Faculty of Economics and Business

STRATEGIC MANAGEMENT IN RETAILING BUSINESS ON BUMIPUTRA ENTREPRENEURS UNDER THE GOVERNMENT’S DEVELOPMENT SCHEME (PROSPER)

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Kota Samarahan
2002
STRATEGIC MANAGEMENT IN RETAILING BUSINESS ON BUMIPUTRA ENTREPRENEURS UNDER THE GOVERNMENT'S DEVELOPMENT SCHEME (PROSPER)

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A Research Paper Submitted in Partial Fulfillment of the requirement For the Degree of Corporate Master in Business Administration
Faculty of Economic and Business
University Malaysia Sarawak
April 2002
APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion it confirms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a research paper for the degree of Corporate Master in Business and Administration.

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I hereby declare that this research is the result of my own investigation, except where otherwise stated. Other sources are acknowledged by footnotes giving explicit references and a bibliography is appended.

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DEDICATED TO:

MY WIFE, DR. NAZITA YAACOB AND
CMBA STUDENTS KL.
ACKNOWLEDGEMENT

I would like to thank my project supervisor, Dr. Salihin Ramli of Faculty Economic & Business, University Malaysia Sarawak, for his valuable guidance, teachings and advise given to me in the preparation of this project.

My appreciation also goes to all the individuals who have contributed their time and effort in helping me with the collection and analyzing the data. I would like also to thank my wife for their encouragement and understanding without which I would not be able to complete this project paper.
ABSTRAK

Kajian ini dibuat untuk mengetahui kekesanan hypermarket terhadap peruncit kecil dan terutamanya peruncit Bumiputra yang terlibat dalam program PROSPER (Projek Usahawan Bumiputra dalam Bidang Peruncitan). Walaupun beberapa kajian telah dijalankan oleh pihak tertentu namun begitu ianya tidak menekankan kepada kekesanaan ke atas peruncit Bumiputra secara keseluruhan dan kemampuan peruncit Bumiputra untuk bunduk bersaing dalam budaya baru peruncitan yang melanda Malaysia sekarang ini.

Kajian juga menganalisa faktor-faktor yang menyebabkan hypermarket menjadi pilihan pengguna di sekitarnya. Kajian terhadap Peruncit Bumiputra di lihat dari segi pendekatan strategik iaitu analisa jangka panjang dari segi politik, persekitaran, sosio-budaya dan teknologi.

Hasil kajian menunjukkan bahawa terdapat kesan negatif hasil kewujudan hypermarket terhadap peruncit kecil yang di sekitarnya dan pada jangka masa panjang ianya akan memberi kesan yang mendalam terhadap industri peruncitan di Malaysia, sama ada terhadap peruncit-peruncit bukan Bumiputra dan peruncit di bawah program PROSPER. Kewujudan hypermarket telah mengakibatkan banyak peruncit kecil yang sekitarnya telah mengecilkan operasi dan ada yang menutup terus operasinya terutama yang berada dalam lingkungan 2.5 km daripad hypermarket.

Kajian menunjukkan bahawa peruncit Bumiputra (PROSPER) tidak menghadapi kekesanan secara langsung, ini kerana rata-rata peruncit Bumiputra di bawah program PROSPER tidak berada di persekitaran yang disebutkan, namun begitu dalam jangka masa panjang kesan yang sama akan dihadapi jikalau tindakan dan langkah yang berkesan tidak diambil.

Hasil kajian juga menunjukkan bahawa program PROSPER adalah masih baru diperkenalkan dan masih banyak yang perlu dilakukan untuk pengembangan peruncit Bumiputra supaya lebih berdaya maju. Terutama dari segi pengurusan strategik yang melingkupi perancangan jangka panjang dari segi pengurusan kewangan,
pemasaran, pengurusan sumber manusia, pengurusan teknologi maklumat dan sebagainya.

Kajian ke atas dorongan penglibatan Bumiputra dalam bidang keusahawanan tidak menunjukkan faktor yang jelas samada “dorongan paksaan” atau “dorongan peluang” yang menjadi faktor kepada usahawan Bumiputra untuk melibatkan diri dalam perniagaan yang dianjurkan oleh kerajaan.

