

The Strategic Management for Competitive Advantage Improvement of Halal Food Business in Pattani Province

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Abstract

The study “The Strategic Management for Competitive Advantage Improvement of Halal Food Business in Pattani Province” aimed to study problems and obstacles to competitive advantage improvement of halal food businesses in Pattani Province, strategic management for the competitive advantage of halal food businesses in Pattani Province, and also strategic management initiation for the competitive advantage of Halal food business in Pattani Province. This research aimed to study the business of Chokudomrat and the community enterprise of Orangpuntai. It was mixed-method research. The quantitative research used questionnaires to collect data from 400 stakeholders, and the qualitative research used in-depth interview techniques with by semi-structured interview questionnaires.

The result was found that: The research finding of theories and practices showed the internal factors and external factors related and impacted the competitive advantage and improvement of the halal food business in Pattani Province. The important problem was the impact of the crisis on the demand of customers.

The important strategic management for improving competitive advantage included resource identification in the production process, application of local wisdom to food science, turning crisis into opportunity, halal production, online marketing, efficient logistics, total quality management, own supplier, and premier product positioning.

The primary strategic management initiative for the competitive advantage of the halal food business in Pattani Province was to create the resources to strengthen the internal factors and

to prevent and get rid of the threat of external factors, i.e., the environment of competition. Besides, it needed a risk management plan to sustain a competitive advantage.

Keywords: Strategic Management; Competitive Advantage Improvement; Halal Food Business

Introduction

Thailand started to certify halal products in 1948 because Laemthong Livestock Trading Company Limited submitted the application for exporting spatchcock chicken to a customer in Kuwait, whereas the destination company clearly specified that every chicken must be slaughtered under the Islamic Principles requiring halal certificate issued by Sheikhul Islam Office. This was considered as the beginning of halal products certification in Thailand. Although the number of Halal products was relatively small, they were trusted by Muslim people. Subsequently, the regulations were issued stating that inspection, certification, and issuance of halal certification marks were under the authority of the Central Islamic Council of Thailand in 1996. In addition, the application for registration of certification marks was also submitted to the Ministry of Commerce under Trademark Act as currently applied. It is noticeable that halal products were still limited to food for consumption during both periods of time, although halal products were not only food. Subsequently, the Administration of Islamic Organizations Act B.E. 2540 was legislated, making halal business operations clearer on systematization and issuance of regulations, whereas the Central Islamic Council of Thailand (CICOT) and the Provincial Islamic Committee (PIC) were authorized to issue notifications and certification on Islamic activities including halal products. The measures on inspection, certification, and issuance of “halal mark” that was considered as the essential mark for consumers, manufacturers, and related entrepreneurs from supply chain to value chain in developing production, distribution, and service quality development. The obtained result was the reliability of Muslims in Thailand and other countries towards Thai halal products (The Halal Standard Institute of Thailand, 2021).

Moreover, from 2002 and henceforth, the Thai government has started to drive the exportation of Thai food products to the world market because Thailand has some comparative

advantages on international competition. Therefore, the promotion of the strategy on “Kitchen of the World” is considered as the strategic intent that has been performed continuously through building cooperation among related government sector, private sector, and public sector. Consequently, Thailand has been top-ranked of the world on halal food products exportation to markets in all regions of the current world as well as become the leader of Muslim world consisted of 1,700 million consumers in 148 countries whereas a part of them has assembled as the specific community in the form of a country network under “Organization of Islamic Cooperation or OIC” consisted of 57 countries. Another part of them consisted of countries with high buying power, especially countries in the Middle East and Gulf Cooperation Countries or GCC. These countries are considered as the market with consecutive demands on halal production (The Halal Standard Institute of Thailand, 2021). However, an important weakness of Thai halal food products is a non-Muslim country. Therefore, to build competitiveness on production and exportation of halal food, it is necessary to build reliability and gain acceptance from consumers who are Muslim people that food produced in Thailand is correct as legislated by Islamic Commandments and International Halal Standards. In 2003, the government sector supported the establishment of the Halal Food Standard and unity national inspection system for certification; therefore, The Halal Standard Institute of Thailand (HSIT) was established under the supervision of the Central Islamic Council of Thailand.

