The Issues and Challenges of Diversification Strategy in Multiple Industries: The Case of Kental Bina Sdn. Bhd.

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ABSTRACT

A diversification strategy is one of the means to expand business among corporations, including Small and Medium Enterprises (SMEs). In Malaysia, many successful stories of SMEs' diversification strategies permit others to follow in their footstep. The success of the strategy allows businesses to develop not only locally but also venture into the international market. However, various issues and challenges could be associated with diversification strategy implementation particularly among SMEs within multiple industries involved. Therefore, this study aims to discover the issues and challenges faced by Kental Bina Sdn. Bhd., one of the steadily growing diversified businesses in Northern Peninsular Malaysia. This study employed a few rounds of one-on-one interviews with the business owner as the key informant to meet the study objective. The recorded interview sessions are then transcribed and analyzed using thematic analysis through the Nvivo12 software. From the policy viewpoint, this study sheds light on the development of entrepreneurial training programs. The training program conducted by the relevant ministries and government agencies, including the Ministry of Entrepreneur and Cooperatives Development (MECD), Majlis Amanah Rakyat (MARA), SME Corporation (SMECorp.), and Tekun Nasional (TEKUN), needs to be specifically designed to address the issues and challenges of business diversification particularly among SMEs. For practical implication, this study helps to offer important information and inputs among other businesses, particularly SMEs, on what to expect when starting their diversification planning and strategy.

Keywords: Diversification strategy, Small Medium Enterprises (SMEs), Issues and challenges, Entrepreneurial training, Dynamic Capability Theory (DCT).

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1. INTRODUCTION

Small Medium Enterprises (SMEs) are known as the driver for many economics including Malaysia. It is reported that SMEs dominate the number of establishments in the country, and over 90 percent of the business establishments are among these groups of businesses (Department of Statistics Malaysia, DOSM, 2017; Kamarudin et al. 2021b). Moreover, Kamarudin et al. (2021a) highlighted that the contribution made by SMEs in Malaysian's Gross Domestic Product (GDP) is significant and has kept increasing over the past years. Therefore, it is not surprising to see various efforts and money allocated by the government, particularly for the development of SMEs nationwide (Ali et al., 2018; Kamarudin, 2019; Murad et al., 2024).

As the businesses surge to grow and expand over the coming years, various tools and means are employed by entrepreneurs and that includes diversification strategy. Studies by Sohl et al. (2020) and Vogl (2018) posited that the diversification strategy in business is deemed one of the most effective strategies implemented for expansion purposes, and recently, it has gained growing popularity among business research scholars. While a study conducted by Chit and Rizov (2021) posited that diversification strategy is common not only among large corporations, but also started to be implemented by SME owners.

It is posited that business diversification strategies gained growing momentum among businesses where numerous research streams of business models have started to turn their attention to the aforementioned topic of firms that operate multiple business models at the same time (Sohl

et al., 2020). This is consistent with an early citation of Ansoff's (1957) study, which stated that an inclusive business model in which careful, structured plan and inclusive analysis are required to ensure a successful strategic management decision by an organization (or business) (Masood et al., 2024).

1.1 The Advantages and Disadvantages of Diversification Strategy

The diversification strategy is two-folded where it comes with potential advantages as well as disadvantages. On one side, the strategy could offer the business a new 'lifeline' after a struggling time (Vogl, 2018; Sohl et al., 2020; Schauerte et al., 2021). Vogl (2018) claimed that business diversification can be said as a strategic management within an organization, particularly when the business offers new products to their existing product categories or attempts to enter a new product market.

Also, a meaningful diversification strategy implemented by a business could potentially re-ignite a business and offer new possibilities for business (Schauerte et al., 2021). It is posited that a decisive product diversification strategy not only secures businesses' competitive advantage but also improves the performance of the business by tapping into different segments of the market (Ansoff, 1957; Schauerte et al., 2021).

