

# **SMEs COMPETITIVENESS ANALYSIS IN THE GLOBAL ENVIRONMENT USING AN INTEGRATED SWOT-PORTER'S FIVE FORCES MODEL: A CASE STUDY OF AUSTRALIAN MANUFACTURING SMEs**

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## **ABSTRACT**

SMEs consist of around 90-99% of countries companies in the world. Their competitiveness is very important since they provide significant contribution to a country economy. SWOT and Porter's five force models are both companies' strategic position analysis tools which more often used to analyze SMEs competitiveness. SWOT model is used to evaluate the company internal and external condition while Porter's five forces model stresses the company evaluation more on the external condition. Each model has their advantages as well as their drawbacks. There are no literatures found so far which discuss the combination use of SWOT and Porter's five force model to analyze SMEs competitiveness. The authors try to integrate and combine both analysis models into a more comprehensive model by benefit each model advantages and overcome the drawbacks respectively. In addition, the analysis considers the trend of business competition changes of the current global business environment. In the end, a case study of Australian manufacturing SMEs in the global value chain network is conducted by using the integrated tool. The result shows that Australian SMEs both need financial support and information as well as a design of an appropriate model for their collaboration in the global value chain environment in order to be competitive in the global market.

**Keywords:** manufacturing SMEs, SWOT, Porter's five force model, competitiveness

## **1. INTRODUCTION**

SMEs cover the vast majority of the enterprises in the world. This condition is happened as well in Asia Pacific region. The proportion of SMEs of the total number of enterprises in the Asia Pacific region can be noted as more than 90% (Kotelnikov, 2007). Their roles are different depending on their country itself but they all give significant contribution to their local and domestic economy. SMEs are expected to be able to survive by using all of their capabilities and capacities. The SMEs survivability in terms of development and competitiveness is very important as this group of companies contribute significant values to a country economy. In the best interest of any country, maintaining the competitiveness of the SMEs sector is paramount (Kalpande, Gupta & Dandekar, 2010).

There are various approaches and tools used in the analysis of SMEs condition and competitive position relative to other companies. Two of the widely used approaches are SWOT and Five Forces model of Porter. These strategic planning frameworks are commonly used for

strategic planning initiatives. These frameworks help the SMEs to collect any information related to their position and challenges faced before making any business decision for development. SWOT is an acronym for strength, weakness, opportunities and threat. This tool is one of the techniques to analyze the internal and external condition of SMEs while five forces model of Porter is an approach focus on the external condition analysis of SMEs. The latter approach can help SMEs to understand the threats better by discussing more comprehensive the sources of horizontal and vertical competition.

The discussion of this paper in the next section will go this way. First, it discusses the SWOT analysis then followed by the discussion of Porter's five forces analysis. The advantages and disadvantages of the approaches are described and compared. Next is the analysis of the integrated tool which is the combination of SWOT and Porter's five forces model for analyzing the SMEs condition and their competitive position in the global value chain environment. Finally, by considering the current global competition, a case study of Australian manufacturing SMEs is conducted followed by the discussion of follow up action of the analysis result for SMEs competitiveness and survivability.

## 2. SWOT ANALYSIS

SWOT is an analysis tool commonly used to formulate a company strategy for development. It is a tool to analyze SMEs by reviewing companies as a whole in both internal and external condition (Amin, Razmi & Zhang, 2011). Internal analysis is represented by the terms Strength and Weaknesses and used to overview and identify company weaknesses and strengths in any area while external analysis is represented by the term Opportunities and Threat and used to investigate threats that challenge company for their survivability and opportunities which can be used by the companies for growth (Houben, Lenie & Vanhoof, 1999). Strength refers to the company's advantages in both internal and externally over others while weakness on the other hand refers to company's disadvantages in both internal and externally over others. Opportunity is element or part of company activity that can be exploited for company advantages. This company's opportunities must be identified in internal and external company. Threat is element or part of the environment that could cause some problems for the company. This threat must be identified for both current and future threat. Strength and opportunities must be maximized by benefiting opportunities over the threats and by transforming weaknesses into strengths (Amin, Razmi & Zhang, 2011).