However, when considering on basic spatial potential and provincial readiness of Pattani Province, it is considered as one of three important strategic development areas. Formerly, Pattani was the old kingdom with prosperity in the past. In addition, it has also been the hub of people of various races and religions since the past. Currently, Pattani Province is the community. Based on basic data regarding religions of populations in Pattani Province in 2016 (Pattani Province, 2018), it was found that there were 25,457 populations who were Buddhists calculated to be 13.40% whereas there were 422,839 populations who were Muslims calculated to be 86.58% and there were 82 populations who had faith in Christianity or other religions. An important part of the strategic development of Pattani Province is positioning the standing point and development of the province (strategic positioning) on the basis of halal product development. For this reason, halal

food is currently considered an important strategic food product of Pattani Province, i.e., many companies and enterprises have tried to develop halal food products for commercial competition or trade markets in Thailand and other countries. It was found that the business of Chokudomrat and the community enterprise of Orangpantai were involved with the fishery industry of Pattani Province, whereas both of them had a different identity on business operation, i.e.:

The business of Chokudomrat has highly emphasized the marine ecosystem and natural resources; therefore, they have used crab-trap boats as the tool for environmental conservation without destroying the environment to stress the concept of participation with communities and support sustainable development fishery.

The ultimate goal of the community enterprise of Orangpantai is to become the model on processed seafood production from artisanal fisheries in Pattani Province in order to build their own economic stability, community identity, existence in a violent situation in the southern border provinces. Moreover, salted threadfin and king mackerel are considered as the symbol which local fishermen have tried to communicate with the public. Furthermore, the community enterprise of Orangpantai has also applied local wisdom on the seafood process and conducted some researches with The Thailand Research Fund (TRF) to develop processed seafood to have good quality for responding to the demands of markets.

The business of Chokudomrat and the community enterprise of Orangpantai were certified on their standards in the inspection and obtained “Halal Certificate Mark” that is considered the important mark for consumers, manufacturers, and related entrepreneurs from the supply chain. In addition, it is also considered as the concrete operation of strategic development of Pattani. Moreover, Halal Certificate Mark has also been driven to generate the ultimate benefit for producing food or products to be accepted among Thai and foreign consumers who are Muslims.

So, it was found that the study on the strategic management for competitive advantage improvement of Halal food business in Pattani through the case studies of business of Chokudomrat and community enterprise of Orangpantai revealed that these case studied were considered as the important samples for understanding on problems, limitations, and competitive advantage of Halal food business in Pattani as well as operating strategic management for

competitive advantage improvement of Halal food business in Pattani. Consequently, these results certainly provided academic benefits and proposals on business development as well as an overall presentation on the establishment of government policies regarding strategic management for competitive advantage improvement of the Halal food business.

Research Objectives

1. The research aimed to study problems and obstacles of competitive advantage improvement of halal food business in Pattani Province
2. The research aimed to study strategic management for the competitive advantage of Halal food business in Pattani Province
3. The research aimed to study strategic management initiation for the competitive advantage of Halal food business in Pattani Province

Scope of Research

1. This research aimed to specifically study factors related to problems, limitations, abilities, and strategic management for the competitive advantage of halal food business to create the model as the guidelines for establishing strategic management for the competitive advantage of halal food business in Pattani.

2. This research aimed to specifically conduct the study in Pattani through business of Chokudomrat and community enterprise of Orangpantai that were certified on their standards in the inspection and obtained “Halal Certificate Mark” that is considered as the important mark for consumers, manufacturers, and related entrepreneurs from supply chain. In addition, it is also considered as the concrete operation of strategic development of Pattani. Moreover, Halal Certificate Mark has also been driven to generate the ultimate benefit for producing food or products to be accepted among Thai and foreign consumers who are Muslims.

3. This research was conducted in the form of mix-method research, whereas the quantitative research aimed to collect data by using questionnaires responded by local people as consumers and other related beneficiaries. The qualitative research was conducted through an in-depth interview, whereas names of interviewers were reserved in order to obtain actual data without any bias based on the operation under strategic management for the competitive advantage of halal food business in Pattani.

4. The research period was from June 1st – September 30th, 2021.

Conceptual Framework

The research framework of this research on “The Strategic Management for Competitive Advantage Improvement of Halal Food Business in Pattani Province” was as follows:

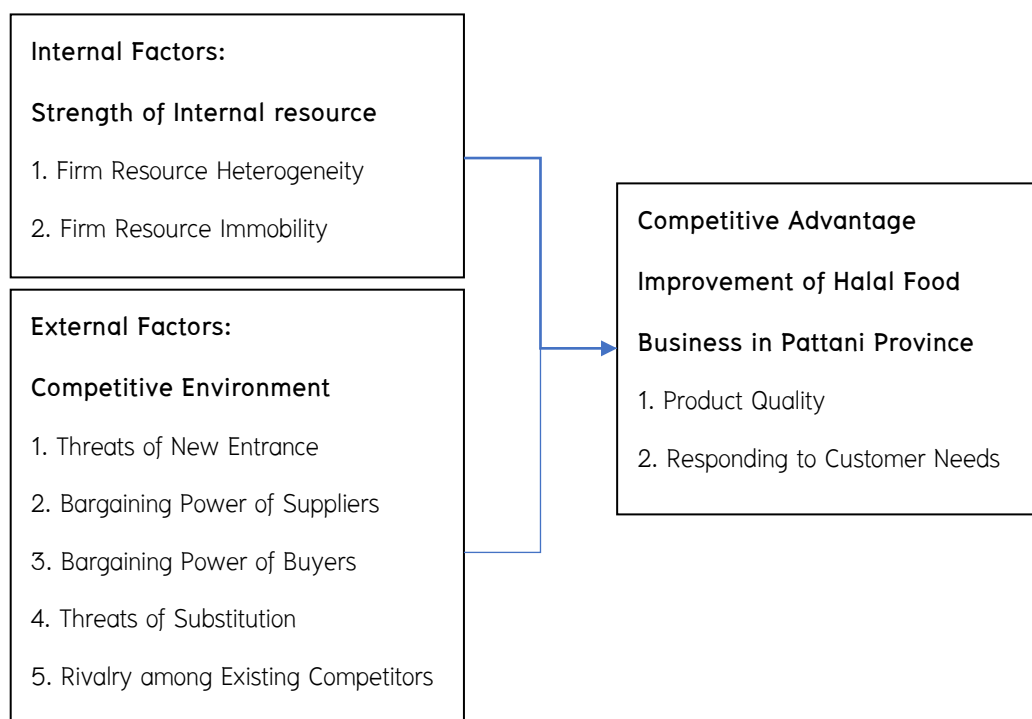


Figure 1 Research Framework

Methodology

This research is a mixed-method research with qualitative research emphasizing on data collection from related documents, researches, and interviewing with related persons whereas quantitative research emphasized on data collection from questionnaires responded by beneficiaries on strategic management for competitive advantage of halal food business in Pattani Province.

From calculating the sample size via G*Power based on consideration on 9 variables used in this research, it was found that the sample size was 77 samples. Statistics used for correlation analysis would be 10–20 times of variables and the sample size was 180 samples (Sanitlou, Sartphet & Naphaarrak, 2019). When considering on statistics used for analyzing factors, the sample size must be large. Based on Taro Yamane's Sample Size Table with 95% CI, the maximum sample size was 400 samples (Ratchatranont, 2019)

As a result, to be consistent with calculation with G*Power, calculation based on criteria on 20 times of variables and Taro Yamane's Sample Size Table with 95% CI, the researcher determined that the sample size of consumers and other beneficiaries of business of Chokudomrat and community enterprise of Orangpantai was totally 400 samples.

Moreover, the key informants were beneficiaries classified into 5 types based on Widaningrum & Damanik (2018) such as the central government officials, people in the area, customers, the local government officials and the politicians

For data analysis, the quantitative research emphasized on collecting data from questionnaires responded by beneficiaries on strategic management for competitive advantage of halal food business in Pattani Province from on June 1st to September 30th, 2021. Statistics used in this research were descriptive statistic and inferential statistics for confirming findings obtained from quantitative research. The qualitative research emphasized on collecting data from related documents, researches, interview with related persons, in-depth interview, informal interview, and lesson learned from successful and failed case studies. The obtained data were analyzed under the research framework through content analysis in order to obtain generalization. The research tool was semi-structure questionnaire without specifying names of interviewees in order to obtain in-depth data.

Results

The results from both quantitative research and qualitative research could be concluded as follows:

The quantitative research shows that the structural equation modeling analysis of variables on opinions towards strategic management for competitive advantage improvement of halal food business in Pattani province after adjusting model following

