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AGW 667: Management Project in Services Sciences,
Management and Engineering

Marketing Strategies for Fabrication Operational Processes: The
Case of Press Shop Sdn Bhd

By:

Ho Chee Poh

(P-GSM0353/11)

Baliah Marthadam

(P-GSM0188/11)

Bustaman Mazuki bin Razmi

(P-GSM0191/11)

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ABSTRAK

Press Shop Sdn. Bhd. ditubuhkan pada 1995 bertujuan untuk memenuhi kontrak terhadap pelanggan utama mereka iaitu Rhombus Caster Sdn. Bhd. Dari permulaan penubuhan sehingga sekarang, pasaran mereka didominasi oleh kontrak kerja terhadap Rhombus Caster dengan 80% dari jumlah perolehan. Dari kajian lepas kami mendapati terlalu bergantung kepada pelanggan utama boleh mempunyai risiko yang agak tinggi terhadap kelestarian sesuatu perniagaan di mana ianya boleh melenyapkan perolehan sesuatu syarikat jika sesuatu terjadi kepada pelanggan utama ataupun pelanggan utama mengubah halatuju syarikat. Dari segi perspektif Perniagaan Kecil dan Sederhana (PKS), kebanyakan PKS tempatan tidak begitu mengambil berat akan strategi perniagaan dan pemasaran. Untuk mendalami permasalahan syarikat kami menjalankan temubual bersama Pengarah syarikat dan juga menjalankan lawatan ke kilang. Segala maklumat yang diperolehi akan dianalisis dengan menggunakan kaedah seperti Simpton vs. Masalah (SVP), analisis SWOT dan juga “Lean Strategy” bertujuan untuk memahami masalah sebenar dan mencadangkan penyelesaian terbaik. Dari kajian kami, kami mendapati bahawa Pihak syarikat tidak mempunyai strategi pemasaran yang jelas. Selain daripada itu, kami juga mendapati bahawa pihak syarikat mempunyai isu berkaitan dengan operasi perniagaan yang sepatutnya menyokong strategi pemasaran. Melalui pendekatan ini, kami mendapati terdapat tiga isu utama iaitu strategi pemasaran, operasi perniagaan dan perancangan penggunaan operasi. Pada akhir tesis ini, kami mencadangkan kepada pihak syarikat agar mempunyai strategi dan Jabatan pemasaran yang sepatutnya. Untuk menyokong strategi pemasaran, kami juga mencadangkan agar pihak syarikat menambahbaik operasi perniagaan seperti R&D, kawalan mutu, latihan

dan perancangan dengan menggunakan beberapa kaedah seperti ASPROVA yang boleh membantu meningkatkan prestasi dan juga tambah nilai kepada syarikat.

Kata kunci: Kelestarian perniagaan, PKS, Pelanggan utama, Strategi perniagaan, Operasi perniagaan, Perancangan operasi.

ABSTRACT

Press Shop Sdn. Bhd. was established in 1995 in order to fulfill their contract obligation to their major customer, Rhombus Caster Sdn. Bhd. Throughout the year until now, their market dominated by fulfilling their contract job to Rhombus Caster with about 80% from total revenue. From literature we found that too much depending on major customer might jeopardized business sustainability as it could vanishing company revenue if something happen to major customer or major customer has change their business direction. From perspective of SMEs' overview, local SMEs' not really bother about business and marketing strategy. To go deeper on the company issues, we had doing interview and site visit to the company. All the info then analyzed by using methodology such as Symptoms vs. Problem (SVP), SWOT analysis and Lean strategy in order to get into real problem and recommend the best solution. From our study we found that the company are lacking of marketing strategy. Apart from that, we also found the company had some issue with their business operating in order to support marketing strategy. In this approach three key point for the business success are marketing strategy issues, business operating issues and operation planning utilization. At the end of the thesis, we recommended company to have proper marketing department and strategy. To support the marketing strategy, we also recommended company to improve their business operating such R&D, quality control, training and operation planning by incorporating few methods such as ASPROVA that could help increase their performance and also could give some value added to the company.

Keyword: Business Sustainability, SMEs', Major customer, Marketing Strategy, Business operating, Operation planning.