There are many entities have used SWOT approach to analyze their internal and external condition to formulate their strategic plan. The use of SWOT for their analysis tool ranging from individuals refer to a group of entrepreneurs, organizations refer to an individual organization such as healthcare as well as profit and non profit organization, industries refer to a group of companies that provide a particular product or services such as maritime industry and information industries and even countries which refer to an individual country analysis or more than one country analysis (Helms & Nixon, 2010). In the four categories of SWOT tool users, organizations is the most frequently entity which use SWOT analysis for strategic planning by comparing and assessing their companies with other one or some companies but not with the entire group of companies in one industry (Helms & Nixon, 2010).

The use of SWOT approach as the most favourite company analysis tool is caused by many advantages offered by the tool. Among them are; it can be used to make decision regarding the company strategic plan formulation (Amin, Razmi & Zhang, 2011), it have been widely used by many range of entities to analyzed their current company condition, it can be used to get an understanding regarding the SWOT elements for the company and accordingly it could be used as

a basis to decide suitable actions (Houben, Lenie & Vanhoof, 1999) and it also can be used for internal company development in response to the current sector needs.

The chosen of the SWOT analysis as the most popular business analysis tool does not mean that it does not have any limitations. Despite the advantages, SWOT analysis tool also have some limitations that need to be carefully considered when using it which are; elements in the SWOT analysis are usually can be identified quickly without critical thought which could lead to oversimplification and misinterpretation (Helms & Nixon, 2010), SWOT analysis is sometime only used as a reason for reinforcing current company goals and objectives and put the organization's interest above all, inability of SWOT analysis element in identifying the real external threat factors (Helms and Nixon 2010), the quality of data from the source of information in the SWOT analysis cannot be guaranteed as participant could be from any part of the company which do not have necessarily knowledge on the SWOT elements, and some identified element in the SWOT analysis cannot be under control of management as it involved external decision maker such as local government etc.

The main purpose of the SWOT analysis is to locate company in the global market by reinforcing strength, eliminating weaknesses, exploiting opportunities and countering threat (Adendorff, Appels & Botha 2011). For the successful analysis, each identified factors in the SWOT must be made as clearly as possible and supported by reasons. It than verified, grouped and prioritized according to the level of importance relative to each company. The prioritized identified factors must then be analyzed in depth and consider the problems complexity. For the comprehensiveness of SWOT analysis, collaboration of the participants from internal company and external company such as customers can be developed which can result of a variety of contributions.

The most important factors in any strategic analysis after problem identification is the follow up action for implementation and problem solving (Hill & Westbrook, 1997). The identified list in the SWOT analysis must be used to overcome problems faced by the respective company and used it as well for company strategic decision for company development. In the follow up action which is company strategy formulation stage, the SMEs internal qualities or characteristics must be fitted to and capable of dealing with the fast changing external environment of the companies (Kalpande, Gupta & Dandekar, 2010), (Hill & Westbrook, 1997).

### **3. A PORTER'S FIVE FORCES MODEL**

Porter's five forces model is a well-known company analysis tool commonly used to analyze five external potential threats in which the business operate that could threaten company's competitiveness and survivability. These five external forces that shape competition within an industry are: the threat of new entrants, powerful supplier, powerful buyers/customers, the threat of substitute products offered and rivalry among existing companies (Porter, 1979). The threat of new entrants refers to the possibility of the existing firm current market may be eroded by the new competitor. Supplier can be powerful and dictated the current firm if a product supplied by the supplier is a unique product and there are not many suppliers which can supply the product. The dependency of the current firm on that supplier will be dominant and as a consequence, the current firm does not have enough bargaining position. Buyers or customers will have powerful bargaining position if they buy the products in large volume or if the products are not unique and can be replaced by substitute product (Salim, 2012). The threat of substitute products is refer to the ability of substitute product to replace the current firm product in terms of product function and need. While rivalry among existing companies, is refer to the competition among existing companies to provide the same products and services for the customer.