A study by Putri and Pan (2022) posited that some potential advantages of a diversification strategy implemented by a business including increased financial leverage tax spread, improved credit ratings as well as decreased cost of loans for the business. From here, the business could be financially stable and easily expand the business both locally and abroad (Borah et al., 2018). On the other hand, a weak implementation in business diversification could negatively impact a business. The risk of competition and globalization can make things worse for businesses, particularly SMEs, as they are more fragile and lack agility or level of competitiveness in enduring them (Fontana & Musa, 2017; Kamarudin et al., 2023b). In the case of internalization diversification, for instance, the strategy could expose the business to a 'catastrophe' or failure with wrong or insufficient market analysis (Hosseini et al., 2018).

According to both Putri and Pan (2022) and Borah et al. (2018) studies, issues regarding organizational complexity and information asymmetry could happen when introducing such a strategy. It is mentioned that information asymmetry is relevantly occurs among high-technology businesses (Putri & Pan, 2022). Organizational complexity is involved when the tall and hierarchical structure of an organization becomes even more complex. Thus, various issues and challenges could arise from such complexity in terms of governance, decision-making, and business control (Borah et al., 2018).

In addition, a lack of business knowledge, skills, and capacity is one of the major contributing factors to SMEs' failure to implement diversification strategy (Vogl, 2018; Kamarudin et al., 2021a; Albalushi & Naqshbandi, 2022). Albalushi and Naqshbandi (2022) highlighted those internal issues such as lacking of human resource and management skills, marketing strategies as well as insufficiency of operation management could lead to a bigger failure, including issues in the businesses' diversification strategy.

1.2 Kental Bina Sdn. Bhd. (KBSB) in Insurance, Construction and Automotive Industry

Kental Bina Sdn. Bhd. (KBSB) is a diversified company owned by Mr. Ahmad Zamarul Bin Mohamad (Mr. Zamarul) as one of the Small Medium Enterprises (SMEs) operated in Malaysia; the company is categorized under medium-sized company based on SME Corp's definition of SMEs (Kamarudin et al., 2021b). This company is located in one of the states in Northern Peninsular Malaysia and has kick-started the business as a small insurance agency.

Looking at the business's owner attributes, it is reported that Mr. Zamarul's highest qualification is only at lower secondary school. The highest qualification attained is only at the junior high school level, which is the Secondary Lower Certification of Examination (LCE) (also known as Penilaian Menengah Rendah, PMR). However, this does not stop him from being a successful entrepreneur. In fact, Mr. Zamarul possesses various qualities and attributes of a successful entrepreneur, such as perseverance, opportunism in business recognition and exploitation, high commitment, calculated risk taker, and very disciplined. Thus, it is not surprising that Mr. Zamarul can be very successful in the businesses that he is involved in.

The establishment of the venture started with the formation of Kental Bina Enterprise (KBE) as a small start-up business in July 2000. KBE focuses on offering services for insurance agents and 'runner' service providers. The business started as an agent for a local insurance company with various range of products offered, including a comprehensive automobile package. Subsequently, the business expanded its portfolio in the insurance industry by holding several authorised agents of insurance companies in Malaysia and serving customers nationwide.

After that, KBE started its diversification strategy after looking for big opportunities to venture into the construction business and handle small-scale construction. Kental Bina has expanded to big-scale projects under Kental Bina Sdn. Bhd. (KBSB) which has been established with paid-up capital of RM 2,500,000.00. There are a few exemplary buildings under KBSB projects, including the premium Aesthetic Bluewave design of one of the State's utility companies as well as the headquarters of local authority both in the northern region.

In recent years, the company (KBSB) has made another significant footstep that drives the business even further via venturing into the automobile industry. In 2020, when many businesses struggled to sustain their operation, KBSB decided to diversify into the automotive dealership by becoming a national car manufacturer 4S dealer (Sales, Service, Spare Parts, and Stockyard). The business is an authorized distributor of the local car manufacturer's brand-new vehicles after the completion of business acquisition or taking over of once the largest dealers for local brand cars in Northern Peninsular Malaysia.