Secara keseluruhan, hasil kajian menunjukkan bahawa program PROSPER adalah amat bersesuaian dan perlu direbut oleh Bumiputra yang berminat, namun begitu pemilihan yang lebih teliti atau bimbingan yang komprehensif bendaklan dijalankan oleh PROSPER untuk menghadapi persaingan yang lebih ketat dalam bidang peruncitan di Malaysia sekarang ini yang menekankan kepada kehendak pelanggan, peningkatan kecepatan, barangan yang bernilai dan orientasi bermatlamat, dan seterusnya mencapai matlamat dan tujuan jangka panjang kerajaan dalam bidang peruncitan Bumiputra.
ABSTRACT

The purpose of the research is to study the effects of the hypermarkets on small retailers and in particular to bumiputra retailers under the PROSPER program. Even though several studies have been done concerning this matter but none of them have put up a distinct emphasis on the bumiputra retailers and especially to study on their ability and skills in order to remain competitive in the new concepts of retailing business.

This research analysis the factor that makes hypermarkets as the most favorable shopping spot among the consumers, and the studies on the bumiputra retailers are viewed from the strategic approach i.e. politics, environment, social culture and technology in the long run.

From the surveys, it can be concluded that the existences of hypermarkets are giving the negative impacts on the small retailers within the 2.5 km radius of hypermarkets. These small retailers either have to downsizing its operation or to the extent to close down their business. Even though the studies shows that the PROSPER retailer does not have a direct affect as they are all located quit away from the hypermarkets area, however in the long run it could affect the aspiration of mission of government if the necessary and effective action not being taken.

From the research it shows that the PROSPER program is considerably new and as such there are a lot of room for improvement in developing bumiputra retailers. Effort has to be done to expose the bumiputra entrepreneur in the aspect strategic management that is concerning the long run of the business in the areas of financial management, marketing, human resource, technology and etc.

There is no definite conclusion from the research that verifies the “push” or “pull” factor that drives these bumiputra entrepreneurs to get involved in business as encouraged by the government.

In conclusion, the PROSPER program can assist any bumiputra who are interested in and committed to start their own business. However,
the selection and training program should be more comprehensive and adaptive to the new competition in the retailing business that is customer orientation, coordinated effort, value driven and goal orientation and thus, achieving the long term aspiration and mission of the government.
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CHAPTER ONE
INTRODUCTION

1.1 Background

Malaysia's rapid economic growth, good infrastructures and rising of personal income have continued to offer tremendous opportunities in the wholesale and retail trade. The whole sale and retail trade, hotels and restaurants sub sectors has expanded at double digit growth between 1989 to 1993 and since then grew at around 8%. Its contribution to the Gross Domestic Product (GDP) is estimated to improve from 10% in 1989 to 12.1% in 1996. The growth in wholesale and retail trade is visible with the emergence of modern and large departmental stores and shopping complexes, hypermarkets and warehouse stores, not only in the city but also in the suburbs, particularly near urban residential areas.

Wholesale and retail trade is currently experiencing marked changes following the participation of foreign nationals/corporations particularly after 1990. These large multinational corporations have made their presence felt through new management and marketing technique, like systems, the convenience and relative comfort of family shopping, entertainment and dining under one roof.

With globalization, trade liberalization and the advent of information technologies, business is expected to become more vigorous, dynamic, sophisticated and competitive. This development brings along structural changes impacting upon traditional and small traders.

Hypermarkets in Malaysia, by virtue of their spatial requirement tend to be in suburban areas where real estate and operating cost are lower. Other consideration, include sizeable middle to upper-middle-income residential areas where facilities such as ample parking area are vital. Hypermarkets
tends to act as agents of change to these catchments areas where consumers habits and attitudes would be influenced by their presence. Regardless of where it is located, a hypermarket may have some effects on its surrounding area, especially on the traditional family-run stores (small retailer). Hypermarket seems to be the latest concept in retailing in the country and consequently the distributive trade is going through some structural changes.

1.2 Problem Statements

Finding from the research done by the government has shown that hypermarkets have impacted adversely its supermarket, department stores, smaller retailers / wholesaler and even the wet markets. Sales have dropped, some operations have to been downscaled and even the supply chain has been altered to the disadvantage of smaller retailers. If this scenario continues, what would happen to the small traders in futures and especially commercial lot, in which normally is being occupying by small traders. This situation is rather unfortunate to government and Bumiputra retailer especially those who are under the Prosper Program. That is because the program has only been launched with the objectives to develop the Bumiputra entrepreneur in the retailing business. The question now is that, do they have enough entrepreneurial skills and exposure to remain competitive in the current market trend.

1.3 Objective of the project paper.

In view of the influence of hypermarket on various issues and concerned expressed by affected local retailer association. It is timely to conduct a study and project paper to provide strategic management to the Bumiputra retailer to remain
competitive despite the rapid development of hypermarket in Malaysia.