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EXECUTIVE SUMMARY

This project paper has developed analysis for Press Shop Sdn. Bhd. In terms of their Business Performance and Strategies. The final report had coverage all aspect of business and operating analysis, their issues and some recommendation for improvement. The analysis of this project is mostly based upon Small Medium Enterprises perception. Method use for this project is Fishbone analysis, Symptom vs. Problem analysis (SVP), SWOT analysis and lean strategy. We also try to relate our case analysis to literature review which we feel it was useful to analyze the case. All the interview session output could be found from appendices.

Depending on the major customer are quite normal for the Small Business Enterprises. Without their knowledge this business scenario are quite risky in the future as the economic may downturn and affected their major customer and major customer being acquired by other company. To avoid that the company should have a proper planning to find the potential of improvement of business operating and increases their productivity hence could use it to explore a new market.

From the finding through interview with director and site visit to the company, we found that Press Shop doesn't have proper marketing strategy. There is no marketing team to market their product. The marketing of their product solely handle by their director through traditional way which through friend and contacts. The company is quite comfortable with current scenario as they had stable order from their major customer. There is no risk assessment being done by the company. On the ground we found there is few ways that company could improve them in order to be more productivity and

competitive. The issues on the operating site are involving quality, labour handling and optimizing capacity.

From the case analysis we had suggest some recommendation that can be implement on order to improve the company business and operating performance. Our recommendation are based on three major issues from the finding which the marketing strategies uncertainty, low awareness on business operation performances and low awareness on business operation planning.

For the marketing strategies uncertainty we suggest that company developed and produced their own products and explored it to new market. To do so we suggest the company doing some reorganization this would collaborate each others in order to venture on new products. The suggestions are new department which is Technical department (new product development), Operational department (to produce and utilizing company capability) and Marketing department (to marketing potential new product).

For the low awareness of business operation performances we suggest implementation of new strategy operation. Our recommendation are to build Subject Matter Expert Team, organize an exclusive or effective training methods, implementation of revise work instruction (WI) and standard operating procedure (SOP) and build a Quality Engineer team.

1. INTRODUCTION

Risk is everywhere and it spreads through every issue of life. To business sectors, unforeseen situations may create severe loss exposures. Furthermore, to small-medium enterprises (SMEs) companies where the capital background is not sufficiently strong, a catastrophe could likely lead to interruption in operational activities, financial loss, and bankruptcy.

The SMEs companies like metal stamping industry is an established industry in Malaysia with over 320 companies supplying stamped/pressed parts to the automotive, electrical & electronics, machinery & equipment and precision measuring & testing equipment industries.

According to MIDA, the industry is growing and developing towards high speed stamping and into the manufacture of higher precision and miniaturized parts. Given that the number of metal stamping industry is increasing, the statistics number for financial loss or business failure will grow accordingly.

Therefore, managing risks to reduce and minimize the loss exposure is essential for every small business. Despite the necessity, many SMEs companies rarely carry out detailed risk assessment and management strategies. It is due to the fact that engaging in risk assessment and management require a certain budget and human resource, which are limited in small enterprises. These companies' decision on how and what to invest in depends on the ongoing activities and on their financial status. Small scale businesses generally shift the process of risk management into project-based. It is questionable that

whether a traditional risk management plan or a customized project risk management would help SMEs to reduce the losses, or would negatively weigh on their budgets.

1.1 Problem statement

It was normal practices for the SMEs' in Malaysia established with the purpose of servicing particular customer or market. Press Shop Sdn. Bhd. was established in 1995 in order to serve contract manufacturing for the large order of Rhombus Caster Sdn. Bhd. Until now, about 80% of their orders are coming from Rhombus Caster Sdn. Bhd.

To depend on one major customer for business are very risky business. Seem much of the company direction was dictated by their major customer as they should prioritize order from major customer. Currently Press Shop seem very comfortable with the stable order from Rhombus Caster, without aware of any possibility in the future being lose business due to economic downturn and changing of major customer business plan. We seem here Press Shop Director could not oversight their risk of being have one major customer.

