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The Extent of Achieving the Competitive Advantage of the Organizations -The Small Business Sector- The Natural Cosmetics Sector - In Light of the Factors of Porter's Model (Case Study of Al-Hashlamoun Cosmetics Factory – Palestine)

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Abstract: The current study aims to identify the extent to which the competitive advantage - the natural cosmetics sector - was achieved in light of the factors of the Porter model, and on the Hashlamoun cosmetics factory in the West Bank between 2018 and 2019. Where the study was formulated through the main question: What is the extent of achieving the competitive advantage - the natural cosmetics sector - in light of the factors of the Porter model, and on the Hashlamoun cosmetics factory in the West Bank? This question is divided into a set of sub-questions.

In order for the study to achieve its goals according to the scientific methodology, a qualitative exploration method for secondary sources and data has been used to uncover criticism and support for Porter models through relevant books and references. Work has also been done on the descriptive analytical approach in the study to analyze the sector and case study through several tools, including the questionnaire It was prepared appropriately based on the main factors of the Porter model for analyzing the sector's attractiveness and other external factors, in order to collect the required data on (8) cosmetic companies natural, conduct interviews and take notes in a case study of a factory Hashlamoun p. For cosmetics, the study used descriptive and inferential methods, through the statistical analysis program (EXCEL).

The study reached a number of results, the most important of which are:

Based on the Porter factors to analyze the sector and build a competitive advantage, the researcher showed when applying the model that the natural cosmetics sector has an average attractiveness to invest in it, and that the Hashlamoun Cosmetics Company for the industrial environment in the sector has a medium appeal to continue in it, but after applying the forces and modern factors to the sector Natural cosmetics turned out to be of low attractiveness and also the Hashlamoun Company for Cosmetics for its industrial environment is of high attractiveness.

The Porter model assessment of the five powers of sector analysis with the researcher's assessment is weak and not sufficient, because it is unable to give information and expected challenges to the market and the sector adequately and inappropriate for the current sectors and different markets for several reasons: the inconsistency of the conditions and assumptions that are required to apply the model to the sectors and modern markets, the sector The model was applied to in Palestine and it is one of the developing countries, which means the model is unable to deal with the analysis and understanding of the sectors and markets of developing countries. The organization under study is from the small organizations sector and the Porter model is not appropriate for this sector because it has structures organization and clear and depend on the manpower, expertise and skills while the model is based on clear organizational and divided structures is the basic value of the equipment, machinery and external resources, and the presence of factors, modern forces weighed heavily on the markets and sectors and their ability to build a competitive advantage, did not mention the five Porter powers model.

It became clear to the researcher that the company is using a differentiation strategy to build a competitive advantage for it, but there are better and more modern strategies that are more suitable for modern markets, and this strategy used has many flaws. After discussing the results, the study concluded with a set of recommendations, the most important of which are:

Establishing a committee representing companies in the natural cosmetics sector and caring for them, companies that want to invest in or are present in the sector to counter the intensity of competition by using information technology methods and taking

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advantage of globalization and the Internet to market and promote their products, also that Al-Hashlamoun Cosmetics Company adopts the new thought of total quality management, Reduce damage, arrange production activities and processes to save time and effort, and communicate between management and workers to solve problems, access the market quickly and on demand on time, and a hybrid modern strategy that integrates cost leadership with differentiation, and The companies use to analyze the market recent modern models for all factors and variables, and if Porter models are used to be just a simple look or a starting point and use other tools, also amend the Porter strategies and models to become appropriate for the modern economy and the variables and taking into account modern forces from the Internet and globalization and free trade, and adding factors On its models to accommodate the economy in developing countries and focus on the role and impact of government on sectors.

CHAPTER ONE

STUDY BACKGROUND

1.1 Study introduction:

In light of the rapid and endless environmental transformations, and with the continuous technological development, this era has become called the Information Age, which imposed on institutions a new environment characterized by intense competition, which pushes them to search for opportunities to increase their competitiveness, as the intention was to try to gain competitive advantages that qualify them to continue their activity and ensure their survival in front of competitors. This calls for each institution to adopt diagnostic methods, accurate and effective understanding of its external and internal environment, to discover opportunities and threats on the one hand, and strengths and weaknesses on the other hand, in order to be able to adopt effective strategies that enable it to adapt in its new competitive environment.