1. To assess the impact of hypermarkets on local grown supermarket and Bumiputra retailers under the PROSPER program.

2. To understand the current status of Bumiputra entrepreneurs in the aspect of their skills (sales, accounting, business planning, environmental analysis etc.) and behavioral aspects (risk taker, opportunity seeker and etc.)
CHAPTER TWO

LITERATURE REVIEW

2.1 Entrepreneurship

2.1.1 Business form and new venture creation

Starting an owned business is like having a dream come true. To many who have dared not of having their own businesses, that dream remains only an idea, unfulfilled. This is because the point between having an idea and nurturing it that idea into a viable commercial venture requires a lot of hard work. Starting a new business means starting from scratch. It is taking an idea and turning it into a business. This requires discovering an opportunity or idea and responding to it. A new business venture may arise for any number of reasons; it may be a private enterprise of an individual or group of business partner/acquaintances or it may be a potential spin off from an existing corporate organization. The reasons why people set up their own businesses vary. The factors are known as ‘push’ or ‘pull’ factors. Push factors include unemployment, redundancy and social marginalization. Pull factors include having a good idea, wanting to be your own boss, desiring independence. On the other hand, the management of an existing corporate venture may be looking for ways to refresh and reinvigorate the business, there may be a corporate sense of the need to maintain the company’s position at the cutting edge of innovation, or to establish a lead on the competition through research and development and the commercial testing of the potential of new ideas. But whatever, the motivation, all new businesses must be based on a good idea. This ‘good idea’ must be realistic, viable proposition, that is:

(a) There must be evidence of a need in the market place for the good or services

(b) The founder/inventor/director must have the skills and competencies to deliver.
Entrepreneurs are always on the lookout for developments that can be translated into economic activity. Malaysia depends on small businesses for inventions that lead to new and better products. Business opportunities can come from many sources such as:

- Newspapers that enable people to spot any societal or cultural trends that may be taking place.

- Trade publications that specialize in a particular type of business or industry and describe the events and the environment of that particular industry.

- Business periodicals, which provide timely coverage of changes in the economy.

- Government publications, which can be a useful source of ideas. For example, patents available for public use are made known through these publications.

In short, opportunity recognition can be defined as a means of finding the basis for starting a business. It involves scanning the environment for developments that can be translated into economic activity. This is a process with outside-in orientation.

The entrepreneur looks at the world to see what kinds of business possibilities exist. People who are interested in starting new business will always ask, “What kind of business should I start?” or “What business will be the most profitable in the future?”

An opportunity must be closely examined in the light of the entrepreneur’s background, skills, and interest.

Kurloff, Hanphill and Cloud (1993) suggest the following steps in developing new ideas for business.

1. Be alert to new ways of improving a product you are making, the service you are providing, or bringing out completely new products to add to your line.

2. Define the feature or requirements that would ideally satisfy that need. It may be a good practice to write down
these requirements so that you can check them from time
to time as you go along.

3. Revert (for a while) to the imaginative stage of childhood
to dream up several approaches that might offer ways to
accomplish the results you want. This is to help creativity
to emerge.

4. You may find it useful to put aside further thought about
the matter for a while — perhaps two or three days. The
solution comes in a burst of illumination — a flash of
insight. You have now reached a solution that seems
likely to give you the answer you want.

5. When you have a strategy that may work, you return to
develop the techniques you need to support that strategy.
You work through the details that will bring improvement
or new developments to an existing product or create a
service.

6. Next, put your answer into practice. You test and modify
as required to get as close as you can to the ideal results
you specified in the beginning.

2.1.2 Legal Form

The business founder may be sole trader, s/he may enter into
a business partnership with one or more people or they may set up a
limited company.

1. A sole trader is an individual trading on his or her own,
not as a company, corporation or partnership. Examples of
sole traders are craftspeople (potters, jewelers), trades
people (plumbers, electricians) and dealers, that is,
someone who produces nothing but buys and sells goods
for a profit (such as, antique dealers, second hand book
dealers, art dealers, etc).
2. A partnership is a form of business association or company in which the partners are fully responsible for the partnership's liabilities. Business partnerships often arise quite serendipitously. An example of a partnership is the solicitor's firm, which typically is headed by partners who may employ other solicitors within the firm. There are many businesses in the business services sector, which are partnerships. There are however advantages of changing the status of business from partnership to a limited liability company: it is not unknown in a partnership for one partner to abscond when the business runs into difficulties perhaps by incurring a bad debt or through mismanagement by one of the partners.

