

AN INVESTIGATION OF BUSINESS STRATEGIES USING PORTER FIVE
FORCES IN FOOD INDUSTRY FOR SME IN MALACCA

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SUPERVISOR’S APPROVAL

I hereby declared that I have read this thesis and this research is sufficient in term of scope and quality. This project is submitted to Universiti Teknikal Malaysia Melaka (UTeM) as a requirement for completion and fulfillment of Bachelor Degree of Technology Management (Technology Innovation) with Honours (BTMI)

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DECLARATION

“I hereby declare that this project paper is the result of my own and independent work except the summary and experts that have been specifically acknowledgment”

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DEDICATION

This paper is dedicated to my mother always beside me to give support and motivation to complete the research with successfully. She always together with me in hardship to complete the research. Without advice and support from my mother, it is impossible for me to complete the thesis.

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ABSTRACT

Porter's Five Forces is a model that identifies and analyzes Five (5) competitive forces that shape every industry and helps determine an industry's weaknesses and strengths. The five competitive forces include the threat of new entrants, the threat of substitutes, the bargaining power of buyers, bargaining power of suppliers and rivalry among existing competitors. The success and failure of a company depend on the business strategy of a company and the company usually used one of the strategies namely, cost leadership, differentiation strategies, and focus strategies. The Porter Five Forces is a feasible mechanism to improve the business planning strategy. The objectives for this study are first, to identify using Porter Five Forces, the factors influencing a company business strategy. The next objective is to determine the business strategy that is appropriate for the company based on the Porter Five Forces Model, and then to evaluate the effectiveness of the chosen business strategy using the Porter Five Forces. The study is conducted in the Small Medium Enterprise (SME) of the food industry in Melaka. Questionnaires are distributed to the owner or to the top management of Three (3) companies. These are followed by conducting interviews using semi-structured questions. The aim is to get an in-depth information from the respondents. The findings show that Company A implemented differentiation strategies, Company B implemented focus strategies and Company C implemented cost leadership strategies. However, using Porter's Five Forces, it is seen that Company C has chosen a strategies that suit their strengths and weaknesses. Both Company A and B need to evaluate their strategies to take into account the elements in Porter's Five Forces.

Keywords: Business Strategy, Small and Medium Enterprise (SME), Porter 5 Forces.

ABSTRAK

Porter Five Forces adalah model yang mengenal pasti dan menganalisis lima daya saing yang membentuk setiap industri dan membantu menentukan kelemahan dan kekuatan industri. Lima daya persaingan termasuk ancaman peserta baru, ancaman pengganti, kuasa tawar pembeli, pembekal kuasa tawar-menawar dan persaingan di kalangan pesaing sedia ada. Kejayaan dan kegagalan sesebuah syarikat bergantung kepada strategi perniagaan sesebuah syarikat dan syarikat biasanya menggunakan salah satu strategi iaitu kepimpinan kos, strategi pembezaan, dan strategi fokus. *Porter Five Forces* adalah mekanisme yang sesuai untuk memperbaiki strategi perancangan perniagaan. Objektif kajian ini adalah pertama, untuk mengenal pasti menggunakan *Porter Five Forces* dan faktor-faktor yang mempengaruhi strategi perniagaan syarikat. Objektif seterusnya adalah untuk menentukan strategi perniagaan yang sesuai untuk syarikat berdasarkan Model *Porter Five Forces*, dan untuk menilai keberkesanan strategi perniagaan yang dipilih menggunakan *Porter Five Forces*. Kajian ini dijalankan di Perusahaan Kecil dan Sederhana Malaysia (PKS) industri makanan di Melaka. Soal selidik diedarkan kepada pemilik atau kepada pengurusan tertinggi (3) syarikat. Ini diikuti dengan mengadakan wawancara dengan menggunakan soalan semi-struktur. Matlamatnya adalah untuk mendapatkan maklumat mendalam dari responden. Penemuan menunjukkan bahawa Syarikat A melaksanakan strategi pembezaan, Syarikat B melaksanakan strategi fokus dan Syarikat C melaksanakan strategi kepimpinan kos. Walau bagaimanapun, dengan menggunakan *Porter Five Forces*, didapati Syarikat C telah memilih strategi yang sesuai dengan kekuatan dan kelemahan mereka. Kedua-dua Syarikat A dan B perlu merancang strategi mereka untuk mempertimbangkan unsur-unsur dalam *Porter Five Forces*.