Beside SWOT, Porter's five forces model is one of the most favorite strategy analysis tool used by organizations. In fact, Porter's model is assessed by organization managers as the most valued strategy analysis tool used by the organizations (Jarzabkowski, Giuliatti & Oliveira, 2009). The reasons behind the popularity used of this tool because it enables companies to see through the complexity of external threats and determine the most critical factors which influence the company competition in its industry (Alam, Azim & Islam, 2010). It is a powerful model as well in dealing with challenges faced by industries and being the main guide for decision making by top management in terms of business strategy selection (Jaradat, Almomani & Bataineh 2013).

Despite its advantages, some critiques for the model have been addressed in the literatures. Their critiques are based on the applicability of the model in the current global business environment. In this global environment, doing collaboration and networking among companies in an industry become necessity for company competitiveness. Porter's five forces model does not provide element in their model which can accommodate this business trend. This can be understood as this model was established years ago when the competition at that time were still among business players personally. The model does not accommodate the current dynamic changes. It has some limitations in this current global environment as the model developed with the assumption of traditional perfect market. The model is good for analyzing simple market structure but find it difficult in analyzing a complex and dynamic industries where involved multi interrelation (Sultan, 2007).

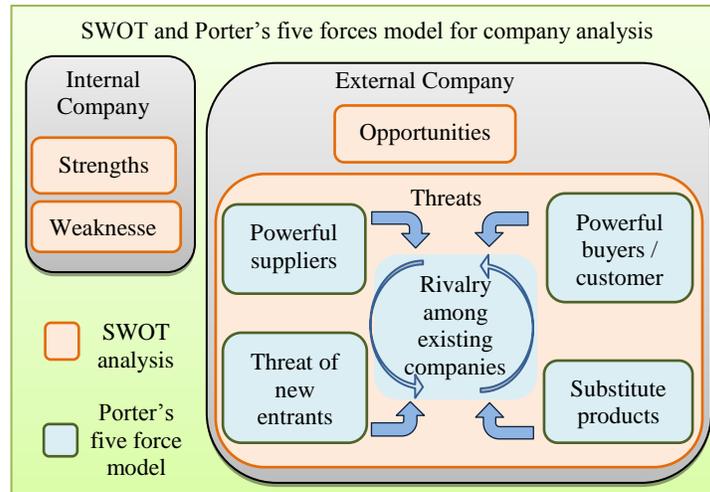
#### **4. SWOT AND PORTER'S FIVE FORCES MODEL**

SWOT have many advantages but it left many limitations as well for an organization or industry analysis. Among the disadvantages of SWOT analysis are inability of the tool to appropriately identify and analyse the external threats. Even though there is a threat element in the SWOT, but the discussion of threats in the SWOT is tend to be more general and do not touch the real external threats for company competitiveness. In the mean time, Porter's five forces analysis model is strong in the analysis of specific external threats for company competitiveness as it is the main focus of this tool but it lacks on the internal environment analysis. In order to overcome the external threats, company must identify their internal environment as well such as their current capabilities in terms of strength and their weakness. The correct interaction of company's management with its internal and external environment will determine its survivability and competitiveness (Houben, Lenie, and Vanhoof 1999). Company must maintain and increase their competitiveness using their own resources (Kraja & Osmani 2013). Companies must use their strength and overcome their weaknesses by effectively respond to companies internal and external opportunities and threats (Houben, Lenie, and Vanhoof 1999). By using these information, companies will have a comprehensive information regarding the next action for company survivability and competitiveness. So that the combination use of SWOT and Porter's five forces model will give a more comprehensive references for a company in order to make such an important strategic plan for the company future. The combination use of the tools for comprehensive company analysis is in line with the suggestion of some researchers (Helms & Nixon, 2010).

##### **4.1 Integration of SWOT and Porter's five forces model in this global environment**

Analyses of SMEs competitiveness must be based on their internal and external company condition. By doing so, the respective company can formulate strategy to locate and defend theirselves in the industry where they are compete against those external threats factors and internal self weaknesses by using their strength and opportunities. The combination of SWOT and Porter's

five forces analysis tools are completing each other. In the integration analysis, the root of competitive advantages in the internal company analysis which are strength and weakness are identified using elements of SWOT including opportunities in the external company analysis but unlike the common external threats analysis in the SWOT, Porter's five forces model is used for the company competitiveness threats analysis (see fig. 1).