The matter does not stop at the competitive advantage of an institution, but rather requires it to strive constantly and continuously to support it to preserve it, by discovering a new and preferable ways to compete in the sector to which it belongs, and for this the need to build strong strategies to confront the intensity of competition, in it and make a competitive advantage using appropriate and modern strategies, for this reason, economists and administrators have devised theories and models to build methods and strategies to face and analyze market competition., including a Michael Porter five forces model to create a competitive advantage for enterprises, a diamond model for building the competitive advantage of nations, public strategies for competition and reach a competitive advantage capable of challenging and distinguishing in the local and international markets, and facing economic challenges.

1.2 The problem of the Study:

International competition at the corporate level has changed over the past decade, due to changing global trade patterns, globalization of the world economy, and the rapid spred of technology and information. This emphasis on competition between firms in global markets renewed attention in competitiveness at the states level (Denning, 1991).

Some academics believe that countries do not compete, and it is difficult to gauge or understand the competitiveness of countries, but others such as Porter argue that "a nation is fundamentally a grouping of industries, and its economic performance is determined by the competitiveness of those industries and the appropriate conditions. The level of analysis should be the industry., The nation's industries are then interpreted as being made up of those firms" (Porter,1990). Nevertheless, the theories regarding the competitive advantage of states introduced by Porter have been reviewed originally by many academics who view the topic from different perspectives (H. and PD Ellis, Davies, 2000). The government has a role in encouraging companies to raise their aspirations and move to higher levels of competitive performance.

The Palestinian state inherited an economy suffering from a major economic imbalance in the macro-economy, which led to problems and fluctuations in the micro-economy, a low level of industrialization, trade deficits, and insufficient public infrastructure and services. The Palestinian economy is limited to self-reliance and heavily depends on donations. Before we reach our goal of an independent and sustainable economy, but this requires the continuation of reform programs, and the growth of GDP, it is not sustainable because it does not stem from the private sector or from the restructuring of Palestinian production, and because it depends on government spending and foreign aid (Barghouti, 2013).

Small enterprises are important in the Palestinian economy and have played an important role in achieving economic development and providing job opportunities. The proportion of small and medium enterprises out of the total enterprises: 95%, the contribution to the labor force: 85%, the contribution to the gross domestic product: 55% and the expected growth rate in the next decade: 15%. (Palestinian Investment Fund, 2012)

Since the general strategy of the institution directs the institution in the long term, and achieving a competitive advantage in the market, is considered as a basic goal that the institution seeks to achieve (Ben Alieh, 2015), so we will study Michael Porter's model of the five competitive forces on the natural cosmetics sector in Palestine, which is an analytical framework for evaluating the business and markets strategies, and this tool is used to compare the business and markets environment, and evaluating the internal business environment with the external environment on its wider scale.

The planning method against business market risks and with the success of this model since it appeared in 1980 until this day in laying out competitive advantage (Dalken, 2014).

Economic and administrative experts and academics appeared who criticized the model and Michael Porter's ideas regarding competitive advantage, while others support it and add to his model and develop it during different periods of time. More recently, some have become skeptical of the ability of the Five Forces model to analyze competitive markets and build a competitive advantage. The diamond model and general strategies were criticized and questioned about the extent of their applicability nowadays (Ural, 2014). This is why this study was done, and Michael Porter's model was applied for the natural cosmetics sector in Palestine, and for small and medium projects. With a study case on the Hashlamoun Cosmetics Factory, and to know the model ability to study and analyze the market and its challenges, and its ability to build a competitive advantage for enterprises, and to know the criticism directed at it, and the opinions supporting it.

1.3 The purposes of the Study:

This study, which was conducted on investigating the extent to which the five forces model developed by Michael Porter can be applied to the natural cosmetics sector and build competitive advantage, aims to:

- 1. Shedding light on the concept of the competitive advantage of the sector and institutions and their types.
- 2. How to build a competitive advantage for the institution to develop its ability to compete in the market.
- 3. Presenting models for analyzing the markets and building the competitive advantage of institutions in the markets.
- 4. Presentation of criticism, review of the literature of Porter's model, its problems, strengths, and opinions supporting it.
- 5. Identify the extent of applying Porter's Five Forces model to the (natural) cosmetics sector, and to a small Palestinian company to build a competitive advantage, and the extent of its ability to analyze and evaluate it.