Kata kunci: Strategi Perniagaan, Perbadanan Perusahaan Kecil dan Sederhana Malaysia (PKS), Porter Five Forces.

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LIST OF ABBREVIATIONS

IV	=	Independent Variable
DV	=	Dependent Variable
SME	=	Small Medium Enterprise
SBU	=	Small Business Units

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CHAPTER 1

INTRODUCTION

1.1 Background of Study

Today, rivalry in business has monetary quality of a nation, industry than a rival in the worldwide market where products, services, individuals, abilities and thoughts move unreservedly crosswise over outskirts, they clarified by (Ansari, 2013). In this unique circumstance, (Porter, 1979) engineer his model that is notable as the Porter Five Forces Model. It is considered as the fundamental structure of vital getting ready for the business. Nonetheless, everybody is intended to be imperfect. In this manner, through my comprehension and investigation utilizing the Porter Five Forces Model to be connected in existing business systems and make progressively imaginative developments and improvements to guarantee accomplishment for an organization.

There are five mechanical powers are the threat of new entrants, the threat of substitutes, bargaining power of buyers, bargaining power of suppliers, and rivalry among existing contender. “In essentially, the organizations need to look and create positions inside their industry that they are can safeguard themselves from intensity or impact them to their greatest advantage, from which decide if the firm can accomplish upper hand or shortcoming. (Doorman, 1985) likewise expressed that the fundamental guideline defeating contenders and accomplishing a better bit of leeway over the long haul that alluded than as supportable focused it is a preferred position. This model can be a control instrument for a business to be a beginning stage for the achievement of a business.

Today a universe of business winds up more extensive, even business huge or little needs a solid and steady technique to give clients the best item, administrations, and amazing help in an opportune. In view of the examination that found, a couple of concentrates that attention on the business methodology of the SMEs in Malaysia. In the Malaysian economy, the job of SMEs has considered as the foundation of the economy (Radam, 2008). As a result absence of a proper model that ready to decide the business technique of the SMEs in Malaysia (Small, 2013).

1.2 Problem Statement

All organizations around the world have circumstance in order to achieve their objectives that planned for this company. To achieve these objectives, they ought to acknowledge inside a dynamic outside and interior condition, which has numerous factors that influence the organization and it has fairly estimated worth. The engaging quality of the market and its general gainfulness can for the most part be characterized by the market structure (Slater and Olson, 2002). The market structure, thusly, influences the vital conduct of associations, model the market achievement relies upon the aggressive procedure and the administration of the organization. The essential thought that each organization is working in a system of Buyers, Suppliers, Substitutes, New Entrants and Competitors is yet substantial. In this way, there is a requirement for the organization to research how these powers way the technique to the firm. This model can be utilized in assessing the organization condition and understanding its focused position that stretches out past the present contention risk

1.3 Research Questions

Research question for this study are:

1. What business strategies and methods used by the SME company to build a successful company?
2. What the best method suitable in the business strategy using the Porter Five Forces Model in SMEs Company?
3. What the effectiveness of business strategies in the company using the Porter Five Forces Model?

1.4 Research Objectives

Research objectives for this study:

1. To identify using the Porter Five Forces Model that the factor influencing a company business strategy.
2. To determine the business strategy that is suitable for the company based on the Porter Five Forces Model.
3. To evaluate the effectiveness of the chosen business strategy using the Porter Five Forces Model.

1.5 Scope Of Study

The SMEs choose was from the technology-based business from the food industry. In this project used to determine and evaluate the business strategies using Porter Five Forces Model for SME in food industries in Malacca.