On the marketing side Press Shop seem not have proper business planning as the marketing strategy totally depend on their director alone. Being experienced company within their expertise, Press Shop should already develop their own marketing team to explore new business opportunities.

Press Shop also seems not very fully utilized their operational capacity. There is still a room for the company to increase their productivity and allocate it for the company to explore into the new business venture. Other issues seem at the operating site are quality control, employee skills, SOP and machinery handling.

1.2 Research Objectives and Methodologies

This research is a case study for a metal stamping company, Press Shop Sdn Bhd. By examining the influence of the company's risk management strategies to its marketing strategies and business performances base on operational and planning, we expect to conclude a suitable and effective marketing strategies as well as creating a better business performances to the business scale of the case company.

The research aims of this paper are to study the marketing strategies, business operating and planning processes in a small-medium enterprise company and discuss the extent of the effectiveness and impact base on the discussed business scale.

Overall research objective is to optimize the productivity capacity by identifying the case issues and propose possible solution in order to assist the research company to minimizing risk in business strategy as well as create better business performances.

The main method of this research is through interview with the Company Director. We also do site visit the company factory to understand more on their process and problem. A series of research questionnaires are being established and to be studied on this paper in order to understand the background and history of the company, the nature of business model, how the organization operating, how the business operating and identification of potential issues.

In order to ensure the research area is studied in-depth, this paper presents the literature reviews on classification of single customer based concentration, marketing challenge among SMEs in Malaysia, business operating and planning issues. The further

methodologies of our research are based upon few analysis methods which are Symptom vs. Problem analysis (SVP), SWOT analysis and Lean Strategy.

1.2.1 Research question

We had constructed main question for the interview. Meanwhile our question not really restricted to the pre-interview as we had quite dynamic interview. Among our main question are as follows:

- i. Could you please share the history of Press shop?
- ii. What is the current business model with Rhombus and is it possible to get more business from Rhombus? Also is it possible to make and supply similar products to other customers similar like Rhombus?
- iii. Do press shop aware of the competitions in Malaysia and outside Malaysia?
- iv. Does any competitor can be threat to press shop in terms of Rhombus caster business?
- v. As you agreed that right now your 80% of the sales come from 1 major customer. Do you feel that it is risk?
- vi. Is it economy recession will impact your business since rely on 1 customer?
- vii. Do your machine will go break down? How serious and how fast can up the machine?
- viii. How many people working in your factory?
- ix. Howe many machines you have? Where are they from?
- x. Do you facing lot of quality issues?
- xi. Do you have enough space to expand in the current facility?
- xii. Do you have any issue to purchase materials with quality and on time?

- xiii. Do you have the capability to design and develop your own mold and dies?
- xiv. Do you practice SMED (Single Minute Exchange Die) in your change over?
- xv. Do you have any methodology for the planning of business expanding or based on experience?

1.2.2 Interview analysis

Most of the info for this study is based on interview session with the company director. Interview session are quite dynamics session and do not stick only to our pre-interview question. Through this session we would try to dig out the info from director and try to reach the real problem within the company. Apart from interview also we had plant visit to see actual situation on the floor. The observation would be recorded and used it for the second interview in order try to get more information. All the information then would be analyzed using others analysis methods.

1.2.3 Symptom vs. Problem analysis (SVP)

Symptom vs. Problem analysis (SVP) is a type of root because analyses method in which the actual problem are derive from the few step of symptom analysis in order to find actual problem. Some really confuse between of symptom and problem which is symptom are only underlying the actual problem such as sales declined, profit declined and customer churned. Symptom also can be seen either a change indicating adverse consequences or imply an emerging market opportunity.

Objective of SVP are trying to linkage between the few tiering of symptom either horizontally or vertically and getting root to the actual problem. The symptoms maybe are quite big a number and very scatter through the analysis. By grouping them and plug

it into the SVP diagram we might find the linkage between the symptoms and get it into the real problem. Example for SVP framework are at appendix 4.

For our case, the first step which is main symptom is too much dependent on one major customer. From that we would derive another symptom which might be cause to the main symptom. The next step and after we call it horizontal relationship. After few tier, we might be found that some tier had few causes and we call it vertical relationship. Few others fraction (causes) that had vertical relationship (split) would be called dimensions, variables and elements.