Chi-square = 18.184 Degrees of freedom = 11

Probability level = .077 CMIN/DF = 1.653

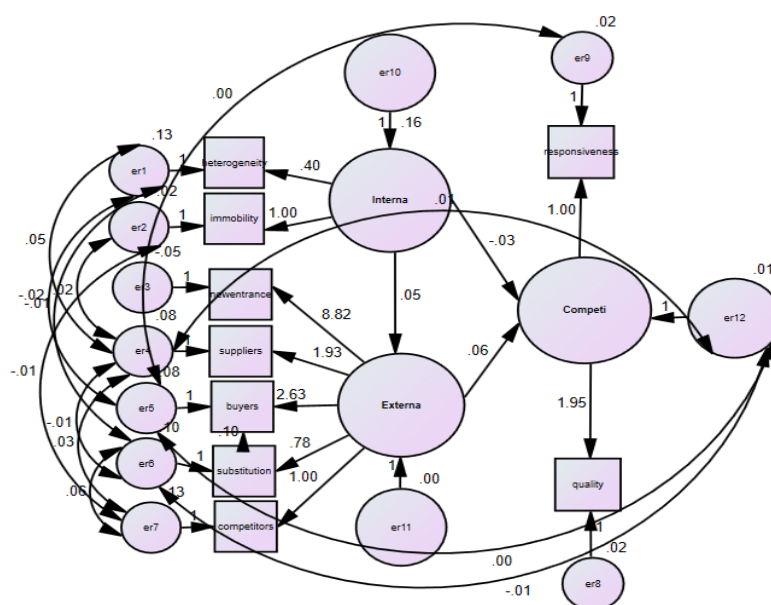


Figure 2 represents Structural Equation Modeling Analysis of Variables on Opinions towards Strategic management for Competitive Advantage Improvement of Halal Food Business in Pattani Province after Adjusting Model

It found that consistency between structural equation modeling under hypothesis and structural equation modeling after adjusting model was consistent with empirical data by considering on IOC that met with criteria whereas Chi-Square = 18.184 Degrees of Freedom = 11, Probability Level = 0.77 CMIN/DF = 1.653 GFI = 0.990 and RMSEA = 0.040. It could be seen that Probability Level was higher than .05 and CMIN/DF was less than 3 GFI, i.e., .997 that was close to 1.0. RMSEA was .000 representing that the model was appropriate and consistent with empirical data. When considering on 9 latent variables, it was found that:

- 1) Bargaining power of suppliers had relationship with firm resource heterogeneity.
- 2) Bargaining power of suppliers had relationship with firm resource immobility.
- 3) Bargaining power of suppliers had relationship with competitive advantage of halal food business in Pattani Province.
- 4) Bargaining power of buyers had relationship with firm resource heterogeneity.
- 5) Bargaining power of buyers had relationship with competitive advantage of halal food business in Pattani Province.

6) Threats of substitution had relationship with competitive advantage of halal food business in Pattani Province.

7) Threats of substitution had relationship with bargaining power of suppliers.

8) Threats of substitution had relationship with firm resource heterogeneity.

9) Rivalry among existing competitors had relationship with firm resource immobility.

10) Rivalry among existing competitors had relationship with bargaining power of suppliers.

11) Rivalry among existing competitors had relationship with threats of substitution.

12) Responding to customer needs had relationship with bargaining power of buyers.

13) Threats of substitution had relationship with bargaining power of buyers.

The qualitative research shows that the business of Chokudomrat and Community Enterprise of Orangpuntai different from the quantitative result.

When considering on the results of the qualitative research on internal factors, external factors, and competitive advantage of halal food business in Pattani, it could be seen that the results of the quantitative research were different from those of the qualitative researches on the relationship between internal and external factors, i.e., when internal factors have important foundation that is hard to be imitated by other businesses, for example, richness of Pattani's sea with artisanal fisheries, small and moderate commercial fisheries that are sources of raw materials for production process with consideration on sustainable fisheries. This is also another important issue focused by customers. Moreover, factor on labors from local people is also utilized for production process leading to internal strength and differences that are hard to be imitated. These are strengths enabling business to overcome obstacles that are external threats or environmental factors of competition based on Porter's Five Forces Model (Porter, 2008). Simultaneously, it could be said that, under business operation of business of Chokudomrat and community enterprise of Orangpuntai, the above external factors gave no effect to competitive advantage in normal situation because both businesses had competitive advantage to reach raw materials by themselves or set prices and purchase quantity by themselves. Moreover, with sales focusing on quality and standards without focusing on price strategies and promotion, marketing foundation with bargaining between buyers and sellers was not required. In addition, when considering on influence and relationship with competitive advantage, it could be seen that marketing potential of both businesses was clearly based on product quality and response to demands of customers, especially when customers had to consider and compare products with those of other similar

businesses. These two outstanding points were factors explaining on impression, confidence, and loyalty towards products and brands.

Therefore, the analyzed results of both quantitative and qualitative research showed that the research finding of theories and practices showed the internal factors and the external factors related and impacted to competitive advantage improvement of halal food business in Pattani Province. The important problem was the impact of the crisis towards the demand of customers. Besides, the important strategic management for improving competitive advantage included resource identification on the production process, application of local wisdom to food science, turning crisis into opportunity, halal production, online marketing, efficient logistics, total quality management, own supplier, and premier product positioning. In additions, the primary strategic management initiation for the competitive advantage of Halal food business in Pattani Province was to create the resource strengthen, the internal factors, to prevent and to get rid of the threat of external factors, the environment of competition. Besides, it needed to have a risk management plan to sustain a competitive advantage.

