

## **INVESTIGATING THE EFFECT OF PORTER'S TRIPLE BUSINESS STRATEGY ON EXPORT PROMOTION (CASE STUDY IN SAHAR FOOD INDUSTRIES OF HAMADAN)**

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**Abstract:** This study aimed to investigate the effect of Porter's business strategy on the development of export products of Sahar food industries company of Hamedan, is a descriptive – survey study with a sample of 86 of the population of 110 experts and executives of Sahar food industries company of Hamadan by Morgan table and simple random method were selected. To collect information from a questionnaire validated by experts and the reliability of 0.876 and to assess the normality of Kolmogorov - Smirnov test to prove the hypothesis, mean test of population ( $t$ ) and spss22 software was used. The findings showed the positive impact of these three hypotheses cost leadership and differentiation and focus on development of Sahar food Industries Company of Hamadan accepted. As a result, Porter's functional strategy has managed only in the companies as a strategy and a road map and is used only as a tool can be used and according to the most significant differentiation strategy (6.433 units) with export development in the research, what today can be defined as a strategy for Sahar food industries company of Hamadan is the emphasis on creativity and innovation for the development of the export market.

**Keywords:** business competitive strategy (Porter's triple strategy), cost leadership strategy, focus strategy, differentiation and export promotion strategy

### **1. INTRODUCTION**

Since the future of the world is a world full of competition, the development of emerging markets, the spread of high technology and expand business; taking advantage of the opportunities and challenges ahead as a precondition for the success in this field is considered. The industry needs a strategic approach to international recognition of the new situation and identify competitive priorities and structural changes pave the way for progress. The hierarchical approach strategy after strategy,

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business strategy has been proposed and each level has a supporting role for higher level and ultimately the goal and existential philosophy outlined in the strategy of realizing cover. Strategic importance in the survival of the organization has attracted the attention of many researchers. Among these strategies, Michael Porter's triple strategy is according to three dimension of cost leadership strategy, differentiation strategy and focus strategy (David, 2003) (Zarghami and Mahdavi Mazdeh, 2005). The food industry is one of the largest industries and the global economy is active in the field. Increasing population growth, diversification of consumer tastes, the increasing importance of health food products is as a prevention of many diseases, highlighting the role of economic and health aspects of food and ... all suggest an important role in human life today is nutrition and food technology (Khakbaz, 2012).

### **1.1. Statement of Problem**

In the present day, uncertainty, complexity, globalization and increasing technological changes, how compete against competitors made it difficult for companies and other a framework and pattern of competition and public place in the companies could not keep survival of this condition. Sahar food industries company of Hamadan also due to the increased variety of products and expand the market face with changes in their competitive position on the market.

### **1.2. The importance and necessity of research**

Given the role of food industry in human life, and the role it plays in the company economy and competition market, its analysis and study and taking appropriate strategies for the survival of any company in this industry is important and necessary. The importance of identifying and studying the strategies of companies like Sahar Company of Hamadan with high volumes of production of food products for consumption in different parts of the world, it is no secret to anyone and studying the relationship of these strategies with exports and aware of the possible effects of each strategy in the market, can lead to increase in sales and company growth and development.

### **1.3. The main objective of research**

The main objective of this applied study was to investigate the impact of Michael Porter's business strategy (cost leadership, differentiation, focus) on development of Sahar Food Industries Company in Hamedan.

### **1.4. The research main hypothesis and sub-hypotheses**

The main hypothesis: Michael Porter's business strategy has a significant positive impact on development of export products of Sahar Food Industries Company in Hamedan.

**Sub-hypotheses:** each of the three strategies of cost leadership, differentiation and focus has a significant positive impact on development of export products of Sahar Food Industries Company in Hamedan.

### **1.5. Research Innovation**

The use of making Porter's strategy in term of scientific in form a case study in Hamadan industry is innovation of this research.

## **2. THEORETICAL FRAMEWORK AND LITERATURE**

### **2.1. Business strategy**

Strategy, direction of the organization to strategic distention looks the future. Generally, there are three levels of strategy in companies that include: Corporate Level Strategy, Business Units Level Strategy and Functional Units Level Strategy (Slater, 2000, 453).