1.3 Problem Statement

Globally, the COVID-19 pandemic has severely hit the business landscape. In Malaysia, it is reported that the percentage of business closures among SMEs has risen beyond the 60 percent mark as per se (Rahman et al., 2016; Yusoff et al., 2018; Mustapha & Sorooshian, 2019). In addition, the latest report issued claimed that the percentage is even worse after the COVID-19 pandemic due to a lack of business resilience towards competition and any unforeseen circumstances (Mustapha & Mohamad, 2021; Sergi & Jaaffar, 2021).

There are various reasons contributing to the failure of SMEs in Malaysia. It is reported that among the failure were due to a lack in creativity and innovation capability which limits their potential and resilience to wind off the stiff competition in the market (Rahman, et al., 2016; Yusoff et al., 2018; Kamarudin et al., 2021a)Besides, issues pertaining to the lack of entrepreneurial knowledge and skills (Tehseen et al., 2019; Tang & Hussin, 2020; Kamarudin et al., 2021a), weak in business practices (Kader Ali & Perumal, 2016; Falahat et al., 2018) and also leadership incompetence (Griffin, 2012) that affect the performance and sustainability of the SMEs in the country.

From the perspective of a business diversification strategy, it is reported that the implementation of diversification strategy among SMEs is rather subdued. It is discussed that without properly planned and structured, the growth strategy of the business could lead towards the wrong direction and give negative impacts on the growth and sustainability of the business, both financially and non-financially (Ansoff, 1957; Patrisia & Dastgir, 2017; Li et al., 2021; Tashman et al., 2023).

From a non-financial perspective, a study conducted by Li et al. (2021) asserted that poor planning and implementation of corporate diversification could tarnish the business's reputation and mislead its' stakeholders, such as customers, employees, and even suppliers. Scholars also reportedly mentioned that a false diversification strategy could lead to various issues in businesses, including internal conflicts, agency problems, and information asymmetries that only derail the business forward (Schommer et al., 2019; Tashman et al., 2023).

Financially, a diversification strategy could have a negative impact on the performance of a business (Mehmood et al., 2019; Tashman et al., 2023). Tashman et al. (2023) posited that coordination and integration costs incurred in the diversification strategy including managerial, structural and organisational settings could negatively strain the business's cashflow. While discussing on financial structure of corporate firms, Mehmood et al.'s (2019) study highlighted that diversified firms required more debt financing compared to those non-diversified ones. Thus, should anything go sideways with the firm's diversification strategy, the business is financially exposed.

Therefore, it is viable to look into individual business strategies as a way out to improve the current situation among SMEs in Malaysia. As discussed, one of the survival strategies to be implemented in business is implementing a solid diversification strategy which could accelerate both the performance and longevity of the businesses (Vogl, 2018; Naradda Gamage et al., 2020; Hernita et al., 2021).

1.4 Research Questions

This study would like to answer the following research question;

RQ1 What are the issues and challenges faced by Kental Bina Sdn. Bhd. (KBSB) in the implementation of a business diversification strategy?

1.5 Research Objectives

This study embarks on the following research objective;

RO1 To explore the issues and challenges faced by Kental Bina Sdn. Bhd (KBSB) in the implementation of business diversification strategy.

1.6 Significance of the Research

There are few significances in carrying out this study, both from policy and practical viewpoint. From the policy perspective, the current training and development policy on SMEs emphasizes more on functional business areas such as financial literacy, digitalisation, technological adoption, and industry-specified (Ali et al., 2018; Toh, 2018; Kamarudin et al., 2021b). Other areas, specifically business growth or expansion models, namely diversification strategy, were given less attention despite the fact that their importance to the success of the SMEs (and large corporations) is widely known. Therefore, this study offers a significant connotation for the government to access its' current training and development policy on SMEs specifically over addressing the issues and challenges faced in embarking on their business in a diversification strategy.

