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**EFFECTS OF GLOBALIZATION
ON THE SUSTAINABILITY
OF A MANUFACTURING COMPANY
A CASE STUDY**

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Executive Summary

This case study addressed the issue of globalization effect on a Malaysian company. Business world become borderless especially with the recent advancement of telecommunication and computer technology. The case analyzed the effect of globalization on a cocoa manufacturing company. The top management has been given a business scenario using a case study methodology. In this case analysis, in depth investigation on the management obstacles as result of globalization and strategy formulation are required to provide a remedy to the management challenges faced by the company.

The analysis was performed using situation analysis, industry analysis and value chain analysis framework developed by Michael Porter. The analysis of the general environment showed that the cultivation of cocoa would be reduced due to industrialization of the developing and third world countries. Globalization has caused consumers become more quality conscious due to faster and accessibility of information and exposed the businesses to commodity risks as raw materials has to purchased from a free market.

The Five Forces model suggested high entry barrier to the cocoa industry. High capital requirement, switching cost and economies of scale must be posses by new entrant to achieve strategic competitiveness. The shortage of raw materials, unpredictable deliveries, increase of prices and reduction of cultivation of cocoa has given high bargaining power to the suppliers. Existence of the cheap and highly innovative substitute vegetable fat, and allowances of 5 % of vegetable fat in chocolate-making process through NAFTA will cause a major threat to the industry. Vertical integration and outsourcing activities by the buyers create a very unique and competitive environment. As the industry is rated as a slow cycle market, the firm competes actively with one another to achieve strategic competitiveness.

Internal analysis revealed that the company has good financial strengths. The company has very low borrowing and is capable to undertake any cyclical resilience. As the company has a good plant strategic located coupled with a team of skillful human resource, it has a processing cost that is one of the lowest in Malaysia. The core competencies of the company are flexible manufacturing capability, which customized individual customer need in timely manner by a team of skilful human resources. The value chain analysis showed that procurement is determinant of company profitability.

Through SWOT analysis, it is recommended that the company should maintain the specific business strategy based on the company's core competencies and capabilities. Customization strategy according to individual customer needs should be maintained. A mixture of cost leadership, differentiation and focused strategy are needed to serve each market segment. Price risk management policy shall be established. An appropriate hedging strategy should be formulated to protect the business from sudden price movement. The problem faced by the company could be resolved if the understanding of price risk and physical requirements is properly matched.

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TABLE OF CONTENT

| | |
|--|-----------|
| Abstracts | I |
| Acknowledgment | III |
| Table of content | IV |
| List of table | VI |
| List of figure | VII |
| | |
| Chapter One Introduction | 1 |
| 1.1 Company Background | 2 |
| 1.1.1 The Corporate | 2 |
| 1.1.2 Cacao International | 2 |
| 1.1.3 Current Strategy | 3 |
| 1.2 Purpose and Significant of The Study | 4 |
| 1.3 Scope of The Study | 6 |
| 1.4 Limitation of The Study | 6 |
| | |
| Chapter Two Fundamentals of Cocoa Industry | 8 |
| 2.1 What is cocoa ? | 8 |
| 2.2 Cocoa processing | 8 |
| 2.3 Cocoa, the raw material | 9 |
| 2.4 Source of the cocoa bean supplies | 9 |
| 2.5 Process technology | 10 |
| 2.6 The cocoa products | 11 |
| | |
| Chapter Three Research Methodology | 13 |
| 3.1 Strategic analysis | 13 |
| 3.2 Situation analysis | 13 |
| 3.3 SWOT analysis | 14 |
| | |
| Chapter Four Situation Analysis | 15 |
| 4.1 The global economy environment | 15 |
| 4.1.1 Political/legal segment | 16 |
| 4.1.2 Economic segment | 17 |
| 4.2 The Industry Structure Analysis | 18 |
| 4.2.1 Threats of new entrants | 18 |
| 4.2.2 Bargaining power of suppliers | 22 |
| 4.2.3 Bargaining power of buyers | 27 |
| 4.2.4 Existence of substitute products | 29 |
| 4.2.5 Intensity of rivalry among competitors | 30 |
| | |
| Chapter Five Company Analysis | 33 |
| 5.1 Tangible resources | 33 |
| 5.2 Intangible resources | 34 |

| | |
|--|-----------|
| 5.3 Core competencies | 34 |
| 5.4 Market positioning | 35 |
| 5.5 Competitor analysis | 35 |
| Chapter Six The Value Chain Analysis | 37 |
| 6.1 Primary activities | 37 |
| 6.2 Support Activities | 39 |
| 6.3 Cost analysis | 41 |
| Chapter Seven SWOT Analysis | 44 |
| 7.1 Strengths | 44 |
| 7.2 Weaknesses | 44 |
| 7.3 Opportunities | 45 |
| 7.4 Threats | 45 |
| Chapter Eight Strategy Formulation | 47 |
| 8.1 Price risk management | 47 |
| 8.2 Effect of exchange rate and prices | 51 |
| 8.3 Hedging strategy | 51 |
| Conclusion | 54 |
| Bibliography | 56 |

List of Table

| | | | |
|-------|---|--|----|
| Table | 1 | Kuala Lumpur Kepong Berhad Financial Report | 3 |
| Table | 2 | Cacao International Sdn Bhd. Financial Performance. | 5 |
| Table | 3 | Major Cocoa Players in Cocoa Industry | 20 |
| Table | 4 | Malaysia Cocoa Production, Grinding, and Cultivation A by Region and Sector | 23 |
| Table | 5 | Cocoa Bean Quality:1996-1999 | 26 |
| Table | 6 | Sensitivity Analysis | 49 |
| Table | 7 | Exchange Rate of Malaysia Ringgit | 50 |

List of Figure

| | |
|--|----|
| Figure 1 : Industry Analysis-Porter's Five Forces Model(Summary) | 32 |
| Figure 2 : The Value Chain Analysis | 42 |