Business strategy is the method that the company has taken in business activity and earns lead to preserve their stability.

This strategy, according to available resources and customer requirements, proposed to offer customer value provided and given the company's interest income and a way to introduce the organization and the enterprise using it can achieve the necessary stability and the income. Companies have their status determined three strategic objectives: 1. who is your customer. 2. What products and services can be offered to selected customers? 3. How can we offer the products or services to the customer as efficiently and effectively? (Clayton, 1998, 36-41) (Slater and Olson, 2005)

Two common framework governing business strategies (Hambrick 2003) include:

1. Miles and Snow's typology that focuses on the rate of change you want to see  
- Market
2. Porter's typology that focuses on customers and competitors.

Walker & Ruekert (1987) showed although each of the two species have the strengths (Porter focused on the external environment and Miles and Snow have focused on the internal environment), but with limitations (the passive does not follow competitive strategies and defining strategies are not strictly specified) and despite the research that they have strengthened none of these methods alone are not perfect. For example, a single defensive activity can be competitive methods used to support and defend its market position, ways of minimizing costs or differentiate itself from competitors in terms of quality or service.

Sahar Food Industries Company of Hamadan with a variety of goods (such as tomato paste, pomegranate sauce, Cucumber in Brine, pickles, jam, can and canned food) in various markets of world (like the United Kingdom, Iraq, the UAE, Canada, Germany, Russia, Tajikistan, Philippines, Malaysia and Turkey) are operating and

commercial exchanges. Managers of these units decide follow which objectives, strategies and competitive markets. On the other hand, the development of efficient and functional and comply with specifications strategy and a business strategy that can be competitive on the market of food (that part 5 of the world's competitive industry) to their place and maintain and contribution to exports is justified, a matter affecting the sovereignty and the survival of the company and maintain market share and competitive advantage.

## **2.2. Definition of General Porter's strategy**

From the perspective of Porter, strategies allow organizations to take advantage of three bases of competitive advantage. Porter calls three bases as generic strategies or public:

A) Cost leadership strategy: the phenomenon of leadership in costs should be in line with the "distinguishing goods and services". Many of the cost factors influence the relative attraction of general strategies (generic). They include wage costs - taxes - cost of energy.

In the company, in an industry producing products with lower cost: when the market is made up of the purchase show sensitivity to price - for different products, the customer is not very large- business customers between products with names and different, do not make so much difference - a lot of potential buyer bargaining power in the market. The purpose is distribute products to market at a lower price than competitors, and thereby gained market share then with increasing sales, competitors tried to remove completely from the market. (Copeland and Ferdoston, 2006) (Porter, 1990).

B) Differentiation strategy: the purpose of the offer is successful, differentiated products that the company can have more flexibility in terms of offerings product, to adapt the changing environment, has more power, lower costs to the consumer leads to lower maintenance costs, has more relax and have more features (Porter, 1990).

C) Focus strategy: a strategy based on a specific group of customers is effective when that part of the industry size and growth potential is large enough finally, the success of the company's major competitor has not great importance. The second copy release by competitors - changing tastes of the customers, indifference to the product features. Example: MIDAS, Redlabster, FedEx, is the risks of this strategy (Porter, 1990) (David *et al.*, 2003, 4-11).

## **2.3. Export performance based on competitive strategy**

Export will form one of the most vital sectors of the economy of each country. Exports of goods and services are the main source of foreign exchange earnings of the country that holds the live and active pulse of the world economy. If it is accepted that non-oil exports is most effective way to fix up the country's economic situation to be in line

with a comprehensive plan, pattern of developing countries that have successfully passed the standard practice. Due to limited oil resources, economic development and employment has any solution except to develop and improve the performance of non-oil exports with no interaction with global markets. Therefore, we must understand the factors affecting the supervisors would need in an effort to improve and strengthen it.

#### **2.4. Successful export features**

1. Appropriate funds 2. Identify the goals completely and clearly 3 Advertising and Information 4 Effective communication and relations between the issuer and the customer 5 Adequate supply of goods 6. Quality of facilities and services 7 Security asked buyers and chosen the appropriate market: no doubt that no country has so much money that expands its exports to all markets of the world.