However, except for crises like COVID-19 pandemic, both businesses were influenced by threats of new entrance, threats of substitution, and rivalry among existing competitors due to different selling points from other products in the market. However, Covid-19 pandemic situation extensively affected to customers causing both businesses to be affected by competition with reduction of consumption of customers. Consequently, they may turn to consume products with lower quality and price.

Conclusion

The results of both quantitative and qualitative research were consistent with the perspective of Itucas (2021) who indicated that such analytical logic of Barney focused on considering advantages as strengths and weaknesses through readiness of internal resources. (Priem & Butler, 2001). This assumption was not contrary to the concept on strategic management of Porter (2008) whereas Barney (1991) explained connection via the picture of relationship during SWOT Analysis, resources analysis, and environmental analysis as found in the framework of analysis on the use of resources for project management of Grant (1991 as Cited in Habbershon & Williams, 1999; Killen et al., 2012) who expanded such model of Barney (1991). Magretta (2011) also concluded that analysis on Porter's Five Forces Framework (Porter, 2008) focused on competition for building sustainability of profitable in market (Dobbs, 2014) through building

competitive advantages. Therefore, it became competitive advantage of organization or company with factors building competitive advantage in market. With this reason, things that are talents of organization that were unable to be imitated by competitors or things that made competitors to spend some time to adjust themselves before imitating potential or abilities of the company, for example, innovations, internal management system, organizational management system, organizational image, etc., were important basic factors for gaining competitive advantage.

New Knowledge

Such analysis guidelines of Barney (1991) focused on considering advantages as strengths and weaknesses through only readiness of internal resources by omitting the other external factors. Thus, this assumption helped to expand the concept on strategic management supported by Porter (2008) to be more comprehensive. Since Porter (2008) focused on competition from external factors for sustainability on profitability in market that was considered as the way to build competitive advantage. With this reason, things that are talents of organization that were unable to be imitated by competitors or things that made competitors to spend some time to adjust themselves before imitating potential or abilities of the company, for example, innovations, internal management system, organizational management system, organizational image, etc., were important basic factors for gaining competitive advantage.

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Conclusion

The research finding of theories and practices showed the internal factors and the external factors related and impacted to competitive advantage improvement of halal food business in Pattani Province. The important problem was the impact of crisis towards the demand of customers.

The important strategic management to competitive advantage improvement such as the resource identity of production process, the local knowhow application for food science, turning crisis into opportunity, Halal standard, online marketing, quick logistics, total quality management, own supplier, and premiere products position.

The main strategic management initiation for competitive advantage of Halal food business in Pattani Province were to create the resource strengthen, the internal factors, to prevent and to get rid of the threat of external factors, the environment of competition. Besides, it needed to have the risk management plan to sustainable competitive advantage.

Suggestion

From the research results, the researcher provided some suggestions as follows:

Suggestion on Implementation of Development of Guidelines for Establishing Strategic Management for Competitive Advantage of Halal Food Business in Pattani Province

Firstly, entrepreneurs are required to survey on performance of factor on strength of internal resources.

Secondly, product identity should be built based on rare, valuable, imperfect imitability, duplicate, and non-substitutability. Consequently, such product would become valuable or popular and accepted by market easily or it would be able to stimulate demands to be higher than supply.

Thirdly, reliance on internal support or cooperation of members in local communities will help to build strong competitive advantage sustainably for all processes under business operation.

Fourthly, product image should be built based on marketing confidence through certification of quality product standard.

Fifthly, various and efficient market channels should be built.

Sixthly, logistic development must emphasize on enabling customers as consumers to approach products ordered from stores as soon as possible.

Seventhly, guidelines on risk management must be defined in order to build competitive advantage sustainably.

Eighthly, government sector is required to participate in marketing promotion of halal products.

Ninthly, The Halal Standard Institute of Thailand should improve its role on marketing promotion of halal products in Thailand and other countries.

Suggestion for Further Researches

Firstly, further researches should try applying conceptual frameworks and theories of strategic academicians in order to study on the same or similar phenomenon of this research in order to compare findings and create integrated generalization of knowledge on strategic management in the future.

Secondly, other variables should be determined theoretically that may influence on the obtained results.

Thirdly, this structural equation modeling should be tested with analysis of other case studies.

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