1.4 The Importance of the Study

- 1- Applied importance: This study will be a direct benefit to the owners of companies in the natural cosmetics sector in general, and the Hashlamoun Factory for Cosmetics in particular, for which the Palestinian sector and market were analyzed for them, analyzing the environment surrounding them, identifying the problems and challenges ,and the possibility of fixing them, and building a proper competitive advantage. And also indirectly to the rest of the sectors in Palestine by knowing how to analyze sectors and markets and build a competitive advantage.
- **2- Scientific importance**: the contribution of this study to scientific research on the extent to which Porter's model can be applied and evaluated, what are the criticisms and problems of Porter's model and ideas, what are its models and strategies, and the contribution to subsequent studies of literature and references on related topics, and the modification and updating of Porter's theories.

1.5 Study Questions:

The main question: (To what extent has the competitive advantage achieved – in the natural cosmetics sector - in light of the factors of Porter's model) Case study of the Hashlamon Beauty Factory - Palestine.

Sub-questions: Following what we have presented, some questions can be posed and formulated:

- 1. What is the concept of competitive advantage? What is its importance?
- 2. What are the sources for achieving a competitive advantage for the enterprise?
- 3. What are the models for market analysis and for building competitive advantage?
- 4. What is Porter's model? And what are the criticisms directed to it and the opinions supporting it?
- 5. To what extent is Porter's "Five Forces" model applied to assess the industry's attractiveness to the natural cosmetics sector, and to a small Palestinian company "Hashlamoun Cosmetics Factory" and build competitive advantage?

1.6 Study Methodology:

This study relies on the method of qualitative exploration of secondary sources to collect books and references related to the topic, and uses the descriptive analytical approach to collect primary and secondary data, and information related to the objectives of the study using the appropriate tools from interviews, questionnaire and observation, to collect primary data for sector analysis, analyzing the case study using statistical and analytical methods and tools.

1.7: Study Determinants

- Temporal determinants: the study extended over a period of time starting from 2018-2019.
- Spatial determinants: The geographical boundaries of the study are located in the West Bank Palestine.
- **Human determinants:** seeking assistance from (8) managers of companies in the sector and the employees of the company under study.

5.2 Topic two: recommendations, proposals and research prospects:

In this section, suggestions and recommendations will be mentioned based on the findings and conclusions that were previously mentioned, and prospects for research in order to expand and deepen its scope, to discuss problems for future issues.

5.2 First requirement: Recommendations and proposals:

5.2.1 The first branch: the short term:

In terms of administrative level:

- 1. The organizations in the Palestinian economy must pay more attention and focus on studying the environment in which they are active, in order to learn adaptation and choose the appropriate strategy.
- 2. Work to establish and consolidate the culture of excellence and creativity at all levels of economic institutions.
- 3. The researcher recommends Al-Hashlamoun Cosmetics Company to work on developing and renewing its strategy and adopting the new idea in the strategy as a strategy of superiority (hybrid) so that the cost leadership strategy is integrated with differentiation.
- 4. The researcher recommends the company to exploit the company's position in terms of being the first in its field and with the largest market share to make large economies of scale to purchase quantities of raw materials, obtain discounts, search for less expensive suppliers or access to sources of raw materials to reduce cost, reduce excess administrative expenses and optimize utilization of resources, so that the company can reach competitive prices, excellent and high quality.
- 5. The researcher recommends Al-Hashlamoun Cosmetics Company to create a new organizational structure, job planning and tasks.

> In terms of the productivity level:

- 1. The researcher recommends that the company continue to follow the policy of differentiation in the product through high-quality raw materials, and to use the latest advanced tools and machinery to reduce time, effort and problems, and to follow technology and information systems.
- 2. The researcher recommends that companies in the natural cosmetics sector work to develop their products, introduce new types and shapes, and use advanced and modern technology for production.
- 3. The researcher recommends cosmetic manufacturers to design automatic machines and equipments to save time and effort and produce faster.
- 4. The researcher recommends seeking assistance from experts to manufacture and develop their products and to conduct courses in universities to present new and creative ideas and formulas for the manufacture of natural cosmetic products.
- 5. The researcher recommends making natural, curative cosmetics with multiple benefits.