**Figure 1.** Integration analysis of SWOT and Porter's five forces model

As the change of competitiveness trend in this global business environment, it has changed the competitiveness factors as well in any strategic business analysis tools including Porter's model. Some threats elements include in the strategic analysis have changed and they are transform into opportunities for a company while at the same time there are exist some new threats for company competitiveness. One of the new threat factor for current company competitiveness is the existence of collaborative network models. Currently, the competition among companies is not only between companies anymore but it has move into the competition between collaborative supply chain network. This supply chain network consists of participants who are dispersed globally in many countries and separated by distance and time. The trend of companies involved in a supply chain network is increasing as the tendency of a product to be manufactured and consumed in a single country is shrinking (Abonyi, 2005). No firm currently even with abundant resources can succeed alone. They must do their business in a network or otherwise they will die. This hard condition impelled organization especially SMEs to engage in a new form of collaboration, such as collaborative networks (Conradsen and Lystlund 2001). SMEs must form or get involved in a value chain network or otherwise they will not be able to deliver the right goods to the right place at the right time for the right price (Abonyi, 2005). By involved in a collaborative network, SMEs will be able to avoid the ups and downs of the world's activities, increase their competitiveness and increase their market niche and share (Caspari, 2003).

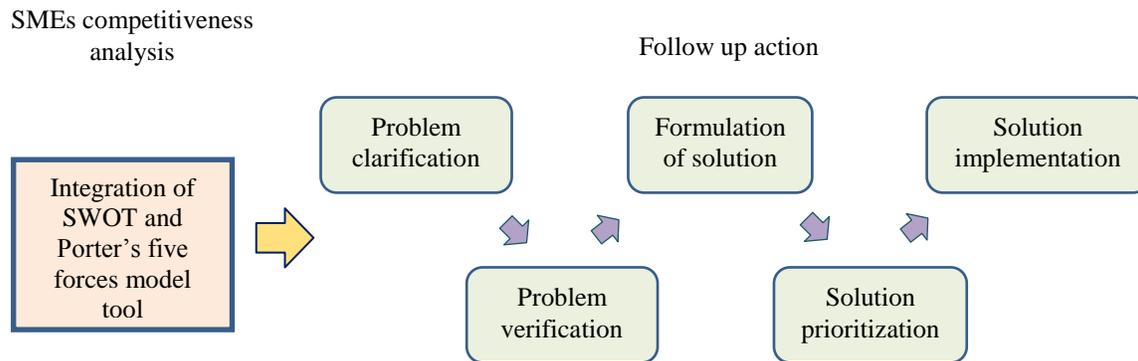
As a consequence of these competition trend changes, threats in the Porter's model have changed as well and this change include the change definition of the threats itself. The change of threat elements in the Porter's model can be described below.

- Threat of new entrants should and could be defined as threat of new collaboration and networking model.
- Threat of substitute product would be coming from a collaborative supply chain network product instead of from an individual company.

- Powerful supplier and powerful buyers/customers would become opportunities in the collaboration and networking era as the participants involved in a collaborative supply chain network could be consist of all participants involve in the production and distribution process of a product including suppliers and customers.
- Rivalry among existing companies should and could become opportunities as well instead of threat. This status is fully depend on the form of collaborative network model they are in.

#### 4.2 Follow up action after competitiveness elements analysis

The SMEs competitiveness analysis must not be stop on the competitive position identification using those tools but the more important factor after the competitive analysis is a subsequent action for implementation and problem solving. The subsequent action after problem identification is the problem clarification, verification and formulation of solution of verified problems to overcome the problems and this must be followed by solution implementation and problem solving (Adendorff C, Appels G & Botha B, 2011). In the formulation of solution, as there are many identified problems, there must be a solution prioritization based on the solution which gives significant impact to the SMEs competitive status (see fig. 2).



**Figure 2.** SMEs competitiveness analysis and follow up action diagram

### 5. CASE STUDY OF AUSTRALIAN MANUFACTURING SMEs COMPETITIVENESS ANALYSIS USING THE INTEGRATED TOOL

In Australia, Clarks et.al (2011) reported that SMEs consist of 99.7% of all industries which coming from agriculture, mining, manufacturing and service. They contribute around 58% to the Australian industry value and around 70% of the total employment. In manufacturing sector, around 62% of manufacturing employments are coming from SMEs with almost 50% of manufacturing value contribution. Hence, it is urgent for manufacturing SMEs to be competitive as they play a significant role for the Australian economy.