In addition, this study offers some practical significance, particularly among SME entrepreneurs, to understand issues and challenges faced in planning and implementing

diversification strategies. Notably, the failure to address those issues and challenges in implementing a business diversification strategy could negatively impact the business survival (Ansoff, 1957; Li et al., 2021; Tashman et al., 2023). As a result, the inputs could shed the light for the entrepreneurs to be readied or prepared with a practical solution or coping strategy in order to breakthrough them and ensure a brighter future for the business.

2. LITERATURE REVIEW

This section entails various discussions on a business diversification strategy, specifically among SMEs, issues and challenges in the implementation, and its linkage to the performance of the business. Also, this section discusses the two main theories that underpin this study.

2.1 Business Diversification Strategy

Diversification strategy can be considered as a popular measure used by many businesses, including SMEs, in their business expansion. The expansion or growth of the business aimed is always associated with the continuity (or sustainability) of a business in the market (Hisrich et al., 2006; Hisrich, 2017). According to Vogl (2018), the strategy is defined as a form of reflective action done by business owners to improve, accelerate, and prolong their business sustainability in the market.

In most cases, the diversification strategy implemented by businesses (including SMEs) is the means for business growth (Oladimeji & Udosen, 2019; Kuratko, 2022). Kuratko (2022) claimed that diversification strategy is considered as a strategy used by the business to steadily expand in both domestic and global markets. While according to Oladimeji and Udosen (2019), diversification is a strategy and deemed as a catalyst for businesses' competitive advantage in facing stiff competition and volatile markets. Moreover, it is deemed as a survival strategy implemented by many businesses nowadays (Castaldi & Giarratana, 2018).

While in a different perspective, diversification is considered as an innovative and creative way of diversifying the growth of an economic unit by redistributing resources, expanding into new markets, and introducing new products and services in order to lower risks and boost income (Korinko, 2017; Chemirbayeva et al., 2020). To some extent, scholars described that the diversification strategy is a survival strategy implemented by businesses to counter globalization and stiff competition in the market (Hisrich, 2017; Hernita et al., 2021; Tashman et al., 2023).

From the perspective of business growth, past studies claimed that the diversification strategy works as a coping strategy in neutralizing current volatile competition and ever-changing market trends (Spence & Hamzaoui Essoussi, 2010; Vogl, 2018; Naradda Gamage et al., 2020; Hernita et al., 2021). Hernita et al. (2021) classified diversification as a counter-measure over business market uncertainties while Naradda Gamage et al. (2020) asserted that SMEs need to adopt the diversification strategy in their business as a survival strategy in order to cope with the current business landscape.

A study by Hernita et al. (2021) asserted that the efforts in strengthening SMEs position in the market could be done through the diversification strategy. It is added that such efforts need to be supported by government assistance, including i) the usage of eco-friendly technology for productivity improvement, ii) strengthening both the capability and capacity of SMEs' human resources, and iii) the injection of creativity and innovation, iv) recognizing target market (opportunities), and v) market analysis to know consumer tastes and expectations.

2.2 Type of Business Diversification Strategies

In explaining the strategy, studies like Hisrich et al. (2006) and Lin, Parlakturk, and Swaminathan (2014) posited that there are three (3) types of business diversification strategies that can be implemented in achieving sustainability. The aforementioned strategies are i) backward integration, ii) forward integration, and iii) horizontal integration. According to Hisrich et al. (2006), the first strategy, backward integration defined as a strategy taken by businesses by moving a step back (up) on the value-added chain in the direction of the raw materials. In this case, it is resulting in the businesses also becoming a distributor of their own raw materials. In other words, the business becomes its own supplier (Hisrich et al., 2006; Lin et al., 2014).

