A CASE STUDY OF STRATEGY IMPLEMENTATION
AT A MAJOR EASTERN CAPE COMPONENT SUPPLIER
COMPANY IN THE AUTOMOTIVE INDUSTRY

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By

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February 2009
DECLARATION

I, Gwyneth Puseletso Koyana, hereby declare that this research thesis is my own original work, that all reference sources have been accurately reported and acknowledged, and that this document has not previously, in its entirety or in part, been submitted to any University in order to obtain an academic qualification.

Gwyneth Puseletso Koyana

February 2009
ABSTRACT

A review of the literature on strategy implementation reveals that there is limited knowledge on how strategies should be implemented. This thesis focuses on a case study of strategy implementation at a major Eastern Cape component supplier company in the automotive industry, for purposes of establishing how the company implemented its strategies to become one of the best cost leaders in the manufacture of automotive pressed metal body components in South Africa.

Data collated from the company is analysed and discussed with a resultant description of how the research participants understood the process of strategy implementation within the research company during the period January 2006 to December 2007. Interviews were undertaken within the levels of top management, middle management and the operational employees. Interpretations were made of the constructs made by the research participants in their understanding of how the research company implemented its strategy to become one of the best cost leaders in the manufacture of automotive pressed metal body components. It transpired from the findings of the research that the research company manufactured 70% of its products for one major client. During the manufacture of its products, the research company had to conform to the quality standards required by the main client. The main client was therefore offered the desired service at the best price. The strategy of the research company was to strive to be one of the best cost leaders in the manufacture of its products. It sought to do this by producing high quality products.

Analysis is made of the strategic content, strategic context, operational processes and outcomes for the research company after the implementation of its strategy. It emerges in the case study that the strategy implementation factors cannot be considered separately in linear models but holistically, since one implementation factor may influence the others, resulting in a context and process based approach.
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These words served as my anchor throughout these gruelling three years, to help me maintain focus and achieve the desired goals.
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CHAPTER 1: INTRODUCTION

1.1 Background

The sustainable survival of a business is difficult to achieve without the ability to implement effective strategies for dynamic business environments (Hitt, Ireland and Hoskisson (2005). The researcher has found it curious to know how leaders of organizations should strive to implement strategies that are necessary to achieve desired outcomes. Companies do not find difficulty with formulation of a strategy, the difficulty comes with implementation as it is not easy to implement a strategy (Sterling 2003). As a result Sterling (2003) states that a study that was undertaken showed that only 30% of strategies are properly implemented by companies and this obviously needs improvement. The research company has availed itself to the Rhodes Investec Business School for an MBA final year student who wishes to do research to further the knowledge on how strategies can be implemented.

The researcher therefore took this opportunity to undertake research to interpret how the research company implemented its strategy to be one of the best cost leaders in the manufacture of automotive pressed metal body components during the period January 2006 to December 2007.

1.2 Research aim and objectives

The research aim is to determine: “How the research company implemented its strategy to be one of the best cost leaders in the manufacture of automotive pressed body components during the period January 2006 to December 2007. The research objectives are:

(1) To describe the strategic content of the research company
(2) To describe the strategic context of the research company.
(3) To describe the operational process within the research company.
(4) To describe the outcomes of the strategies implemented within the research company.
1.3 Methodology

A holistic case study has been used for this research because it affords the researcher a unique opportunity to interpret the understanding of the research participants of how the research company implemented its strategy to be one of the best cost leaders in the manufacture of automotive pressed metal body components during the period, January 2006 to December 2007.

The case study is an ideal research method to use in that the research seeks answers to “how” and “why” questions in order to obtain an understanding of the practice and experience at the company regarding its strategy implementation. (Gray 2004). An empirical inquiry is made to interpret the occurrence of events at the company within a real-life context of strategy implementation.

The research participants comprise: the three directors of the company to illustrate the top management perspective on implementation, four middle managers with two supervisors to illustrate the implementation directives and two operational employees to illustrate the actual implementation of the strategy.

Interviews were conducted with the research participants and documents were collected for analysis, with the aim of realising the research goal.

The research is located within the interpretive paradigm with a focus to obtain an understanding of the subjectivity of human experience to describe the strategy implementation process at the company.

The in-depth description will capture the actions as they occur in contexts that are understandable to the actors themselves in order to stay true to the meanings of the actors (Babbie and Mouton 2006:272). The research will thus give a true reflection of the occurrence of events as understood by the individuals to constitute the implementation of the strategy at the company.
In analysing the data and presenting the findings, I have sought to interpret the process according to the voices of the participants, thus giving support to my chosen paradigm.

1.4 The research company

The research company is a proprietary limited company that manufactures and supplies pressed metal body components to the local original equipment manufacturers (OEMs) for assembling of vehicles. It is owned by two non-executive and four executive directors and operates in a business-to-business (B2B) market. It was established in 1983 and has been a contracted supplier of major body component panels to most local automotive manufacturers (OEMs), serving the local industry and for export purposes. The current shareholders took control in 1989 after a Management Buy-Out.