In order to be competitive, manufacturing SMEs must conduct a self-evaluation in their internal and external company. The analysis use the integration tool described above. The sources of SWOT and Porter's five forces analysis for Australian manufacturing SMEs are adapted from Clarks et.al (2011), Sensis e-Business Report (2013), Green & Roos (2012), and Lin (2008).

#### 5.1 Internal analysis

##### 5.1.1 Strength

- The average percentage of Australian SMEs using the internet access for business is around 93% (Sensis e-Business Report 2013)

- Their customer is vary and range from small, medium and large enterprises but most of their products are sell to the same SMEs and not more than 20% of their product is sell to LEs (Sensis e-Business Report 2013) and in order to get their customer loyalty, the Australian SMEs are keep staying close with their customer (Huang, Soutar & Brown, 2004).
- The productivity of the Australian manufacturing SMEs employment is increased and this is reflected by the increase output the companies which in turn have significant impact for the country economy including unit labour cost (Green & Roos, 2012).
- Manufacturing SMEs become part of the whole manufacturing sector for its roles in generating innovation and technological change, creating high skill jobs as well as reducing unemployment (Green & Roos, 2012).

### **5.1.2 Weakness**

- Internet only use for communication via email and other uses related with product information but leave it for their product promotion and advertisement (Sensis e-Business Report 2013).
- They lack of information on the potential benefit of internet use and lack of external intervention to help manufacturing SMEs in terms of clear information on the internet and computer issues (Sensis e-Business Report 2013).
- Even though SMEs expenditure for R&D aggregately is increasing significantly until 71% from 2005 to become \$12 M in 2012 but in terms of individual SME, they only spend a small amount of money for R&D (Sensis e-Business Report 2013)
- The main challenges for Australian manufacturing including manufacturing SMEs are lie on their difficulty to form collaboration with research institution as well as with their competitive cluster as they are lack of what is called “knowledge network” (Green & Roos, 2012).
- They are found to be poor in their innovation capability and tend to be domestic orientation instead of global orientation (Green & Roos, 2012).The latter was strengthen by the fact that their product market is mainly sells to the local community in the same city or town and to other city in the state as well as interstate and only small percentage of their product is exported overseas (<25%) (Sensis e-Business Report 2013)

## **5.2 External analysis**

### **5.2.1 Opportunities**

- The advantages for Australian manufacturing are lie on their opportunities for accessing resources projects and other primary industry. They are also supported in their procurement process and for developing their capability as product supplier in terms of global supply chain (Green & Roos, 2012).
- As the global market trend is tend to do collaboration network for product manufacturing and distribution, the Australian manufacturing SMEs are provided with the opportunities to do collaboration with public agencies, research and education institution. Their collaboration with these institutions will result in their ability to do collaboration and networking with other firms not only with Australian firms but more importantly with other firms around the world (Green & Roos, 2012). The survivability of the manufacturing SMEs depend on the how they should be connected each other in a collaborative network either with larger enterprise or among SMEs themselves (Shinawatra, 2001).
- Their global opportunities are supported as well by local government with the policy of tariff reduction and microeconomic reform. These policies enable them to change their manufacturing structure which in turn encourages them to increase their competitiveness and participation in the global market (Green & Roos, 2012)

- As the trend in the world for using renewable and alternative energy technologies, Australian manufacturing have plenty opportunities to be part of the changes and even become the leader for some part of the technology (Green & Roos, 2012)

### **5.2.2 Threat**

- Any products nowadays have been produced by some manufacturing companies and distributed by some servicing companies. This trend increases the interdependency among producing and servicing companies which operates in different countries in the world. This trend must be able to be caught especially by Australian manufacturing SMEs or otherwise it will ruin their competitiveness and survivability (Green & Roos, 2012)
- The key to survive is innovation which can cover not only in terms of technology but this could include organizational innovation such as new business models and system integration (Green & Roos, 2012). Australian manufacturing SMEs must be supported with the innovation agency as well as by research and educational institution.