The second strategy, named forward integration, refers to an activity of taking a step forward (down) on the value-added chain toward the businesses' customers. This can be translated as that the business turned to be a finished goods wholesaler in the supply-chain hierarchy (Hisrich et al., 2006, p.362). In other words, the business becomes its own buyer. Hisrich et al. (2006) added that both strategies mentioned offer entrepreneurs with good opportunity to grow their business. The benefits can be seen in terms of expanding existing knowledge based compared to non-familiar territory tapped; effective transactions can be practiced as a result of being able to control the value chain; and lastly, learning opportunities that could lead towards new business ideas, products, or processes.

The third strategy in business diversification involves a different yet complementary to their existing business or value-added chain. For instance, a business that manufactures electrical appliances like televisions can dive into an accessories portfolio such as microphones or headphones. Importantly, the new product 'penetration' is

somehow related to the existing products; thus, the business like to have some point of competencies while offering learning opportunities in the process (Hisrich et al., 2006; Vogl, 2018).

Past studies have shown both positive and negative effects of the strategy, as proposed by Hisrich et al. (2006) and Lin et al. (2014). According to Crawford et al. (2018), the second category of forward integration is able to improve and significantly enhance businesses' efficiency in its operations. It is plausible through reducing marginalization as well as expanding carriage of channels. Reversely, it is posited that such a strategy could potentially undermine the welfare of respective stakeholders because of foreclosures and incentives to drive up competitors' prices.

From the marketing perspective of quality of product and efficiency, Li and Chen (2018) highlighted that a backward integration strategy always gives extra benefits to the business in terms of quality of products and operation efficiency. It is important to highlight that the study had a limitation in which the cost of the integration is controlled (or ignored) in examining the relationship between the integration strategy and quality and efficiency, which has a subsequent impact on the performance of the business (Li & Chen 2018).

2.3 Diversification and SMEs' Business Performance

Diversification is deemed as a means for businesses, regardless of size, either large or Small Medium Enterprises (SMEs), to gain a competitive advantage in the market. Oladimeji and Udosen (2019) posited that the strategy serves as a catalyst for businesses to achieve the creation of synergy in the market to face the current volatile and dynamic business environment. In fact, the diversification strategy has become a popular survival strategy implemented by many businesses to face the uncertainties in the business environment (Castaldi & Giarratana, 2018).

The diversification strategies, namely product diversification and geographical (or international) diversification, are the most popular strategies for business development (Benito-Osorio et al., 2020). In some cases, it is common to see a business simultaneously implementing both strategies as part of the business's corporate development (Chang et al., 2016; Benito-Osorio et al., 2020; Putri & Pan, 2022). Benito-Osorio et al. (2020) claimed that the immense advantages which the business could benefit from one another makes such combining approach is proposed.

From a macro perspective, a diversification strategy could affect a nation's economic development both positively and negatively (Borah et al., 2018; Putri & Pan, 2022). On one hand, Putri and Pan (2022) asserted that the potential advantages of a diversification strategy include improved credit ratings, increased financial leverage, decreased cost of loans, and increased tax spread. On the other hand, issues pertaining to information asymmetry and organisational complexity grow along with introducing such strategy. It is noted that information asymmetry is rather relevant particularly among the high-technology corporations in regards with their intangible assets in the specialized area (Borah et al., 2018; Putri & Pan, 2022).

Past literature reported a mixed result linking the efforts of diversification strategy and business performance. A study conducted by Putri and Pan (2022) revealed that geographical (or international) diversification strategy has a significant influence over performance of Taiwanese electronic manufacturers. Here, the businesses are efficiently exploiting their resources in terms of local competitive advantages to be used while exposing them to broader learning opportunities in the new markets (Putri & Pan, 2022).

However, a diversification strategy could unfavorably impact the performance of the business (Oh et al., 2015; Benito-Osorio et al., 2020; Putri & Pan, 2022). Interestingly, the result of Putri and Pan's (2022) study discovered that product diversification strategy had a negative relationship with the performance of the business. It is deduced that a significant amount of funds on research and development (R&D) as well as market analysis are instrumental in producing an innovative product that meets the demand of the market (Kadir & Shamsuddin, 2019). Otherwise, the diversification strategy is highly exposed to failure and negatively impacts the performance.