3. A limited company is one in which the liability of the shareholder in the company is limited by legal statute to the amount of capital he or she has subscribed in the event of the company's failure.

4. A public limited company is one whose shares are quoted and dealt with on the Stock Exchange. A private company may become a public company by 'going public', usually with the advice of the issuing house or merchant bank.

2.1.3 Choice of business form

1. Starting a new business from scratch

The advantage of starting a business from the scratch is that the founder can develop it in a way that suits them. The founder is solely responsible for the business' success. The disadvantages are the time taken to get established and to make the business profitable. The difficulties stem from the lack of an established customer base and the many mistakes that the founder is likely to make at the outset. No matter how much planning is done, a start up is risky. There is no guarantee the idea will work. It is not unusual for would-be founders to attempt
a number of different business start-ups before they hit on the idea that enables them to make a successful business launch.

2. Buying an existing business

Buying an existing business is one way of reducing the risk. There is a shorter time to get started and usually an existing track record, i.e. goodwill. The new business may already have systems in place thus alleviating the business owner of having to start such systems from scratch. Potential disadvantages are: the purchaser usually has to pay for ‘goodwill’, there may be ‘ill will’, the systems may be poor, outdated systems and technology may be being used. This is likely to suggest a turnaround situation to the astute businessperson.

3. Buying a franchise

Franchising is the arrangement by which the owner of a product or service allows others to purchase the right to distribute the product or service with help from the owner. Lack of business experience and technical knowledge would appear to be sufficient reason for people to decide not to go into business themselves. The franchised business has become a popular option, it reduces a risk to the owner – manager of a start up situation and means they are relieved of weighty decision in respect of profiling the business and its products, advertising, pricing, management style and many other dimensions of business practice. All these are taken care of by the franchiser. What franchisee loose in this deal is independence and this may be too high a price pay for many business owners. Another high cost is the monthly payment to be made to the franchiser; it can vary from 2 to 12 percent of sales.

The businessperson who is considering purchasing as franchise should investigate it thoroughly beforehand. Critically important is what assistance the franchiser will
be providing in terms of location, set up costs, securing credit, and training of staff. They should also check the documentation from a legal point of view. Reliance on the franchiser does not cover all eventualities.

There are 4 types of franchising systems offer opportunities for the entrepreneurs:

**System A** – the producer / creator (the franchiser) grants a franchise to a wholesaler, the franchisee. This system is often in the soft drink industry. Coca-Cola is an example of this system. The producer or the manufacturer supplies the syrup or concentrate to the franchised wholesaler, who adds ingredients, packages the drink and distributes it.

**System B** – The wholesaler is the franchiser. This system prevails among supermarkets and general merchandising stores. The wholesaler sponsors retail franchises, and the retailers voluntarily become franchisees.

**System C** – In this system the producer / creator is the franchiser, and the retailer is the franchisee. Car dealerships are examples of this system. The major role of the franchisee is to provide, in a defined market area, an outlet where the consumer may readily obtain the manufacturer’s products. The franchisee has very little discretion about what products that are to be marketed.

**System D** – Trade – name franchise system have enjoyed the most rapid growth in Malaysia. In this arrangement the franchiser is seldom a manufacturer or wholesaler, but possesses a known trade name and proven methods for profitable operation of retail outlets. Well-known examples can be found in hotel chains such as Holiday Inn, restaurants (McDonald’s’s) and the rent – a – car business (Hertz). In these franchise systems the franchisee may manufacture or modify the product but, as in other types of franchises, he must follow strict operating and marketing procedures.
4. Setting up business incubator

Business incubators are often referred to as 'managed workspaces'. They often have government backing and are intended to increase job generation, business development / start-up. They provide shared office space, management support services and management advice. For example, Technology Park Malaysia, Bukit Jalil.

2.2 Strategic Management

To be able to make a good decision and, equally important, to be able to make things happen, not only must a business owner be strong in the knowledge of concepts and understanding of situations but he/she must also possess the right attitude and leadership skills. Given the right exposure the business owner can certainly rise above parochial interests and help to lead the enterprises they manage and carry them to greater heights.

In spite of its forbidding connotation, there is really nothing very esoteric about Strategic Management as a subject. It is in fact quite simple or even commonsensical in terms of concepts. But the gap between understanding and application is really very wide.

There are basically three levels in strategic management. The first is the corporate level; the second, the business level; and the third, the functional level.

Hierarchy of Strategic Management can be shown as figure 1.