#### **5.2.2.1 Threat of new entrants**

- Threat of new entrant consists of local new entrants and overseas entrants (Lin, 2008).
- The existence of local new entrants will create new competition for the current companies and this competition will be benefitted by customers as more of products variation are offered and produced by the companies (Lin, 2008).
- Local new entrants cannot be really regarded as a threat as there are some factors which protect the existing companies from the new entrants' products such as local government regulation for new comers as well as high initial investment for setting up the new business. Besides, the existing companies already have their infrastructure to maintain their specific market. So that in order to be competitive, the new entrant products must be unique and must be differentiated with the existing product (Lin, 2008).
- The real threat for the existing manufacturing SMEs are from overseas new entrants as they provides variety of products in large quantity and at cheaper price. Their ability to provide large volume of products at cheaper price is supported by their collaboration and networking with other companies around the world (Lin, 2008).
- This challenge local manufacturing SMEs ability to compete. They must take advantage of their shorter distribution time and their local networking as well as their ability to provide customised product for their customer. Further, local Australian manufacturing SMEs must be able to join and get involved in a collaboration network in order to benefit the variety of possibilities offered by the participants in the network (Lin, 2008).

#### **5.2.2.2 Bargaining power of suppliers**

- Australian manufacturing SMEs are strongly dependent on local suppliers and their decision to choose local suppliers is based on the consideration that the suppliers can shortens product delivery time (Lin, 2008).
- The strong dependency on local supplier has put manufacturer SMEs in a weak supplier bargaining position. This condition is strengthened by the restriction of SMEs financial to purchase large volume of products to get lower price besides their lack of ability to scan for alternative local suppliers and establish synergetic relationship with suppliers (Lin, 2008). But the global business environment offer Australian manufacturing SMEs to access global suppliers (Lin, 2008).

- The global supplier accessibility of Australian manufacturing SMEs which offer supply variations at a competitive price exerts pressure on local suppliers (Lin, 2008).
- This enable Australian manufacturer SMEs to have flexibility in determining the more suitable suppliers for their product. SMEs must establish close relationship with both local and international suppliers as each supplier offer their unique competitiveness. Australian manufacturing SMEs must take fully benefit of their uniqueness in order to achieve optimal business performance (Lin, 2008).

### **5.2.2.3 Bargaining power of customers**

- Australian manufacturing SMEs customers consists of local customers and large enterprises. In order to fulfil their customer highly vary demands, the manufacturing SMEs establish very close relationship with their specific customers to anticipate the changes of customer demands. This condition impact on their business output which following the customer trends as they are dictated by their customer. However, the Australian manufacturing SMEs are adaptable and flexible in delivering the demand customized products as their ability to reconfigure their manufacturing capabilities (Lin, 2008).
- The introduction of globalization in Australian SMEs have force them to change and reconfigure their strategies from local customer demand oriented to global customer oriented. At the same time, this globalization era has put some more power to local customers as they find more choices for their product demand from overseas suppliers.
- As the change of trend in the way of manufacturing SMEs run their business which is now in the collaboration network era to produce and distribute products to fulfil customer order, Australian manufacturing SMEs must follow the trend or otherwise they will not survive in the competition. But the complexity of collaboration network model has prevents them to get involved in a collaboration network and get fully benefit of it.
- New model for manufacturing SMEs collaboration network are critically needed to help them capture the global opportunities and ensure them to fulfil global customer order.

### **5.2.2.4 Threat of substitute products or services**

- The rapid changes of local customer demand and market trends have force manufacturing SMEs to continuously provide competitive products and services. The globalization era have worsened their situation as plenty of new products at lower prices are enter their market.
- Local customers bargaining power are increase as they has much greater choices, information and access but on the contrary, this reduces the manufacturing SMEs product bargaining position (Lin, 2008).
- Australian manufacturing SMEs cannot compete by their-self as the overseas products are produced together in a collaborative network so they can offer more competitive price against local manufacturing companies (Lin, 2008).
- As the tendency for production and distribution process now must be done collaboratively, so that in order to survive, manufacturing SMEs of Australia must also get involve in a collaborative network to enable them to deliver the right product to the right place at the right time for the right price.
- The involvement of Australian manufacturing SMEs in collaborative network will prevent them to ups and downs of the world activities, increase their competitiveness and increase their market niche and share as well, but the lack of financial resources and expertise as well as the lack of an appropriate model for SMEs collaboration has put them into troubles (Lin, 2008).