So logic dictates that limited resources should be used only for exporting goods to the markets that we have a better chance of attracting producer or the future, we expect them to be more promising. There are markets where there is already a large scale exported goods and new programs can be further developed and expanded sales into these markets (Mehrsa, 1995, 88) (Elmi, 1995, 59).

#### **2.5. PortermodeLin international trade and competitive advantage**

Antitrust policy plays an important role in strengthening domestic competition, but should not be an obstacle to the growth of innovation in vertical mergers. On the other hand, the rules of competition to the detriment of the development of entrepreneurship and deregulation of privatization and competition sometimes help national advantage (Elmi, 1995, 59).

#### **2.5. Policy recommendations on export and competition**

The most important policy issues that can be derived from Porter's view are as follows:

1. The firms that compete in global industries and countries then should not be the government programs with government agencies and economic actors, and should be replaced by firms or limiting competition.
2. Competitive advantage of a country in the industries is relative and should always be considered the dynamics of the advantages and seek new advantages.
3. The dynamic of the production and competition, will lead to substantial competitive advantage and cost advantage, such as the devaluation of the national currency or cheap labor, short-term solutions.
4. Facilitate the continuation of the productivity growth in industrial production, the key to success in competition and international trade.

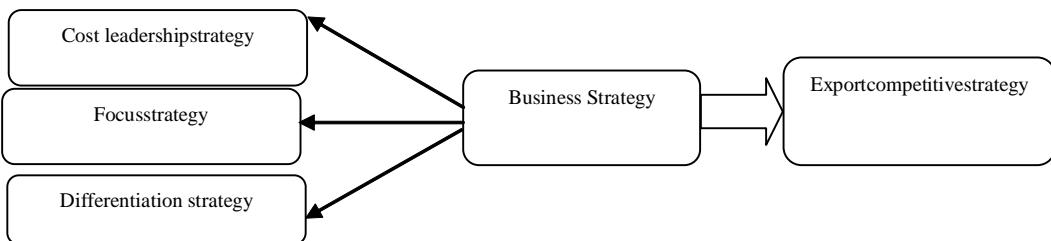
5. In most cases, a country's competitive advantage in the industry, is in line with a geographic concentration in every industry and requires the formation of industrial clusters.
6. A country's competitive advantage in the industry over a decade and more of a process and the preparation of competitiveness in the short term is not possible.
7. Countries create their advantage because of the differences and not as a result of the simulation.
8. The process of maintaining the benefit of firms and workers in the industry are likely to be difficult and require sustained attention and support of the government's policies are complementary. (Kharazmi, 2005).

Hlavacka, et al. (2001) study the effect of Porter's general strategies on the performance of hospitals in Slovakia, concluded that the business strategy in three areas of cost leadership, differentiation and focus divided according to Porter and the ability to maintain its performance under the criteria of the customer, the ability to control the cost of operations, and the total profit growth has been studied and the results show that the business strategy of hospitals has a significant impact on their performance and hospitals median follow their strategy, which is a combination of these strategies; compared to hospitals that are focused only on one of the three strategies, will have better performance.

## **2.7. Research conceptualmodel**

The operating model by using Porter's model (1990) is in Figure 2-1.

**Figure 2.1: Conceptual model: business strategy (Porter, 1990)**



## **3. RESEARCH METHODOLOGY**

This is a descriptive - survey research with a sample size of 86 patients using simple random sampling method among experts , managers and customers of Sahar food industry company of Hamadan, including management team, trade experts, experts in research and development, quality control technicians, experts, export, sales professionals and technical experts is carried out. To collect information from a

questionnaire validated by experts and the reliability of 0.876 units (Table 3.1) and to analyze the data descriptive statistics (demographic variables) in the dispersion and central indices and inferential statistic Kolmogorov - Smirnov methods to evaluate the normal distribution of variables and to test hypothesis according to hypothesis type (significantly desired) and also by the type of questionnaire that each variables are samples of separate items, the test population mean (t) and software spss22 was used.

