

## Study on Porter strategies execution and Strategies in different companies of today's markets

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### Abstract

*Present research study scrutinizes the execution of Porter strategies in distinct companies of novel markets which have products with high added value. This investigation attempts to expand research around such policies and strategies in several sectors and domains. The main focus of this research work covers new corporations. Sizeable interest comes into existence on freshly established firms because of the concerns of food security and change of weather. Malaysia is a fresh considerable market that remained unattended during recent years. About 66 firms from 8 different cities of Malaysia were selected to examine implementation of different strategy. Findings are very advantageous and helpful for the people interested in related research.*

**Keywords:** Strategies, Business, New markets, Malaysia market

### Introduction

Porter (1985) discusses about the suitability of existing strategies for explaining behavior of firms in market. This study aims to extend research about these strategies in different sectors and areas. Focus of this study is new firms. Considerable interest is created about new Companies due to concerns of food security and climate change. Malaysia is a new important market which has not received enough attention. New empirical evidences were gathered from these firms about conducting strategies. Various methods should be used to extract research questions. This research is an explanatory research.

#### Generic strategies

Strategy in business units deals with strategic direction and positioning. Direction includes vision, mission and strategic goals and positioning is about competences of company. Cost leadership, differentiation and focus are three strategies which are used by firms in market and they complement each other.

#### Research supports the idea of implementing pure strategies

Research showed extra support for Porter theory about generic strategies in firms. Cost leadership is an important generic strategy which is obtained by various ways in new firms. Firms that use this strategy have specialized goods and services and skill in designing process and can reduce their costs. Their structure entails severe financial controls and detailed reports (Ketelhöhn et al., 2012).

Different criteria exist for using strategy including signal or use. Price is one of these criteria which indicate differentiation of goods or services in market. Consumers will not use goods that are not satisfied with them.

Firms which use generic strategies are strong in marketing and engineering but they need harmony for success. This study used a model for investigating generic strategies. Previous data were mixed with data gathered from 17 new Companies to build a model. The strategic dimensions include: Management Quality, Innovation Capability, Company Scope, Marketing Skills, and Operations Skills.

Management quality is about formulating and conducting strategy. Its relevant components are corporate social responsibility and responsible environmental management. Managers should be able to apply best practices but implementing strategy is mainly dependent on board of directors and qualified management team with excellent skills. Leadership is related to internal innovation. Geographic scope and vertical integration are important items in new companies. Marketing skill is influenced by competitors and market intelligence is about knowing customers and technology. Product line is also an important factor. We tested the presented model to verify differentiation strategy dimensions.

### **Research Methodology**

This study focuses on strategy implementation by new Companies. Firms with high added values are those firms that managed their position in value added activities in new markets. These firms also focus on other activities like processing, packaging and distribution which increase ultimate value of firms. Share of emerging markets in agricultural products is increasing. Malaysia is an important exporter of agricultural products but there are little studies about their firms.

More than 90h conversation was done to build conceptual model with 17 firms' founders and executives. Each firm was visited several times and plans, strategies and implementation were discussed. By this research, we found components of strategy implementation in these sectors. A questionnaire was designed to collect information from 66 new companies.

Combined methods were used for explanation and presenting hypotheses (Robson, 2011).

This study was limited to humid tropics of Malaysia. The reason for selecting Latin America is lack of research about these countries in literature. Firms with high added value were selected for the study. The research was conducted with phone and email among 275 firms. We then sent the questionnaires using Zoomerang online survey software. The response rate was 31.3% for 86 new firms, but 20 incomplete forms were discarded because of missing data. Final sample was 66 firms from 8 countries. Obtained information provided patterns which were not discovered before.

Some questions, some yes/no questions and others were given to managers to answer using the Likert 1 to 7 scale.

Firms with differentiation strategy should set prices higher than competitors' price. New firms answered questions using the Likert scale from 1 to 7.

The sample consisted of 33 companies with differentiation strategies and 33 firms implementing cost leadership.

### **Research Results**

Firms implementing differentiation strategy have high scores in all dimensions and their added value is higher because of cost leadership strategy.