1.6 Limitation of Study

Limitation of study that can be characterized as the issue that each exploration need to confronted when leading their investigation. This exploration additionally has a similar issue, as there is impediment while leading and gathering data required for this examination. Right off the bat, the constraint of the investigation is the information gathering process from all respondents to address all inquiries for a meeting. So that, the analysts cannot decipher the information in Chapter 4. One of impediment of the research is time limitations where researchers need to locate the ideal time for meetings since respondents do not have much time because of the bustling timetable of work. In this way, researchers need to take quite a while to finish this examination. Meetings will be held by their timetable, as these conditions will influence creation. They should dependably in the generation floor in light of the fact that the association does insufficient workforces.

1.7 Significance of Study

The significance in the nourishment business particularly in Malaysia can utilize the data that gets for this research. This investigation is critical for the association where they can utilize the discoveries and suggestions. The noteworthiness of this research will assist the association with making some improvement and some development in their business procedures in their organization from execution of Porter Five Forces Model This exploration likewise help the organization to recognize the reasonable Porter Five Forces Model dependent on their business methodologies that can offer impact to their organization particularly in running activity item and the administration This investigation can offer advantages to organization in addition the learning about the how to defeat difficulties in usage of Porter Five Forces Model.

1.8 Organization of Report

The research is organized in six chapters, appendix, and references in brief as follows:

Section 1 Introduction : Introduction about SME organization in Malacca and recognize the present business techniques in SME to actualize Porter Five Forces Model. This section likewise plots the foundation of the examination, the issue explanation, investigate question, look into goals, extent of the investigation, and constraint of the examination, noteworthiness of study and association of the report.

Section 2 Literature Review: This part spreads out the past investigations that identified with the exploration point including the meaning of SME, business system and Porter Five Forces Model and with the hypothetical structure.

Section 3: Research Methodological: This section depicts the examination strategies, the subjective research in more detail, including approaches to gather information and the procedure of investigation.

Section 4 Findings and Discussion: These parts explicitly depict the principle discoveries dependent on the examination question.

Section 5 Conclusion: This section demonstrates which one the appropriate business system for execute in the Porter Five Forces Model.

1.9 Summary

This part portrays research identified with how organizations apply business methodologies utilizing the Porter Five Forces Model. As we probably am aware, every business has techniques to guarantee their business the executives is fit as a fiddle. Nevertheless, each business is certain to be a test misfortune because of unseemly business system. Utilizing the Porter Five Forces Model can be a reference to the firm to amplify all misfortunes and guarantee business methodology in accordance with this model.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This part portrays research identified with how organizations apply business methodologies utilizing the Porter Five Forces Model. As we probably am aware, every business has techniques to guarantee their business the executives is fit as a fiddle. Nevertheless, each business is certain to be a test misfortune because of unseemly business system.

2.1 Small and Medium Enterprise (SME) in Malaysia

Based on the research, there is commonly no precisely the meaning of SMEs (Hooi, 2006; Omar and Ismail, 2009). From the viewpoint global organizations, specialists and professionals have characterized SMEs dependent on the financial advancement of every nation (Chelliah, 2010). Nevertheless, in Malaysia, the meaning of SMEs is fundamentally founded on yearly deals turnover and a complete number of full time (Hashim and Abdullah, 2000) and (SME CORP, 2008). SMEs are characterized by a few elements and criteria, for example, area, estimate, age, structure, association, number of representatives, deals volume, worth of advantages, possession through development and innovation (Rahman, 2001). The job of SME is significant in the acknowledgment of long haul business and mechanical intensity. SMEs are considered as motors for financial development around the globe. In globalization, SMEs have had numerous chances to work in incorporation with huge scale associations.

In the assembling part, SMEs go about as providers of segments, divisions, and sub-authorities for bigger organizations since they can be delivered at less expensive costs. Most of SMEs have simple frameworks and techniques, which empower adaptability, quick input, and short-extend basic leadership systems, better understanding and quicker reaction to client necessities than bigger associations. In spite of the attributes of SME support, they face incredible strain to keep up their aggressiveness in the residential and worldwide markets. Because of worldwide challenge, innovative headways and changing client needs, the focused worldview is always showing signs of change. These progressions urge firms to contend at the same time crosswise over various measurements, for example, plan and item improvement, producing, dispersion, correspondence, and advertising.

