Teaching Note

BU MUZANAH STORE[1]

Synopsis and Highlights of the Case

The changes in quality originate in how it affects an organization's competitiveness, how it is defined, and how it is achieved. Industries go through phases in which one competitive factor or another dominates. It might be access to a patented product or process requiring special skills or a secret recipe in order to have the ability to produce at low cost, the capability to produce high quality, or the willingness and ability to provide superior service.[2] Many enterprises have enabled employees and other stakeholders to produce high quality goods and services that will sustain the market share and competitiveness.

Bapak Ahmad Zakki is one entrepreneur who sincerely assured his customers that they were consistently buying a top quality processed fish product from the store, and would never compromise product quality and safety in exchange for a mere faster product turnover. He kept the products' recipes as a family secret in order to protect the founders' legacy, uphold the products' originality, and ensure the products' distinct taste and freshness. He is always on the search for better and improved fish processing technologies. Extending the shelf-life has been a challenge despite advances in refrigeration.

Bapak Ahmad Zakki felt that his competitors were emphasizing more on the appearance and packaging of finished goods rather than on quality assurance. The short shelf-life of the finished product was a critical driver in maintaining quality and freshness, and was a constraint in exporting the product to Jakarta and other big cities in the Indonesian archipelago.

Expanding the geographic market in areas outside Gresik and Surabaya city would require a longer product shelf-life as the finished goods are transported. To prolong the shelf-life of its finished products, Bapak Ahmad Zakki is contemplating in pursuing the following:

1. Search for a fish processing technology that can extend the shelf-life of the finished products

   Post-processing and handling of fish have impacts on the shelf-life of the product and these include packaging techniques, storage condition, and marketing techniques. Packaging forms an important part of food processing because it facilitates handling during storage and distribution within the market chain. The distribution of fresh fish and processed fish products are largely by land transportation from the processing village to wholesale markets or to retail stores.

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[1] Maria Rochelle Divinagracia wrote the teaching note as an aid to instructors in the class discussion of the case Bu Muzanah Store. This teaching note must not be used in any manner that would prejudice the future use of the case.

[2] Farmer, John Haywood. 2008. Introductory Note on Operations Management (No. 9B08D006). London, Ontario: Richard Ivey School of Business. p.17.

Currently, the fish are smoked for 4-5 hours given the fish weight of four ounces each. The processed fish products of Bu Muzanah Store were then wrapped in wax paper and placed in color-coded boxes.

The smoking process is a traditional method of fish processing since alternative preservative methods such refrigeration is absent or minimal in fishing villages where the processing takes place. The variations in duration of smoking depend on the quantity and size of fish, and the level of oil present in the fish. Smaller fish takes lesser time than larger fish to be smoked. Also, the more oil present in the fish, the longer is the smoking duration.[3] The duration of smoking determines the shelf-life stability of the fish such that the longer the fish is smoked, the longer its shelf-life.

2. Establish stores that are closer to the customers

   About 60% of his sales were attributed to buyers from Surabaya city. To enable Bu Muzanah Store to serve these customers, Bapak Ahmad Zakki will establish a distribution outlet in Surabaya city. But in the next 3-5 years, additional distribution outlets are envisioned to be established in Jakarta, Bali, and other distant cities in Indonesia.

The case provided information on the genealogy of the family business, a list and description of the product offerings, customers of the processed fish products, factors of production, the production process, and an overview of the small- and medium-scale enterprises that highlighted fish processing activities and constraints in Indonesia.

The case would be a good initial discussion material on the concept of quality management as it is applied on the context of small food processing enterprises in developing economies. Quality can be viewed from a product-based approach wherein specific product attributes such as taste, product safety, and shelf-life must be ensured. Of these three attributes, taste and product safety were continuously pursued by the small family business owners.

- The product's original and distinct taste, and freshness had been secured using a secret recipe developed by the matriarch and founder.

- Product safety had been addressed under the strict inspection procedure of the current owner as the fresh fish were delivered to the production site. Moreover, strict sanitary conditions were enforced as the workers washed, cleaned, and sliced the fish until these were brought to the separator machine.