#### **5.2.2.5 Threat of rivalry among the existing companies within the industry**

- Customer parameters for product assessment are lower cost, higher quality, product differentiation, better customer services and extensive after sales services (Lin, 2008).
- Different companies are trying to fulfil all the parameters for their product competitiveness by conducting many strategies which influenced by their internal and external environment.
- As the current products are more complex and consist of many parts, individual company are unable to produce all the product parts by their self.
- This condition is supported by the tendency of manufacturers to be more focused and specialised in fewer business processes for a competitive market niche. As a consequence, the current manufacturer SMEs are no longer has all the required in-house supported process for producing and delivering customer order (Lin, 2008).
- In order to fulfil the customer orders, collaboration among companies which consist of any company who is able to produce one or more of the product parts are required.
- Collaboration network is very important nowadays as the competitive products establish in the Australian current market are the result of collaboration network among the competitor companies. The competitor collaboration take benefits of the vary characteristics of the participant companies. So they can provide and supply cheaper and high quality products at the right time.

#### **5.3 Follow up action**

The assessment of the analysis must be begun with the checking of the company's threats and weaknesses. Banham (2010) stated that the starting point of the assessment is from the external environment as it gives chances for companies to anticipate for the threats and formulate some plans for action. This plan must consider the challenges of the company's weaknesses as well. The list of problems and challenges for future action in the analysis can be summarized from the weakness and threats elements as follows:

- Lack of ability of Australian manufacturing SMEs to do collaboration with both local and international companies
- Lack of financial resources and expertise for collaboration
- Lack of appropriate model for Australian manufacturing to do collaboration
- New model for Australian manufacturing SMEs collaboration is needed
- Australian manufacturer SMEs must be supported with research and educational institution as well as local government.

Based on the information above, the main solution of the problems which based on the prioritization that give significant impact to the SMEs status is the need of the manufacturer SMEs for the support from some institutions including research and educational institution as well as from local government. These support can be conducted in terms of R&D financial and knowledge support. In detail, the knowledges support from these institution for SMEs are in the form of first, information sharing on the internet and computer issues, innovation information as well as information regarding the importance of global orientation for survivability and competitiveness and second, the design of new model of collaboration for helping the manufacturing SMEs to internationalize.

Financial support and information sharing can be easily conducted by the local government by doing some training regarding the needed information while the design of an appropriate model for SMEs collaboration need more effort from these institutions. The new model of collaboration must be designed by research and educational institution with the consideration of SMEs current capabilities and condition. The model must be easy, simple and flexible; it does not require an

investment or at least only require minimum expenses for getting involved in the collaboration, the model must be designed according to the characteristics of manufacturing SMEs, it does not require a complicated use of internet, the model must be designed for SMEs which support collaboration with both local and international participants and finally, the model must consider the companies' strengths and opportunities for maximum benefit of it.

## 6. CONCLUSION

The improvement of Australian manufacturing SMEs in the global value chain network is significant. Prior to the improvement process, the enterprises must position their self in the global network using strategic position analysis tools. This paper uses an integrated SWOT and Porter's five forces model to analyze the current condition of the enterprises. The combination use of these tools give a more complete references for the enterprises as it enable to analyze their internal and external condition comprehensively. This then followed by further action by prioritizing the solution to the problems based on which solution gives significant impact to the SMEs competitive status.

Based on the analysis using the integrated tool, it resulted in a conclusion that two main tasks for the supporting institution helping SMEs to be competitive and survive in this global business environment are financial support and information sharing as well as the design of an appropriate model for SMEs collaboration. The latter requires some researches which aim to reinforce the strengths as well as overcome the weakness of manufacturing SMEs in the presence of threat and opportunities of globalization challenges.

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