From past literature, it is highlighted that Hisrich et al.'s (2006) study has its own merit in influencing the performance of businesses, particularly SMEs (Ljubownikow & Ang, 2020; Li et al., 2021; Pinheiro et al., 2022). According to Li et al.'s (2021) study, it is interesting to note that while the attribution of knowledge deficiencies can be a nuisance, corporate-unrelated diversification acts as a buffer to maintain business value. Meanwhile, the significance of knowledge, expertise as well as the amount of risk influence the decision of businesses to engage either in a related or unrelated diversification strategy (Pinheiro et al., 2022). It is posited that businesses had to deal with a relatively smaller risk in related diversification compared to unrelated diversification. However, it is claimed that unrelated diversification carries its own significance in avoiding economic lock-in within the market and providing new opportunities for economic development in the long run (Ljubownikow & Ang, 2020).

2.4 The Underpinning Theory

There are two (2) main theories that underpin this study, which are resource-based view (RBV) and dynamic

capability theory. This is consistent with studies conducted by Tashman, Spadafora, and Wagner (2023) and Wang et al. (2020). Both studies posited that the exploitation of resources (knowledge, capacity, and strategic management) is beneficial to developing competitiveness for businesses.

The RBV theory suggests that businesses (or organisations) need to effectively exploit their resources effectively if they want to create a sustained competitive edge (Barney, 1991). It is explained that businesses could leverage all types of resources that they possess, either tangible or non-tangible. Resources like financial, technology, human capital, structure, strategy, knowledge, and skill are considered assets for the business in creating their own competitive advantage (Kamarudin et al., 2021a; Abaidah et al., 2024).

Nevertheless, RBV did not properly describe how the resources which in this case is the diversification strategy is developed and utilised in achieving favourable business performance and act as a competitive advantage. Therefore, this study will be underpinned by the dynamic capability theory to supplement this study. The dynamic capability is explained as the ability to dynamically combine and reconfigure resources to achieve a competitive edge in a changing environment (Teece et al., 1997).

In this theory, there are two (2) huge terms of 'dynamic' and 'capability'. Dynamic refers to the capacity to redevelop skills in response to changing environmental conditions, while capability means the process of adapting, integrating, and reconfiguring organisational resources both internal and external in response to a changing environment (Teece et al., 1997; Wang et al., 2020). In this study, the business (KBSB) employed a successful strategy in which focuses on the entrepreneurial attribute of the owners to excel in the strategy, subsequently resulting onto favourabl performance of the business.

3. METHODOLOGY

In this study, there are two (2) important sources of data collection methodology. The first one is an in-depth one-on-one interview as a mean to complete the project. It is claimed that an in-depth one-on-one interview is a suitable method to gain a deeper understanding of an individual's experiences as well as explore sensitive issues (Kamarudin et al., 2023a).

The interviews were conducted with the owner of Kental Bina Sdn. Bhd (KBSB), serves as the key informant in this research. The owner who has is responsible for any major decision made in the business is the best source of information (Marshall, 1996; Kadłubek et al., 2022). Kadlubek et al. (2022) added that the key informant has the widest knowledge about the organization's both decisional and operational activities particularly from the perspectives of the matters that the research is conducted. For the sake of thoroughness and the key informant's convenience, the data is gathered through face-to-face interviews. One-on-one in-depth interviews with the elements of phenomenology, which lasted around 40 to 80 minutes each, were employed to reach deeper into respondents' own lived stories and business experiences. Given the topic's sensitivity and the key informant's flexibility and convenience, the interview is conducted at the KBSB's office.

It is noteworthy to highlight that the interview was audio-recorded and the data were then transcribed and analyzed through six steps of thematic analysis by Braun et al. (2022). The analysis will be done using NVivo12 and spreadsheets. An inductive process of analysis will be utilized whereby the coding and themes are derived from the respondents' own words and views. The coding and theme generation were conducted iteratively by going through the data and video recording simultaneously.