- Although the shelf-life was clearly marked in the packaging container, the use of refrigeration by the buyers of the finished products can extend the shelf-life of the

[3] Abolagba, O.J. and Nuntah J.N. 2011. 2011Processing and distribution of smoked *clarias* spp. in Benin City, Edo State. International Research Journal of Biotechnology. 2(9): 213-219.

finished product from 2 to 7 days. Shelf-life was regularly monitored by the sales team. However, shelf life is threatened by the risk of spoilage. This risk rises as the finished products were transported to places outside Gresik (e.g. Surabaya city) without the aid of refrigeration technology. Refrigerated containers that are capable of operating under freezing temperatures would require a minimum volume of shipment per delivery.

Course Use and Level

This case can be used both at the undergraduate and graduate levels in production and operations management (POM) class, and small business management class to discuss quality management and its relation with organizational practices, leadership and organizational commitment, and employee empowerment.

Research Method

This case was developed and written through a series of interviews with the current Chief Executive Officer and family business owner - Bapak Ahmad Zakki. Library research and site visits were likewise conducted.

Teaching Objectives

When used in a production and operations management (POM) class or a small business management class, this case seeks to enable students to:

1. Know the importance of SMEs as a driver in the growth of a local economy in a developing country;
2. Identify critical success factors in managing the production and operations aspects of an SME that is engaged in food processing using highly perishable ingredients and generating finished products with a short shelf life; and
3. Determine the relationship of quality management to achieving competitive advantage by a small family business.

Additional Readings

Damardjati Djoko Said. 1994. Food Processing in Indonesia: The Development of Small-Scale Industries. Bogor, Indonesia: Agency for Research and Development. 13 pages.

Lord, Montague, Rina Octaviani, and Edzard Ruehe. 2010. Indonesia's Trade Access to the European Union: Opportunities and Challenges. 186 pages.

Najib, Mukhamad and Akira Kiminami. 2011. Innovation, cooperation and business performance: Some evidence from Indonesian small food processing cluster. Journal of Agribusiness in Developing and Emerging Economies. 1(1): 75-96.

In-Class Activities

1. Company Videos

The case has two video clips, namely: (1) the Company's CEO; and (2) the Production Process. The primary theme of the first video is that the CEO, Bapak Ahmad Zakki, works hands-on to ensure the consistent quality of his processed fish products. His involvement commences from the procurement of fresh raw milkfish until the delivery of the processed fish products to his customers. He also stated the philosophy of his family business, his motivation to manage the business, challenges of the business, and growth strategies to sustain the gains of the business.

The second video clip shows the process of producing two processed fish products such as *Otak-Otak Bandeng* (or Spicy stuffed milkfish), and *Bandeng Bakar Tanpa Turi* (or grilled boneless milkfish).

Prior to showing the video clips, the instructor can define quality. The American Society for Quality defines quality as the totality of features and characteristics of a product or service that bears on its ability to satisfy stated or implied needs. The instructor can also ask the students to list their understanding on the dimensions of quality, and the implications of quality as these apply to food and fish processing production and distribution. These dimensions may include the product's features, compliance to specifications and standards, aesthetics, and reliability. Implications of quality involve company reputation in terms of perception of the product, supplier relations, and employment practices; product liability or risk; and the company's ability to compete.

2. Group Analysis

The instructor may instruct the students to assume the role of a business consultant who was engaged by Bapak Ahmad Zakki to provide professional advisory services. The terms of the engagement would include, among others, the generation of alternatives and the identification of the best alternative that will enable Bu Muzanah Store to deliver its finished products to other distant cities in Indonesia.

The students can be clustered in groups or teams to discuss the alternatives that Bu Muzanah Store can implement. The students may choose a representative to draft and present the analysis to the other students in the class. The analysis of one group may then be compared with the analysis from other groups. The instructor must facilitate the discussion to have a focused assessment of the case facts, issues, and alternatives.

After the class presentation, the instructor may explain significant implications of quality management. The framework[4] that can be used is shown below. Since quality management concentrates on processes, it is necessary to recognize the links between and among the

[4] Farmer, *op. cit.*, p. 36. .

suppliers, workers, and customers. Attention can be focused on the links between the activities of these players. This environment requires effective and frequent cooperation, and communication along the links.