**Table 3.1**  
Cronbach's alpha values Table (3-2), Cronbach's alpha values

Variables	Related questions	Alpha coefficients
Cost Leadership	5 to 1	0.783
Centralization	10 to 6	0.783
Differentiation	15 to 11	0.768
Business strategy(the questionnaire)	15 to 1	0.876

#### 4. FINDINGS

##### 4.1. Evaluation of the normal distribution of the dependent variable

Results distribution using the Kolmogorov-Smirnov test (Momeni and Faal Ghiomi, 2012: 166):

Assuming:

H<sub>0</sub>: distribution of variable data is normal

H<sub>1</sub>: distribution of variable data was not normal

**Table 4**  
1normaltest (Kolmogorov-Smirnov)

Variables	Test statistics	Significance level
Cost Leadership	0.091	0.090
Centralization	0.103	0.051
Differentiation	0.095	0.054
Business strategy	0.089	0.093

According to Table 4.1, according to the results of Kolmogorov - Smirnov conclude that in all the variables because of their significantly greater than the amount given 0.05 (alpha), the null hypothesis is confirmed and are normally distributed variables and the test population mean (t) used.

##### 4.2. Testing main research hypothesis

Porter's business strategy statistically has a significant positive impact on the development of export products of Sahar food Industries Company in Hamedan.

According to the right sequence of hypothesis (significant positive direct effect), if the following two conditions exist reject the null hypothesis and accept an assumption:  
 1. value "o" is positive.2. The significance level of a sequence of the  $\alpha = 0.05$  is smaller (Momeni, FaalGhoomi, 62,2012).

We define the test suppose as follows:

$H_0: \mu \leq 3$  (lack of impact of variable)

$H_1: \mu > 3$  (impact of variable)

**Table(4-2-1)  
Assumption test**

	Number	Average	Standard deviation	Standard error of the mean
Business strategy	86	3.3705	0.7132	0.07689

**Table(4-2-2)  
Average costof a community leadership strategy**

	T value	Degrees of freedom	Significance level (bilateral)	Test Value = 3 Mean difference	Confidence of 95% Lower limit	Upper limit
Cost Leadership	4.819	85	0.000	0.37054	0.2177	0.5234

(With a significance level divided by 2, the one-sided significance level to test hypotheses obtained)

In Table 4.2.1 and Table 4.2.2, according to amount o and smaller of positive significance level (0.000) of a given amount of  $\alpha = 0.05$ , the null hypothesis of no effect of business strategy and the rejection of the assumption that the effect of a business strategy on the development of export products of Sahar Food Industries Company in Hamadan is confirmed.

So it can be said that business strategy statistically has a significant positive impact on the development of export products of Sahar food Industries Company in Hamedan.

#### 4.3. Testing research sub-hypotheses

To avoid long text for each hypothesis has been only regression coefficients table.

The first sub-hypotheses: cost leadership strategy statistically has a significant positive impact on the development of export products of Sahar food Industries Company in Hamedan.

We define the test suppose as follows:

$H_0: \mu \leq 3$  (lack of impact of variable)

$H_1: \mu > 3$  (impact of variable)

**Table (4-3-1)**  
**hypothesistest**

	<i>Number</i>	<i>Average</i>	<i>Standard deviation</i>	<i>Standard error of the mean</i>
Cost Leadership	86	3.3535	0.7205	0.07770

**Table(4-3-2)**  
**Average costof a communityleadership strategy**

<i>T value</i>	<i>Degrees of freedom</i>	<i>Significance level (bilateral)</i>	<i>Test Value = 3</i>			
			<i>Mean difference</i>	<i>Confidence of 95%</i>	<i>Lower limit</i>	<i>Upper limit</i>
Cost Leadership	4.549	85	0.000	0.35349	0.1990	0.5080

Table 4.3.1 and Table 4.3.2, according to positiveo amount and smaller of significance level (0.000) of a given amount of  $\alpha = 0.05$ , the null hypothesis based on no effect of price leadership strategy rejected and the hypothesis that the effect of a cost leadership strategy on the development of export products of Sahar food Industries Company in Hamadan is confirmed.

So it canbe said that cost leadership strategy statistically has a positive effecton the development of export products of Sahar food Industries Company in Hamedan.