At the few tier some symptoms might be cross each other and had similar causes. From this we could see the linkages in between of few symptoms. At this point we could find their similarity in problem and from there we would give a same recommendation for solution.

1.2.4 SWOT Analysis

SWOT analysis is a straightforward analysis model that analyzes an organization's strengths, weaknesses, opportunities and threats to create the foundation of a marketing strategy. To do so, it takes into account what an organization can and cannot do as well as any potential favorable or unfavorable conditions related to the company's products or services.

Importance of SWOT Analysis in developing a Marketing Strategy often viewed as a key step related to planning.

This level of analysis enables an organization to determine whether there are factors present that will aid in the achievement of specific objectives (due to an existing strength

or opportunity) or if there are obstacles that must be overcome before the desired outcome can be realized (due to weaknesses or threats).

As mentioned above, the process of SWOT analysis evaluates the company's strengths, weaknesses, market opportunities and potential threats to provide competitive insight into the potential and critical issues that impact the overall success of the business. Further, the primary goal of a SWOT analysis is to identify and assign all significant factors that could positively or negatively impact success to one of the four categories, providing an objective and in-depth look at business.

Highly useful for developing and confirming the organizational goals, each of the four categories provides specific insights that can be used to cultivate a successful marketing strategy, including:

Strengths – Positive attributes internal to organization and within control. Strengths often encompass resources, competitive advantages, the positive aspects of those within workforce and the aspects related to business that company do particularly well, focusing on all the internal components that add value or offer a competitive advantage.

Weaknesses – Factors that are within control yet detract from ability to obtain or maintain a competitive edge such as limited expertise, lack of resources, limited access to skills or technology, substandard services or poor physical location. Weaknesses encapsulate the negative internal aspects to business that diminish the overall value products or services provide. This category can be extremely helpful in providing an organizational assessment, provided focus on an accurate identification of a company's weaknesses.

Opportunities – Summary of the external factors that represent the motivation for business to exist and prosper within the marketplace. These factors include the specific opportunities existing within market that provide a benefit, including market growth, lifestyle changes, resolution of current problems or the basic ability to offer a higher degree of value in relation to competitors to promote an increase in demand for products or services.

Threats – External factors beyond the control of organization that have the potential to place marketing strategy, or the entire business, at risk. The primary and ever-present threat is competition. However, other threats can include unsustainable price increases by suppliers, increased government regulation, economic downturns, negative press coverage, shifts in consumer behavior or the introduction of “leap-frog” technology that leaves products or services obsolete. Though these forces are external and therefore beyond control, SWOT analysis may also aid in the creation of a contingency plan that will enable to quickly and effectively address these issues should they arise.

Turning SWOT Analysis into a Strategic Plan. Once established specific values related to business offerings within the four quadrants of SWOT analysis, develop a strategic plan based on the information learned. For example, once identified inherent strengths, leverage them to pursue the opportunities best suited to the organization, effectively reducing potential vulnerability related to threats. In the same way, by identifying the organization’s weaknesses with regard to external threats, devise a plan that will enable to eliminate or minimize them while improving defensive strategies related to offerings.

It's important to remember that SWOT analysis can be influenced (and often quite strongly) by those who perform the analysis. So it's a good idea to have an outside business consultant review the results to provide the most objective plan.

Due to the above advantage of SWOT analysis method, we are recommending the SWOT analysis to Press shop to develop the marketing strategy.

1.2.5 Lean Manufacturing

Lean manufacturing is a performance based process used in manufacturing organizations to increase competitive advantage. The basics of lean manufacturing employ continuous improvement process to focus on the elimination of waste or non-value added steps within an organization. The challenge to organizations utilizing lean manufacturing is to create a culture that will create and sustain long term commitment from top management through the entire workforce.