Factors	Implications
Company goals	Serving customer needs by supplying goods and services of the highest possible quality
Individual goals	Individuals motivated by economic, social, and psychological goals relating to personal fulfillment and social acceptance
Time orientation	Focus on innovation and continual improvement
Coordination and control	Trustworthiness of the employees; expertise on their job; capability to coordinate on a voluntary basis
Role of information	Open and timely information flows
Firm boundaries	Supplier-customer relations

Time Allocation Plan

The case may be discussed within 90 minutes. Time allotted for each case-related activity is as follows:

Activity	Allotted Time
Video and Case Introduction	15 minutes
Case Presentation	30 minutes
Q & A	30 minutes
Integration	15 minutes

Study Questions (may be assigned before the class session)

1. What is the major entrepreneurial challenge of Bapak Ahmad Zakki (as owner and CEO) in growing the family business?
2. How does Bapak Ahmad Zakki view competition? What strategy is he currently pursuing to achieve competitive advantage?
3. What are the quality management issues that SMEs like Bu Muzanah Store face in the fish processing industry?
4. What other options can Bapak Ahmad Zakki do to prolong the short shelf-life of his finished products?
5. What assistance can large companies in Indonesia, by way of their CSR initiatives, provide to SMEs that are engaged in the fish processing business?

Class Discussion and Analysis

1. **What is the major entrepreneurial challenge of Bapak Ahmad Zakki (as owner and CEO) in growing the family business?**

Bapak Ahmad Zakki's commitment in growing the family business revolves around consistent quality assurance, freshness of the finished products, and prompt service delivery. Handling a perishable food product, and ensuring food safety are top concerns. Strict adherence to the secret recipe is not compromised. Extending the shelf-life has been a significant challenge despite advances in refrigeration. The short shelf-life of the finished product was a critical driver in maintaining quality and freshness, and was a constraint in exporting the product to Bali, Jakarta, and other big cities in the Indonesian archipelago. This challenge led to the CEO's consistent search for better and improved fish processing technologies.

While his mother was still active in the business, Bapak Ahmad Zakki had already demonstrated his passion on identifying creative ways of differentiating the service offering. This was evident in his own motorcycle service business as well as the in the processed fish products sold by his mother. He believed that service and product quality are best expressed to customers through an unadulterated product with appropriate packaging. He claimed that he operated the business with truthfulness, transparency, and honesty to his employees and to his customers. He assured his customers that they were consistently buying a top quality processed fish product from the store, and would not compromise product quality and safety in exchange for mere faster product turnover.

2. **How does Bapak Ahmad Zakki view competition? What strategy is he currently pursuing to achieve competitive advantage?**

The success of Bu Muzanah Store, as a family business, has attracted others to copy and emulate it. For example, competitors would monitor the store's product packaging improvements, and eventually adopt a similar packaging design. However, the owners kept the products' recipes as a family secret in order to protect the founders' legacy, upheld the products' originality, and ensured the products' distinct taste and freshness.

Bapak Ahmad Zakki welcomed new entrants. For him, healthy competition was a necessary element to stimulate small business growth. He openly shared his family's virtues of honesty, and stories of hard work and dedication in various business and trade opportunity events where he and his competitors were invited. These events provided small enterprises to showcase and introduce their processed food products to a wider market. They were also a source of new ideas and feedback from prospective buyers. Competitors from neighboring stores priced their products close to Bu Muzanah's store and were copying its packaging designs. Bapak Ahmad Zakki felt that his competitors were emphasizing more on finished goods appearance and packaging rather than on quality assurance.

By way of enhancing the competitiveness of his business and growing his network, Bapak Ahmad Zakki continued to receive invitations to participate in food and trade exhibitions. He was continuously in search of improvements in fish processing technology that can support his growing production needs, and expanding the distribution of his products in Jakarta, Bali, and subsequently, cities in other neighboring Southeast Asian countries. These exhibitions also enabled him to gain access to useful industry research information on small- and medium-scale enterprises in the fish processing sector.