**The second sub-hypothesis:** the focuses strategystatistically has a positive effecton the development of exportproducts of Sahar food Industries Company in Hamedan.

We define the test suppose as follows:

H0:  $\mu \leq 3$  (lack of impact of variable)

H1:  $\mu > 3$  (impact of variable)

**Table(4-3-3)**  
**hypothesistest**

	<i>Number</i>	<i>Average</i>	<i>Standard deviation</i>	<i>Standard error of the mean</i>
Focus	86	3.2651	0.98336	0.10604

**Table(4.3.4)**  
**mean a strategy of focus**

<i>T value</i>	<i>Degrees of freedom</i>	<i>Significance level (bilateral)</i>	<i>Test Value = 3</i>			
			<i>Mean difference</i>	<i>Confidence of 95%</i>	<i>Lower limit</i>	<i>Upper limit</i>
Focus	2.500	85	0.014	0.26512	0.0543	0.4759

In Table 4.3.3 and Table 4.3.4, due to a smaller positive o value and the significance level (0.007) of the supposed value  $\alpha =0.05$ , the null hypothesis of no effect of focusing

strategy rejected and hypothesis that the effect of focus strategy on the development of export products of Sahar food Industries Company in Hamadan is confirmed.

So it canbe said that the focus strategy statistically has a positive effect on the development of export products of Sahar food Industries Company in Hamedan.

The third sub-hypothes is: differentiation strategy statistically has a significant positive impacton the development of export products of Sahar food Industries Company in Hamedan.

We define the test suppose as follows:

H0:  $\mu \leq 3$  (lack of impact of variable)

H1:  $\mu > 3$  (impact of variable)

**Table(4.3.5)  
hypothesistest**

	<i>Number</i>	<i>Average</i>	<i>Standard deviation</i>	<i>Standard error of the mean</i>
Differentiation	86	3.4930	0.71072	0.07664

**Table(4-3-6)  
population meandifferentiation strategy**

	<i>Test Value = 3</i>					
	<i>T value</i>	<i>Degrees of freedom</i>	<i>Significance level (bilateral)</i>	<i>Mean difference</i>	<i>Confidence of 95% Lower limit</i>	<i>Upper limit</i>
Differentiation	6.433	85	0.000	0.49302	0.3406	0.6454

In Table 4.3.5 and Table 4-3-6, with regard to the positive amount of 0 and smaller significance level (0.000) of a given amount of  $\alpha =0.05$ , the null hypothesis of no effect of differentiation strategy rejected and assumed that the effect of a differentiation strategy on the development of export products of Sahar food Industries Company in Hamadan is confirmed.

So it can be said that the differentiation strategy statistically has a positive effect on development of export products of Sahar food Industries Company in Hamadan.

## 5. CONCLUSION

Porter's business strategies in organizations and companies achieve a competitive advantage; over the years has been an effective and efficient strategy.

The impact of this strategy on the development of export products of Sahar food Industries Company in Hamadan confirmed (in line with the results of research Helavakha and colleagues), shows that the company is to maintain the competition and create a competitive advantage in an environment that is always uncertainty, complexity, increased globalization and technological change have faced due to this strategy, export development strategies adjusted.

As a result, Porter functional strategy has managed only in the companies as a strategy and roadmap used and today it can be used only as a means of differentiation strategy with regard to the significance of the development of exports in this study, what today can be defined as a strategy for Sahar food Industries Company in Hamadan and emphasis on creativity and innovation for the development of the export market. The following suggestions are given for each dimension.

### **Cost leadership strategy**

1. Company managers' attention to choose cheap and affordable practices in the production and restoration and improvement of processes and production lines for wear and the traditional low efficiency. 2. Select the expertise of manufacturing procedures, target market selection, selection of suppliers and raw material suppliers.Strategic focus: 1. Check the running costs of the company and plan to focus on managing costs 2. Participate in the planning and setting strategic mission and strategy in the market,3. Select a region and area of focus to provide products needed in that area with a reduced cost.

Differentiation strategy: 1. investigating the need for differentiated customer target market and develop a framework for distinguishing between the productionscompanies from manufacturing to other companies. 2. Workers union between food production and the need for legislation and regulations in order to differentiate products between the companies.

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