> In terms of marketing level:

1. The researcher recommends that companies operating in the sector or wanting to invest in it face the intensity of competition by using technology means, especially information, and using globalization and Internet (websites, social communication) to market and promote their products and reach every customer and every place to face direct and indirect competition.

- 2. The researcher recommends the company to use different marketing methods and strategies to enter new markets and create new and competitive products, especially the use of information technology and the Internet through the creation of a website for the company, and a page on social media sites for communication with suppliers and customers and promotion.
- 3. The researcher recommends the company to use the legal right to protect the trademark from forgery and prosecution, and to coordinate with the ministries of economy and health to solve this problem, and to create a website for the company and a page on social media to communicate with both parties, promote and renew existing products and produce new products.
- 4. The researcher recommends the natural cosmetics sector to make brochures and awareness and advisory courses about their products, their importance and benefits.
- 5. The researcher recommends the company to make gifts and prizes to traders and distributors when they achieve specific sales or to customers to motivate them.
- 6. The researcher recommends the company to place posters about the benefits and features of the product, and to be distributed through the product itself in the package or on the cover.

5.2.2 The Second Branch: Long Term:

- 1. The researcher recommends companies in the sector to establish a local exhibition for natural cosmetic products and to participate in international exhibitions to display and promote their products.
- 2. The researcher recommends the Hashlamon Cosmetics Company to allocate a place to establish a laboratory for tests and to conduct experiments on products to develop them and come up with new products.
- 3. The researcher recommends Al-Hashlamoun Cosmetics Company to adopt the idea of total quality management, reduce spoilage, arrange production activities and processes to save time and effort, and communicate between management and workers to solve problems, and reach the market quickly and on demand within the specified time.
- 4. The researcher recommends that companies in the natural cosmetics sector establish a committee to represent them to preserve their interests and rights in matters related to economics and law.
- 5. The researcher recommends that the governmental competent authorities pay attention to this sector, support it and develop it through financial support and financing, and organize workshops in partnership with the government sector to solve their problems and to develop the sector.
- 6. The researcher recommends companies in the natural cosmetics sector to make contact and exchange experiences and knowledge with companies in the Arab or foreign pharmaceutical and cosmetic sectors, to benefit from their experiences and expertise and to make comparisons with similar sectors of pharmaceutical or cosmetic products in Arab and foreign countries and to know errors and problems, solve them and develop for the better.
- 7. The researcher recommends that companies in the sector strive to obtain the IOS14000 special in the international quality standard for environmental management and improve the level of companies and work to achieve their requirements and to obtain quality certificates for products, whether by local standards or development to international to increase competitiveness.
- 8. The researcher recommends the company within the sector or companies that want to enter it to use modern models and analyze the private and general environment to find out the attractiveness of the sector and face any problems with modern strategies, information technology, globalization and the Internet to overcome the various factors.
- 9. The researcher recommends companies to use different and modern models, and in the case of using Porter models, they should be a starting point or a simple view of the surroundings, and other tools and models should be used alongside them to create complete information.
- 10. The researcher recommends using modern strategies such as the hybrid strategy or the blue ocean strategy to give the company a strong and different competitive advantage.
- 11. The researcher recommends Professor Porter, adjusting his strategies and models to make them suitable for the modern economy and variables, taking into account the modern forces of the Internet, globalization and free trade, adding factors to his models to suit the economy in developing countries and focusing on the role and influence of government on sectors.

5.3 The second requirement: Research prospects:

- 1- What are the forces or factors needed to improve and develop Porter's Five Forces model for sector analysis to fit with the modern economy and developing countries?
- 2- To what extent is the competitive advantage of organizations the technology sector achieved in light of Porter's factors.
- 3- To what extent is the five forces model applied to service sectors to build competitive advantage?
- 1- To what extent is the hybrid strategy applied to companies in industrial sectors and what are the necessary adjustments?

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