3. What are the quality management issues that SMEs like Bu Muzanah Store, face in the fish processing industry?

Quality management issues that the students may present are quality assurance, quantity and availability of raw materials, product safety, perishability and shelf-life of the product, prompt service delivery, patented or exclusive secret recipe, employment empowerment, company goals, and the owner's goals.

Product attributes such as taste, product safety, and shelf-life must be ensured. Of these three attributes, taste and product safety were continuously pursued by the small family business owners. The product's original and distinct taste, and freshness had been secured using a secret recipe developed by the matriarch and founder. The owners kept the products' recipes a family secret in order to protect the founders' legacy, uphold the products' originality, and ensure the products' distinct taste and freshness. Product safety had been addressed under the strict inspection procedure of the current owner as the fresh fish were delivered to the production site. Moreover, strict sanitary conditions were enforced as the workers washed, cleaned, and sliced the fish until these were brought to the separator machine. Although the shelf-life was clearly marked in the packaging container, the use of refrigeration by the buyers of the finished products can extend the shelf-life of the finished product from 2 to 7 days.

Bapak Ahmad Zakki would address the concerns of his employees well, and was sensitive to their views and suggestions. He patiently listened to their difficulties at work, and tried hard to provide possible solutions. By instituting a culture of honesty toward his employees, they demonstrated loyalty and fostered a healthy relationship with him.

The subsequent purchase of a bigger three-wheeled vehicle from a government fund enabled Bapak Ahmad Zakki to facilitate on-time deliveries of the finished goods, and to deter threats of product spoilage.

4. What other options can Bapak Ahmad Zakki do to prolong the short shelf-life of his finished products?

Expanding the geographic market in areas outside Gresik and Surabaya city would require a longer product shelf-life as the finished goods are transported. To prolong the shelf-life of its finished products, Bapak Ahmad Zakki is contemplating in pursuing the following:

(a) Search for a fish processing technology that can extend the shelf-life of the finished products without the use of artificial ingredients and flavor enhancers.

One of Bapak Ahmad Zakki's products is *Bandeng Asap* or smoked milkfish. Smoking has some preservation effect on the product through the combined effects of drying and of bacteria-killing chemicals in the smoke. However, smoking cannot be used significantly to extend the shelf-life of the processed fish product.

(b) Establish stores that are closer to the customers

About 60% of his sales were attributed to buyers from Surabaya city. To enable Bu Muzanah Store to serve these customers, Bapak Ahmad Zakki will establish a distribution outlet in Surabaya city. Subsequently in the next 3-5 years, additional distribution outlets are envisioned to be established in Jakarta, Bali, and other distant cities in Indonesia.

The other options that Bapak Ahmad Zakki can pursue in order to address the short shelf-life of his finished fish products are improvements in storage and processing capacity together with innovations in refrigeration, food packaging, and fish processing equipment. These innovations can create a wider variety of higher value-added products in fresh, frozen, breaded, smoked or canned forms. These higher value-added activities require sophisticated production equipment, processing methods and, consequently, substantial capital investments.

5. What assistance can large companies in Indonesia, by way of their CSR initiatives, provide to SMEs that are engaged in the fish processing business?

Large companies in Indonesia can identify and award SMEs that have demonstrated product innovation. Awards can include cash prizes which the SMEs can use as leverage for a government loan. These loans can be used for acquisition of better technologies, expansion of facilities, or purchase of fish processing equipment/ delivery vehicles.

With an excellent performance on customer satisfaction and a growing reputation, Bapak Ahmad Zakki was selected to become a beneficiary partner of PT Petrokimia (Persero), an Indonesian petrochemical company involved in CSR activities. PT Petrokimia initiated the provision of societal support that was aimed at empowering and developing the socio-economic conditions of communities through small businesses. One of the benefits that the Bu Muzanah Store received from this partnership was a loan for the purchase of a freezer; and a three-wheeled vehicle for delivery of the finished products. Bapak Ahmad Zakki was also recently granted a government fund that was used for the subsequent purchase of a bigger three-wheeled vehicle to facilitate on-time deliveries of the finished goods, and to deter threats of product spoilage.

In 2011, his business was awarded by PT Semen Gresik (Persero) Tbk for its contribution to the local and national economy of Indonesia. He received a cash prize of ten million rupiah, a trophy, and a certificate.