Secondly, the source of data information is through content analysis whereby the examination of the company's financial performance is performed. Specifically, the examination is carried out in order to understand the real situation of the company's business. From there, a clearer view of how the business is doing, particularly on the implementation of the diversification strategy, either making a progressive profit every year or otherwise.

For that, the Suruhanjaya Syarikat Malaysia (SSM) database on the company which reveals the company's financial performance throughout the years of operation. The data is gathered through online and it is thoroughly reviewed to complement the data gathered from the interviews. Indeed, it is a reliable source of performance indicators as the company is responsible for reporting its financial performance annually.

4. FINDINGS

The findings of this study are categorized into three important themes which are, 1) the competition is real, 2) bad rumour really hurts and, 3) a different league game.

4.1 The Competition is Real

The business faces new challenges as it enters the automotive industry and competes in a new market. For the record, there are few 'big guns' dominating the automotive industry in the Northern side of Peninsular Malaysia. It can be exemplified not only in terms of their market share or sales performance but also extended to the region's automotive supply chain and spare parts. It is mentioned that;

"It was not an easy first year for us (KBSB) to build our business base, settling down as well as competing in the market steadily and healthily. This is because, the presence of strong competition is really existed particularly from the key players within this state's automotive industry. Both local car dealers as well as imported ones gave us an unneccesary pressure to kick start our business. The dealers' brand name such as Lai Mee Motors and Northern Aspiration Automobile (NAA) are among the top local car-manufacturer dealers around while other imported car brands added up to such difficult situation for us to breath."

Mr. Zamarul then quoted as saying;

"As some of these dealers were around for quite some times, they have the advantages of the automotive 'eco-system' in terms of spare parts, supply chain, and even sales and marketing. For instance, our business would have to wait for particular spare parts to be delivered from the car maker's authorised spare part dealers, but that was not the case for the other established dealers (i.e, Lai Mee Motors and NAA) as they know where to quickly find those parts. So...., that was a challenge for us too that time."

4.2 Bad Rumour Really Hurts

As the business's acquisition (or takeover) process from the previous dealer of Ampang Jejari Auto Sdn. Bhd. completed; the business dealt with another significant setback. Unfortunately, KBSB has to start the automotive business with a reputation that is less impressive inherited from the previous dealer. That caused some difficulties to the business in terms of attracting new customers as well as retaining existing ones. It is said that;

"At the early stage after the business take over completed (dealership of local manufacturer car), it was a tough time because rumours has spreaded about the business (which refers to the previous management) is going to collapse. Customers were reluctant to come by to our sales and service centre for viewing or other services offered by the business."

4.3 A Different League Game

From the perspective of the construction business, at some points, KBSB found it tough particularly to win or be awarded with big or mega projects from the government tenders available. This is happening as the business started to expand from lower class contractor of G1 (formerly known as Class F) to Class A. Mr. Zamarul and his management team were puzzled that even with a stellar reputation of completing each and every project well-ahead the of schedule, it still seems impossible to run the business comfortably.

"I still remember when we started as a Class F (G1) contractor, we were doing just fine and managed to complete all the projects within the time given. From there (after few years), we believed that we have enough capacity to handle bigger projects or even mega projects. Unfortunately, every time we went for open tender application (for government's project), often we missed out. It was very frustrating to get such dissapointing result."

Mr. Zamarul then further his statement,

"After post-mortem with our management and marketing team, we realized that we lack in the key aspect of our public relations and networking really matters in securing the tenders bid. It is considered an (intrinsic) art in doing the business. In most of the cases, all the other bidders are well-known and reputable businesses, the aspect of public relation gives you extra advantage."

5. DISCUSSION AND CONCLUSION

The findings revealed that a diversification strategy could prove significantly challenging even for an established company like KBSB. This is consistent with what has been discussed by scholars that diversification could prove problematic and negatively impact businesses, even leading to the failure of the business (Ansoff, 1957; Oh et al., 2015; Borah et al., 2018; Benito-Osorio et al., 2020; Putri & Pan, 2022).

