefits of strategic alliance towards development of National Composite Centre (NCC)
- iii. To study the challenge of strategic alliance towards development of National Composite Centre (NCC)

### **1.5 Scope, Limitation and Key Assumption**

In this section, the researcher will further explains the scope and limitation and for this research.

#### **1.5.1 Scope**

The researcher will focus the research study in the perception, benefits and challenges in strategic alliance influence the development of National Composite Center (NCC) According to the launching article of NCC, National Composite Centre (MIGHT 2015) is to spearhead the development of composite technology become the reference for all composites activities in all industry sectors, provide direction and focus for fundamental research and collaborative link with Malaysia universities for composite, and help to

develop training needed to build skills base necessary for applying advanced and specialist composite technology.

### **1.5.2 Limitations**

Limitations are the shortcomings conditions or influences that cannot be controlled by the researcher that place restrictions on the researcher methodology and conclusions. There are several limitations are identified in this study. Firstly, this research will cover the perception, benefits and challenges in strategic alliance influence the development of National Composite Center (NCC). But the researcher only can cover this research around Malacca and Kuala Lumpur only, because of the time constraint for the researcher to circle around Malaysia and conduct this research.

### **1.5.3 Key Assumption**

Along this research, the researcher will assume that total respondent that is chosen by researcher will try to answer the questionnaire that prepare by the researcher with honest and responsibility. Because respondent know what effect on outcome of the research will affect their industry life cycle in the future.

## **1.6 The Important of the Study**

Key importance of this research study is, the researcher want to explore and experiment on how the composite industry in Malaysia will adapt on development of National Composite Centre NCC towards their business performance. Whether it will bring challenges or benefit.

## **Summary**

Throughout this chapter, the researcher can conclude the research objective of this study is very relevant towards this new era of manufacturing system which is composite industry. As far as the researcher know, the combining of material that name composite is really associated well in High – Tech Manufacturing environment. So it will help all the composite industry in Malaysia to be more focus on development of this National Composite Centre NCC. In the next chapter, the researcher will explain more about the perception, challenges and benefits on development of National Composite Centre (NCC) in composite industry in Malaysia.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.1 Introduction

In this chapter, researcher will classify this research in the context of the strategic alliance. This is because the purpose of this study was to identify the perception, benefit and challenge faced by the composite companies in Malaysia if consolidated under a single center which is National Composite Centre (NCC). Therefore, researchers pursued an approach to associate this with the concept of strategic research alliance. As we know the meaning of strategic alliance according to (Yi Wei, 2007), a strategic alliance is sometimes just referred to as “partnership” that offers businesses a chance to join forces for a mutually beneficial opportunity and sustained competitive advantage. Besides that, according to (Mohammed Belal Uddin, Bilkis Akhter, 2011), Strategic alliances, which are cooperative strategies in which firms

combine some of their resources to create competitive advantages, are the primary form of cooperative strategies. Researcher will state the literature review about definition of strategic alliances according to (Margarita Išoraitė, 2009) in the table below;

Definitions of strategic alliances (adapted by Yi Wei, 2007)

Douma, 1997	A strategic alliance is a contractual, temporary relationship between companies remaining independent, aimed at reducing the uncertainty around the realization of the partners' strategic objectives (for which the partners are mutually dependent) by means of coordinating or jointly executing one or several of the companies' activities. Each of the partners are able to exert considerable influence upon the management or policy of the alliance. The partners are financially involved, although by definition not through participation, and share the costs, profits and risks of the strategic alliance.
Dussauge & Garrette, 1995	An alliance is a cooperative agreement or association between two or more independent enterprises, which will manage one specific project, with a determined duration, for which they will be together in order to improve their competences. It is constituted to allow its partners to pool resources and coordinate efforts in order to achieve results that neither could obtain by acting alone. The key parameters surrounding alliances are opportunism, necessity and speed.
Faulkner, 1995	A strategic alliance is a particular mode of inter-organizational relationship in which the partners make substantial investments in developing a long-term collaborative effort, and common orientation.
Gulati, 1998	Strategic alliances are voluntary arrangements between firms involving exchange, sharing, or co-development of products, technologies, or services.
Phan, 2000	Alliances are long-term, trust-based relationships that entail highly relationship-specific investments in ventures that cannot be fully specified in advance of their execution.

Porter, 1990	Strategic alliances are long-term agreements between firms that go beyond normal market transactions but fall short of merger. Forms include joint ventures, licenses, long-term supply agreements, and other kinds of inter-firm relationships.
Yoshino & Rangan, 1995	A strategic alliance is a partnership between two or more firms that unite to pursue a set of agreed upon goals but remain independent subsequent to the formation of the alliance to contribute and to share benefits on a continuing basis in one or more key strategic areas, e.g. technology, products.

Table 2.1

The researcher will try to explain challenge and benefit on how implementation of strategic alliances according to unite all the composite companies in Malaysia under one Centre (NCC). Regarding to the research objective, the researcher want to study the perception, benefits and challenges in strategic alliance influence the development of National Composite Center (NCC)

## 2.2 Concept of Strategic Alliances

According to “Emanuela Todeva David Knoke, (2005),”Strategic alliances and models of collaboration”, Management Decision, Vol. 43 Iss 1 pp. 123 – 148” strategic alliances can divide into 13 concepts, which is;

- (1) **Hierarchical relations:** through acquisition or merger, one firm takes full control of another’s assets and coordinates actions by the ownership rights mechanism.
- (2) **Joint ventures:** two or more firms create a jointly owned legal organization that serves a limited purpose for its parents, such as R&D or marketing.
- (3) **Equity investments:** a majority or minority equity holding by one firm through a direct stock purchase of shares in another firm.
- (4) **Cooperatives:** a coalition of small enterprises that combine, coordinate, and manage their collective resources.

- (5) **R&D consortia**: inter-firm agreements for research and development collaboration, typically formed in fast-changing technological fields.
- (6) **Strategic cooperative agreements**: contractual business networks based on joint multi-party strategic control, with the partners collaborating over key strategic decisions and sharing responsibilities for performance outcomes.
- (7) **Cartels**: large corporations collude to constrain competition by cooperatively controlling production and/or prices within a specific industry.
- (8) **Franchising**: a franchiser grants a franchisee the use of a brand-name identity within a geographic area, but retains control over pricing, marketing, and standardized service norms.
- (9) **Licensing**: one company grants another the right to use patented technologies or production processes in return for royalties and fees.
- (10) **Subcontractor networks**: inter-linked firms where a subcontractor negotiates its suppliers' long-term prices, production runs, and delivery schedules.
- (11) **Industry standards groups**: committees that seek the member organizations' agreements on the adoption of technical standards for manufacturing and trade.
- (12) **Action sets**: short-lived organizational coalitions whose members coordinate their lobbying efforts to influence public policy making.
- (13) **Market relations**: arm's-length transactions between organizations coordinated only through the price mechanism.

From this concept, researcher can prove if the collaboration of composite company in Malaysia successfully form. So it can increase the integration and formalization in the governance of their inter organizational relationships. According to "Emanuela Todeva David Knoke, (2005),"Strategic alliances and models of collaboration", Management Decision, Vol. 43 Iss 1 pp. 123 – 148", Governance refers to combinations of legal and social control mechanisms for coordinating and