A successful implementation will have the following benefits;

- Increased profit
- Improved capacity
- Reduced lead times
- Reduced inventory
- Reduced new product development time
- Reduced rejects

- Increased productivity

Common Lean Manufacturing Terminology are:

- ✓ **5S (of housekeeping):** A set of Japanese terms for describing optimal production housekeeping. These include: Seiri (Sort), Seiton (straighten); Seiso (shine); Seiketsu (Standardize); and Shitsuke (sustain). This discipline is aimed at reducing clutter and improving organization.
- ✓ **Cellular Manufacturing:** A system in which manufacturing is focused on work cells that make a specific product or a narrow range of related products. Cellular workflows reduce the distance in which components or products travel throughout the plant.
- ✓ **JIT Manufacturing:** Just-in-time manufacturing. An approach that eliminates inventory and waste.
- ✓ **Kaizen:** A Japanese term for continuous improvement
- ✓ **Kanban:** A Japanese term that describes an inventory scheme in which parts are delivered to the production floor only when needed. The benefits are minimal inventory on the shop floor, eliminating confusion and the need for warehousing unused components.
- ✓ **Toyota Production System (TPS):** This was the model for lean manufacturing schemes, stemming from the factories of Toyota. The company is recognized globally as the originator of lean.
- ✓ **Value Stream Mapping:** A visual process in which companies identify steps in their manufacturing processes that add value to products. All other time is

considered waste. A typical company before adopting lean may add value no more than 3% of the time.

1.3 Finding and Results

From our point of view company has lack of management direction. To go to the bottom we might find that the company lack of marketing management. There is normal for the SMEs' company not too serious about their marketing strategy. Normally SMEs' only depend to their company owner to market their product as their owner might have good contact from other company.

We suggest also company might lack of capability to fulfill their sudden demand from other company. They also don't want to invest for new machine as they might not sure about their market hence put their capacity in idle.

As the majority of the workers are foreigner, the company may also have problem with labour handling especially running on night shift. The most problem arise from the foreign workers might be the communication.

All the finding and results from the interview with the company executive would be analyzed in order to find the real problem of the company and used it to find a best solution

1.4 Recommendation

Output from the finding is very important in order to find the best way for the company to improve their marketing strategy. There is some recommendation would be made that focusing on marketing strategy and operational issues. The recommendation was made

based upon literature review and also from the success company that used same method. Recommendation also should be made based upon company capability to invest further in the company. Every issues rise from our finding would be given best recommendation separately such as marketing issues, to be recommended with the good practices of marketing team and strategy.

1.5 Impact and Value Added

The recommendation from this project might help not only the Subject Company but at large may also help some of the SMEs' company. Proper marketing and operating management are really useful for the SMEs' to improve in modern world economic situation. Recommendation made based upon best practices from the literature and should give some value added to the company who practice it.

Best recommendation should be made in order to give real impact to the company. Based upon recommendation the company should be able to improve their marketing strategy and have a clear direction about their overall strategy. As this project doing in quite limited short period, it was not really clear how much it would give impact to the company performance. It may take some time implement and also to see the actual results also may rise in a year.

2. LITERATURE REVIEWS

2.1 Heavily Depend on One Major Customer to Cater High Sales Revenue

To get one major customer are really crucial factor for the small business. Dependent on one major customer could be major factor for the business to increases their efficiency by reducing of their overhead cost such as marketing cost and administrative cost and also could enhance their market distribution (*Jackson, 1985*). Additionally, *Kalwani and Narayandas, 1995* suggested that this relationship could foster information sharing along the supply chain and help supplier streamline production and enhance working capital management.

By the way, depending on one major customer could be very big risk to the businesses. Most vulnerable factor that could rise by this relationship is supplier financial condition.

Regulators have long recognized the potential business risks associated with suppliers that rely on major customers to generate sales, and thus, the importance of suppliers disclosing this information to investors (*Dhaliwal et al., 2013*).

Meanwhile *Dhaliwal et al., 2014* found that more concentrated based customer had great potential for the supplier cash flow risk which could result on higher cost on equity. Furthermore their suggestion that the composition and concentration of a supplier's customer base significantly impact its financing costs.