Difference between means was estimated. According to the results, innovation and marketing skill have significant differences. After them are scope, operation skills and management quality.

### **Innovation Capability**

According to this study, innovation is a special characteristic of company and our model has two components leadership and open innovation. Leadership deals with innovation within organizations (Calori & Ardisson, 1988; Porter, 1985; Skarzynski & Gibson, 2008). Open innovation relates to investment of company.

### **Marketing Skills**

Marketing is very strong in firms implementing differentiation strategy. This dimension consists of five components: general marketing skills, market intelligence, product line, certifications, and distribution skills. General marketing skills are excellent for firms implementing differentiation strategy. Market intelligence deals with knowledge of customers which is also high in these firms.

Use of brands, scope of product line and services is in product line dimension. All firms using differentiation strategy create added value. Firms used different strategies to increase their added value. Certificates are instruments for marketing in Malaysia. Firms that implement differentiation strategies have distribution channels to succeed in market.

### **Market Scope**

This dimension has two parts: geographical scope and vertical integration. Firms implementing differentiation strategies focus on higher prices to be competitive in market. Vertical integration provides competitive edge given improved market knowledge and service to customers.

### **Operations Skills**

The difference between firms implementing differentiation strategies and those not implementing differentiation strategies is in operational skills. The first component of operational skills is relationship with suppliers and includes relationship quality and the prices new firms pay for their inputs or raw materials. The results show no significant difference between DS and NODS firms for this component.

According to results all firms implementing differentiation strategies are better in production levels. The great difference is in secondary production and there was no significant difference in product and service quality. Most firms implementing differentiation strategies have used specialized machinery in large scale than other firms. The reason is that they are not so dependent on investment and use specialized machines. This strategy will reduce productions costs and continues investment.

### **Strategic Management Skills**

Sometimes strategy is not explicit but it is a set of ideas in the mind of top managers or CEO. Studies showed that different people have different strategies. Operation is very important for organizations to ensure that strategy is correctly implementing. Management skills consist of strategy, operation and implementation. More than half of firms implementing differentiation strategies enjoy well-defined strategy obtained by previous assessments.

Operation perspective includes observation and use of international practices, investment in training and use of information technology in internal operations. Firms using differentiation strategies use more staff training than other firms. Strategy implementation has three parts formal board, quailed management team and HR skills. The results show no significant difference in the use of formal boards and human resource management skills.

Firms who use differentiation strategy have more investment in innovation that assists them in producing new goods and services and promotes their operation. Marketing is emphasized in these firms because it crates their position in market. Our model provides the basis for further research by suggesting how Porter's generic strategies may be applied to study Malaysia Companies but also different ways in which strategic dimensions may affect each other.

## Conclusions

A conceptual framework is introduced in this study for investigating generic strategies implemented in new Companies. A model is presented in this study and tested with sample of 66 firms in Malaysia and results were discussed.

Findings of study showed that innovation, marketing skills and Market scope are important dimensions of these firms which implement differentiation strategy. Effect of innovation and marketing on the perception of firms by customers is direct. Firm can create new value for customers by developing new goods and services. Marketing guarantees innovation activities success. Diversification goods and services enhance brand and position of firm in market.

Firms that used differentiation strategy are conservative in international markets and they improve their performance and products before entering new markets. They set higher prices than their competitors to differentiate themselves.

Firms not using differentiation strategy did not create added value for their customers. Instead, they seek to enter new markets with similar products with lower prices. Behavior of firms in Malaysia with differentiation strategy is different from other firms and they prefer to invest in specific activities which are operational and consistent with porter model. Firms who use differentiation strategy have strategy formulation and they are cost leaders (Ketelhöhn et al., 2012).

Results of this study contribute to the literature on strategy, management, and entrepreneurship. Cities in Malaysia are leading exporters of agricultural products and their managers can use differentiation strategy to become competitive in market. They can assess their strategies and allocate resources for better performance and position in market. Exploratory nature of this study is its great limitation. More research should be done in this regard to develop hypotheses and test them based on conceptual model.

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