

## CHAPTER 1

### OBJECTIVES, SCOPE AND METHODOLOGY

#### 1.0 Introduction

The Malaysian palm oil industry has achieved remarkable growth since the 1960's when large scale cultivation of the crop was started. Production of crude palm oil grew from approximately 92,000 tonnes in 1960 to 11.8 million tonnes in 2001. The economic importance of palm oil and Malaysia's success in the cultivation of the crop has attracted other developing countries with similar climatic and soil conditions to follow Malaysia's footsteps in cultivating the crop on a large scale. As such, the growth of palm oil production is not only recorded in Malaysia but also in other parts of the world especially in Indonesia. Currently, Malaysia's share in the world's production of palm oil is 52% and Indonesia is 38%.

In the marketing and export of palm oil, Malaysia has a fair share of competition. With projected increase in world-wide production of oils and fats and the production of other emerging palm oil producers especially Indonesia, Malaysian palm oil players will have to be more competitive to succeed in the oils and fats business.

Malaysia's palm oil producers will have to be more efficient and aggressive in its marketing in order to defend its position and outplay its competitors in similar industry and other oils and fats producers.

This study is undertaken in line with this interest and the aim of recommending strategies for adoption by the industry and government of Malaysia, making use of the strategic management concepts learned in the MBA programme.

## **1.1 Objectives of study**

In summary, the objectives of the study are as follows :

- i) to examine the problems and issues faced by the Malaysian palm oil industry in the marketing of palm oil overseas
- ii) to analyse the strategic position of the Malaysian industry in terms of the competitive rivalry within the industry and its strength, weakness, opportunities and;
- iii) to recommend suitable strategies to overcome the problems and issues faced by the industry, using some of the strategic management concepts learn in MBA programme.

## **1.2 Scope of study**

The study will cover an overview of the Malaysian palm oil industry, its phases of development, industry structure, uses and economic importance; it will review problems and issues faced by the industry, with specific reference to those faced in the marketing and export of palm oil in the international market. The study will not deal with the problems and issues faced in the production of the oil; neither will it deal with the problems faced in the marketing of the oil in the domestic market.

A review will be made on the suitable business strategies and marketing concepts that are applicable in helping to understand the problems faced by the industry and in helping to formulate suitable strategies for overcoming the problems. The review will be covered in chapter 2 of this study.

An overview of the industry, its phases of development, industry structure, uses and economic importance will be discussed in Chapter 3. This overview is done with the aim of giving an understanding to the background of the industry and the causes of some of the issues faced by the industry. The analysis will help in the formulation of suitable strategies to overcome its threats and weaknesses, and to capitalise on the opportunities and strength of the industry.

The next step examines the problem faced by the industry in the marketing of palm oil overseas.

A strategic analysis will then be made to identify the strategic position of the industry measured in terms of the competitive rivalry within the industry, its strength and weakness, opportunities and threats. This analysis will be discussed in Chapter 5.

The core of the subject matter will be presented in chapter 6. This chapter will recommend suitable strategies that could be adopted to increase palm oil sales overseas after taking into consideration the position of the industry, its strength, weaknesses, opportunities and threats.

### **1.3 Methodology**

The methodology adopted will be mainly desktop research supported by the compilation of data and information made available from the various sources such as Palm Oil Refiners Association (PORAM), Malaysian Palm Oil Board (MPOB), Malaysian Derivative Market, Oil World Publications of Germany and Department Of Statistics. Other sources of information will be based on interviews and discussions with personnel in the Malaysian palm oil industry.

#### 1.4 Limitations

The strategies derived will be based on an analysis of the information and data available. The reliability of these information and data used is dependent on the source and the manner in which they have been analysed and compiled. In addition, as with other statistical data and projections, there must be an allowance for destructive changes to the environment and cause any variation in statistics. The last limitation is of particular concern in this case since the palm oil and other oils are agriculture product and their production can be affected by any uncertainty in the global weather conditions.