The most notorious case about major customer dependent is Wal-Mart that has squeezing out every single cent from its independent supplier (*Allen 2012*). From Wal-Mart cases it show that impact on the depending on major which is the company direction are mostly dictated by the major customer. Due to this practice most few of

Wal-Mart former top ten supplier went to bankruptcy due to incompetent to fight the lower prices compared to Wal-Mart outsourcing from overseas such as China.

Major customer could pressure on their dependent supplier daily operation by provide concessions such as lowering prices, extending trade credit, accelerating delivery time and carrying extra inventory (*Patatoukas, 2010*).

Deeper scenario has been explained by *Dhaliwal et al., 2013* about risk of being too much depended on one major customer. Loss of major customer could give one major adverse effect to the supplier business and financial condition. It can give a negative impact on the supplier in a few ways. First, a major customer can experience significant financial turmoil and could go to bankruptcy, resulting in not only loss of future sales, but also exposing the supplier to short-term cash flow problems. Second, a major customer can switch to or merge with a close competitor of the supplier, thus weakening the supplier's competitive advantage. This switch could also send an adverse signal to the supplier's other customers causing them to consider alternative suppliers in the future. Finally, the major customer can opt to develop its own products internally, which not only causes a loss in sales for the supplier, but could also result in the former customer actually transforming into a new competitor if it decides to market its new product.

Additionally the company could be affected by unforeseen any economic crises such Asia Financial Crises 1998 and American Subprime Crises 2008. This crises could affect their major customer, hence indirectly would affect their orders. Other risk possible are major businesses exercises such future merger and acquisition (M&A) that also

unforeseen by the businesses. This risk type could be affect the company in a way like a new company switch the supplier or move out the businesses to the country that could offer lower cost of operation.

The following figure shows us how number of organization customers related to the concentration risk. From the figure we can see the concentration sales risk could be reduced by having more customers. It was highly not recommended by the businesses expert to much depend on the one major customer as we might missed out to foreseen businesses future and direction.



Figure 2.1 Customer Concentration Risk Profile (*Fundamental financial at*

<http://www.fundamental.com/2012/10/17/defeating-concentration/>)

2.2 Marketing Strategies Uncertainty

Marketing issues are becoming very big factor in any business that would affect their financial status. The American Marketing Association defines marketing as an organizational function and a set of process for creating, communicating, and delivering value to customers and for managing customer relationships that benefit the organization and its stakeholders (*Ahmad 2009*). The main marketing activities could be divided into 4P's that is Product, Price, Promotion and Place (*McCarthy, 1964*). The ability to manage 4P's factor for the particular products or services are consider as a success matrix for the marketing management.

From the literature it was found that marketing management are very closely related to the business performance but it was not really clear either this concept was practices by SME's players (*Blankson and Stokes, 2002*). *Abdul Hamid et al (2006)*, found that from the survey about 64% SME's player quite unaware about various techniques of the marketing strategy. From the studies also found that the less marketing techniques used by SME's are joint venture and sales training. That study concluded that marketing techniques approached by SME's players as in table 1.1

Table 2.1 : Marketing techniques by SME's (*Abdul Hamid,2006*)

Techniques	Used	Not aware
Sales training	28	75
Marketing plan	35	68
Market research	37	66
Comparing Pricing	39	64
Planning Marketing technique	30	73
Joint-venture	19	84
Product development	31	72

From this survey showing us that majority of the SME's are not aware of any marketing techniques or knowledge that available. This factor had become hindering issues that prevent them to be improving on marketing site; hence their financial status couldn't be step forward.

SME's market is heavily depends on local market and also not really bother to go to International. From literature showing us about 9% only of the SME's had marketing issues that related to the exporting their product. This portion might be the players that had intention and try to expand further to the international market. Quality wise also, SME's are quite confidence with their product as they claim that their customers are very satisfied with their products.

The main marketing technique among the SME's are price competition. Most of SME's fallen in the same group which is produced the same products. In order to keep in the market, they had to offer very good price as it would attract and retain the customers. SME's increasingly facing competition, not only from the same peer but also from other big corporation which already had the good marketing practices (*Salleh, Caputi and Harvie, 2008*). In order to keep survive, they had to offer low prices but it would affect

them financially. SME's also like to depend on traditional approach marketing strategy such as by selling product through relative or friend.