In mid-2014, Malaysia has been bunch into two classifications which are assembling and benefits and different areas base on smaller scale, little and medium business. The table 1 underneath shows how the new meaning of Small and Medium Enterprises (SMEs) for Malaysia.

As per SME Bank (2013), fabricating is alluded to as the physical or concoction change of materials or parts into new items. Administrations are alluded to all administrations including distributive exchange, lodgings and cafés, business, expert and ICT administrations, private schooling and wellbeing, stimulation, budgetary intermediation, and assembling related administrations, for example, innovative work (R&D), coordination, stockroom, designing, and "others" allude to the staying three (3) key financial exercises, to be specific essential farming, development, mining, and quarrying. Arrangement of financial exercises for motivations behind definition will be founded on the Malaysian Standard Industrial Classification (MSIC) 2008 codes.

Table 2.1: Definition of Small and Medium Enterprises (SMEs) Malaysia
(SME Corporation Malaysia)

Category	Micro	Small	Medium
Manufacturing	Deals turnover of under RM300,000 OR representatives of under 5	Deals turnover from RM300,000 to under RM15 mil OR representatives from 5 to under 75	Deals turnover from RM15 mil to not surpassing RM50 mil OR representatives from 75 to not surpassing 200
Services and Other Sectors	Deals turnover of under RM300,000 OR workers of under 5	Deals turnover from RM300,000 to under RM3 mil OR workers from 5 to under 30	Deals turnover from RM3 mil to not surpassing RM20 mil OR workers from 30 to not surpassing 75

Business in the sustenance and beverages industry was especially influenced during the retreat however at this point look set for recuperation as the greater part are set to expand turn over in the following a year. (Chris Archer, 2014) .Moreover, nourishment and beverages SMEs are currently getting ready for development and their longing to expand enrollment and put resources into their staff is an unmistakable sign that certainty is working inside the area. The formation of new employments will help support efficiency and intensity just as reinforcing the improving monetary recuperation. (Chris Archer, 2014).SMEs proprietors should be propelled to continue where are they are now, as they make an enormous number of openings for work in the market. Taking everything into account, the presence of SME in Malaysia is significant particularly in financial to help improvement in Malaysia.

2.1.1 Small Medium Enterprise in Malacca

Exchange and trade exercises have since quite a while ago existed in Malaysia before the rise of the sublime Malacca Sultanate. The Malacca that was situated in the essential issue of the South China Sea between the East and West piece of the globe was a vital spot for dealers. The revelation of the Inscribed Stone of Terengganu in 1303 has substantiated the nearness of inaccessible (Muslim) brokers in Malays archipelagos (Perpustakaan Negara Malaysia, 2010). The rise of Malacca as an exchanging port went about as an impetus to the exchange exercises the area. Presently, they are more than 150 SMEs in Malacca (Halal Hub, 2010). Besides, undertakings of SMEs in the sustenance area are urged by the administration to exploit Malaysia as a centre of halal nourishment items. A significant number of (SMEs) can effectively take part in creating the halal sustenance items to satisfy the need of both household and global markets. The legislature perceived the shortcomings of displaying viewpoints for their items particularly as far as item quality, bundling, marking, advancement, and dispersion.

2.2 Generic Competitive Strategies

2.2.1 Competitive advantages

The framework is the heading and degree of a relationship as time goes on which achieves advantage in a changing circumstance through its setup of benefits and abilities to fulfil accomplice's wants. Armstrong and Barron (2002) alludes to procedure as a lot of basic leadership conduct in an association to accomplish a pre-decided goal. Procedure as a model and benchmark for the organization to getting ready for what's to come. Thompson et al. (2004) consider technique to be a blueprint which the executives of an association receives to stake out a market position, draw in equipped workers and please clients, contend effectively, lead activities and accomplish authoritative objectives. Ajagbe (2007) referenced that much of the time, an all around instructed out methodology may not be completely executed true to form because of a few hindrances, for example, vision, individuals, asset and the executives.