KBSB is a company with more than 20 years of experience in business, found it tough to steadily run and grow its' diversified businesses (construction and automotive) at different point of stages. Competition is one of the major obstacles to be faced by SMEs in Malaysia (Rahman et al., 2016; Sergi & Jaaffar, 2021; Kamarudin et al., 2023b) including KBSB. While the current business's competition

is impeding, KBSB has to deal with fresh competition from the diversified businesses that they are involved in.

In fact, such competition, particularly from a few major players in the industry, makes it even harder for the business among SMEs to settle down and advance. From the market share perspective, it is said that the automotive business market in northern Peninsular Malaysia is dominated by a few particular businesses. They are the key businesses which not only leading in terms of sales but also the supply chain of automotive spare parts, which give them extra leverage in terms of their competitive advantages in the market (Barney, 1991; Kamarudin et al, 2021a). As a result, other businesses, including KBSB, found it difficult to compete, and necessary support, especially for new businesses in the market, is rather necessary for their survival.

Another significant challenge faced by KBSB is managing its business reputation. The reputation of a business is an important factor to be considered by businesses, particularly among SMEs, and it is categorized as the non-financial performance of a business (Mokhber et al., 2017; Kamarudin et al., 2021b). The acquisition of the dealership from the previous concession had some repercussions for KBSB in terms of gaining customers' trust. This is due to the fact that rumors are spread about unfavorable businesses dealing with the previous business. Therefore, the challenges to maintain a good reputation for the business, particularly at the early stage of the diversified business, are imminent and have to be properly dealt with.

Scholars highlighted the importance of corporate or business reputation as an intangible asset for a business or an organization (Baruah & Panda, 2020). It is reported that reputation is significant for mutual trust, reducing any risks and conflicts as well as controlling the risks of the relationships with the stakeholders (Franco & Haase, 2021). A good business reputation could be enhanced through various approaches, including good customer relationship management (CRM), which could be applied by the KBSB in dealing with in-hand issues.

Also, it is expected that the ways of conducting business across industries are different. It is understood that the nature of the individual industries is in terms of practices, marketing, operation, and even customer relationships (Rahimi, 2017; Chou, 2021). As a result, different sets of business practices are aimed or focused. According to Rahimi (2017), the implementation of CRM within the hotel industry could be different with other industries, which is worth investigating.

In view of KBSB's business operation, different sets of art or practices in a specific business nature, for instance, mega construction projects or tenders, could be seen as a limitation for the business to grow. This is consistent with a study conducted by Usman et al. (2018) whereby it is indicated that the business practice of open innovation is entirely different from one to another. Therefore, some adjustments need to be done to ensure the smooth flow of the business particularly the strategy to win the government's mega projects or tenders. The same case applies to the other KBSB diversified business in the automotive industry (dealership) where the business should anticipate the differences. The involvement of KBSB in an unrelated category of business could pose significant threat or unfamiliarity to the business. However, a comprehensive market research prior to the operation could be an important remedy and deemed as the best weapon to ease the struggle for the business (Ansoff, 1957; Benito-Osorio et al., 2020).

In conclusion, those challenges, whether internal or external, should be carefully and deliberately dealt with to ensure a positive impact on the business (Vogl, 2018; Putri & Pan, 2022). Proactive actions by the business, particularly SMEs, to face the aforementioned issues could determine the growth of the business moving forward, either positively or otherwise (Ansoff, 1957; Borah et al., 2018).

5.1 Suggestion for Future Research

From this piece of research, it is recommended for other researchers in the field to look into the solutions imposed or implemented by businesses, particularly among SMEs, in their diversification strategy. The solutions that are practical and viable could be seen as a way forward for other businesses to follow in the right footsteps toward positive business expansion. Indeed, it could offer various implications positively from the policy, practical as well as theoretical perspectives.

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