Another major issues that limiting the local SME's are high level international competition due to globalization. Most of the International competitor coming from various angles including MNCs, AFTA member countries and rapidly developing new competitor such as enterprises from China and India. International competitor might threat local SMEs through offer better quality and better price. This factor had hindered Malaysian SMEs to compete internationally due to possibly higher labor cost compared to country such as China and India.

In a nutshell, marketing issues surrounding our local SMEs are, lack of marketing strategy and knowledge, unable or unwillingness to penetrate international market, pricing competition and globalization factor. SMEs are most likely to market their products through traditional ways. Finally, government support such as SMIDEC could play a vital role to help SMEs to expand their market locally or internationally.

2.2.1 Engineering Supporting Industries in Malaysia Scenario

Malaysia's engineering supporting industries, which include the moulds and dies, machining, metal stamping, casting, heat treatment and plating/surface treatment industries, have developed rapidly over the last three decades in tandem with the overall growth of the country's manufacturing sector.

To-date, Malaysia is recognized internationally for its capabilities and quality production in diverse range of engineering activities. It has a good network of engineering

supporting industries capable of meeting the needs of OEMs in supplying parts and components and the provision of precision engineering services globally.

Over the past five years, outsourcing has matured as a trend, and Malaysia's engineering supporting industry is benefitting from this trend. Malaysia is a major outsourcing destination for MNCs in the E&E, automotive, machinery manufacturing, oil & gas, aerospace, medical, defense and photovoltaic industries.

Malaysia is at present encouraging companies to position themselves to become 'One Stop Centres' providing total solutions to customers. These 'One Stop Centres' would offer integrated services from product conception to serial production and manage the entire processes including procurement, logistics, packaging, testing and certification.

(excerpt from MIDA website).

Based on current scenario and data from MIDA we can see that, government had encouraged Malaysian company to expose to the international market by encouraging them to become "one stop centre". Through government initiative it would attract more MNCs inflow to Malaysia and it would definitely would open a chance to Malaysia SMEs that especially in certain supporting Industries such as metal stamping that can provide support to them. With this aggressive measures by Malaysian government, it should be best opportunity for the SMEs company such as Press Shop Sdn. Bhd. to grab the market chance and also as a platform to penetrate International Market.

2.3 Low Awareness on Business Operation Performances

Operating issues quite became problem among the businesses especially for the SME's who deal with the machinery that need lot of attention from management. To keep the operating in the smooth condition few factor play an important roles such as skilled workforces, well maintained machinery, good quality control practices and right selection of material. Good practices in the business operating always thinking ahead how to optimize the capacity, productivity and well prepared for any downtime, hence it was became very crucial factor for the businesses to be in the right track.

In Malaysia, few issues have become major setback for the SME's and one of it are related to the operating site (*Muhammad et al. 2011*). In this further discussion we try to go further digging about major issues that related to the operating such as skilled workforces, managing downtime and quality control practices.

2.3.1 Machine (Managing downtime)

Another key issue in the business operating is managing downtime. This issues also much or less related to the skilled workers which really necessary to maintain the operation. As the business today facing stiff competition they are really struggle to maintain production capacity in order to meet customer demand and also quality. Machine downtime at certain period of time could be major setbacks to the company to meet fulfill their obligation.

Managing downtime is much related to the success of maintenance program. The importance of an effective maintenance program cannot be overlooked because it plays such an important role in the effectiveness of Lean manufacturing (*Steve Krar, undated*).

Maintenance is required to effectively reduce waste and run an efficient, continuous manufacturing operation, business, or service operation. In the event of major breakdown, the costs are can much higher compared to the cost of maintenance program due loss of production opportunity. The total cost for loss of production could be between four to fifteen times of maintenance cost.

Maintenance could be defined as a combination of activities to restore component or machine in the states in which it can performed designated function (*Ahmad et al., 2010*). Generally there are two types of maintenance which is corrective maintenance and preventive maintenance. Corrective maintenance is the action of as a reaction to the machine failure and brings back to the normal condition. This type of maintenance could incur higher as its only deal with the sudden failure machine and sometime it would take time to fix it. The most economics method by doing maintenance before it gets failure which is called preventive maintenance. It was done by preventive repair or preventive part replacement.

2.3.2Man (Skilled Workforce)

Skills are very important asset for the individuals, business organizations and societies. In a modern world society with the globalization challenge, skill quite playing a crucial role. *World Economic Forum (WEF) 2014*, find that skills development should be start earliest stages as early as childhood. WEF also suggested that skills taught at school are relevant for the working world and that are maintained until the working life.

Matching skills and jobs has become a high-priority policy for organization concern. When workers have either fewer or more skills than jobs require, the skills mismatches

had occur. Some mismatch is inevitable, as the labour market involves complex decisions by employers and workers and depends on many external factors. But high and persistent skills mismatch is costly for employers and workers.

It was quite common whenever employer facing difficulties to get the suitable skilled workers. Although part of these difficulties are related to skill gaps and deficits in specific sectors, occupations and regions, they are mostly explained by factors other than skills, such as uncompetitive wages, unattractive working conditions, poor recruitment policies and/or mismatch between the location of skills and jobs. As a result, many shortages could be addressed by changes in training and recruitment practices, as well as by facilitating labour mobility.

With the focus on Malaysia scopes, it was very important for the Industries and Government to create the cooperation that was supposed to developed skills that really could meet demand by the businesses entity. Creating high supplied of skilled workforce would make Malaysia a conducive area for the foreign investor to invest in Malaysia, hence bring good economics return also. Government policy should be established in order to stimulus development of skill workforces such as setup a minimum wages, tax incentive to the company and building more infrastructure (*Baluch et al., 2013*).

SMECorp report in their *SME Masterplan 2012-2020* that businesses in Malaysia including SMEs found difficulties in training and retaining skilled workforces in the technical, supervisory and managerial levels. Part of this difficulties are coming lack of industries perspectives in the curriculum, including up to date industry knowledge has affected quality students from Universities, Colleges, Technical School and

Polytechnics. There is also negative perception on polytechnics and vocational schools thus limiting the number of quality workforce available to SMEs.

SMEs are generally reluctant to send their employees for training due to fear of disruption in work activity and staff pinching by other firms. SMEs usually perceive training as a cost and do not appreciate the long-term benefits from productivity enhancement. The lack of interest in training could also be linked to the limited availability of relevant training courses.

Most SMEs face difficulty in attracting and retaining workers due to perceived low remuneration and non-competitive rewards and benefits. Generally SMEs have limited ability to offer attractive compensation packages compared to larger firms resulting in many SME employees switching jobs frequently. Many qualified and highly skilled manpower seeking better career opportunities overseas has also reduced the talent pool within the country. (*excerpt from SME Masterplan 2012-2020*).

2.3.3 Method (SOP and WI)

Standard operating procedures (SOP) are a detailed explanation of how the work should be done especially when dealing with machinery. The SOP may appear on the same form as a general manual or it may appear in a separate document (Work Instruction (WI)). The main difference between a SOP and a WI are details. An effective SOP communicates who will perform the task, what materials are necessary, where the task will take place, when the task shall be performed, and how the person will execute the task.

The details in an SOP standardize the process and provide step-by-step how-to instructions that enable anyone within your operation to perform the task in a consistent manner. The SOP document serves as an instructional resource that allows employees to act without asking for directions, reassurance, or guidance. The step-by-step written procedure can also help hold employees accountable because employee expectations are documented and their actions can be measured against the SOP. Communicating procedures that anyone in the operation can follow with consistent results will ensure your operation continually provides high quality products and services.

Purpose of SOP are:

- Serve as framework for organizational policy – provide direction and structure
- Written documentation of best practice
- Tells what, how, when, why, and who
- Provide foundation for:
 - Job descriptions,
 - Employee training
 - Corrective action and discipline
 - Performance review

(Adaptable from *Communication Overview of SOPs, Iowa State University*)

2.3.4Material (Quality control practices)

In this very tough competitive world, the promise of very high quality product delivered is very important and became a key factor. Meanwhile SMEs found difficulties