1.4.1 Crafting the strategy implementation process

On 11 February 2006, the research company, with the assistance of an external consultant embarked on a strategy planning process for the future implementation of strategies that would enhance sustainable growth. A SWOT analysis was undertaken and several realizations about the company’s business operations were made. Management discovered that there was a need to focus on the reduction of the cost of scrap. It was found that a strong focus on people development was needed in the form of training and development, standardisation of the quality system requirements by the company’s main client and alignment of these strategies with the company’s performance management system. The people management strategies requiring strong focus included improvement of communication channels between management and employees and motivation of employees towards delivering to their best potential.
The initial strategic planning session led to recommendations for the future in respect of scheduling and effecting further strategic planning sessions to formulate clear vision and mission statements. Subsequently specific goals were developed for each department in line with the formulated vision and mission statements. The result was that the consultant assisted the company with training workshops to improve on the cost reduction efforts and on operational efficiency. The educational (Adult Basic Education and Training) ABET course assisted the employees to read the visual instructions on the shop floor and to carry them out efficiently. The employees also received training on the main client’s quality standards.

Exactly a year thereafter, on 26 February 2007, the consultant reported on progress made in respect of Training and Development, the Performance Management System and the Quality system requirements of the company’s main client. The implementation strategies employed in this regard are discussed in Chapter 4.

1.4.2 Holistic Training and development

The consultant did a tremendous amount of work with the company during the period from 2006 to 2007, literally guiding the company towards achievement of the desired outcomes. Strategic departmental planning sessions were completed with documented outcomes on external environment analysis, crafting of vision and mission statements, crafting of core values and setting of strategic objectives. The consultant also undertook management training modules on time and self management, conflict management, coaching and motivation and performance management training. Training was completed on supervisory training, on basic communication and interpersonal skills, team work and continuous improvement. The company was assisted with training development policies and procedures in alignment with an official organization called Manufacturing, Engineering and Related Services Seta (Merseta) and the main client’s Quality System Requirements. In order to achieve the
outcomes required, the consultant assisted the company to design a performance management system in line with the strategic objectives.

1.5 Thesis outline

This study is made up of six chapters. In Chapter 2, the researcher presents a literature review on strategy implementation to examine how the holistic approach of strategy implementation should be carried out in order, to effectively succeed with the implementation. This will be elucidated through developing an understanding on what strategy implementation factors can work together under the four components of strategic context, strategic content, process and outcomes, to foster effective strategy implementation. In Chapter 3, the researcher discusses the research methodology adopted and outlines the goals of the research and the research paradigm in detail. The researcher explains why the case study method has been chosen. The researcher also outlines the research participants, the data gathering tools, the methods of analysis, ethical considerations and the potential limitations of the research.

In Chapter 4, I analyse the data collected by arranging it in themes and sub-themes. In doing so I reflect a picture of how the participants have understood their roles in the original setting of the strategy implementation process of the company and a description of my understanding of the process. In Chapter 5, I present a discussion of the findings of my research. I also develop an understanding of the interviews with the research participants based on the literature and the themes set out in Chapter 4. Insights are critically evaluated in order to give meaning to the findings and to address the research questions. In the concluding chapter, I summarise the main findings of the research and I examine the potential value of my case study by detailing recommendations for strategy implementation in general and setting out possible recommendations for further research on strategy implementation.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Organizations have relatively found it manageable to formulate strategic plans. By reference to existing literature, this chapter provides an outline of the evolution of strategy and the dynamic approach of strategy formulation and implementation. An outline is given of the two broad schools of thought on strategy namely the resource based view model and the industrial organization model. The concepts of deliberate and emergent strategies are described. This is followed by a discussion of various theories on strategy implementation including the holistic approach taken by the strategy implementation framework of Okumus (2003) and the reasons why it is chosen as the preferred framework.

2.2 Definitions

The various definitions for strategy focus on describing the term on the basis of resources and opportunities or on environment. (Feurer and Chaharbaghi 1995). As a result of the various definitions, there exists a wide range of conceptual frameworks for the formulation and implementation of strategies (Feurer and Chaharbaghi 1995). Three definitions of strategy will now be explored in order to lay a foundation on the meaning of the concept: “strategy”.

2.2.1 Johnson and Scholes (2002:10) embrace both the resources and environment criteria by describing strategy as, “The direction and scope of an organization over the long term which achieves advantage for the organization through its configuration of resources within a changing environment, to meet the needs of markets and to fulfill stakeholder expectations”. Johnson and Scholes (2002) further state that strategy exists at three different levels in an organisation namely: corporate strategy, business unit strategy or strategic business unit.
2.2.2 Thompson, Strickland and Gamble (2005:3) offer an all embracing definition of strategy as, “Management’s action plan for running the business and conducting operations. Thompson et al (2005:3) further explain that,

“A company’s strategy is all about how- how management intends to grow the business, how it will build a loyal clientele and out-compete rivals, how each functional piece of the business will be operated and how performance will be boosted”.

2.2.3 Louw and Venter (2006:12) state, that “The concept strategy derives from the Greek word “strategos” associated with the military and the art of leading the army”. However, the concept gained prominence in business and Louw and Venter (2006) defined strategy as “The overall scheme for leveraging resources to obtain a competitive advantage.

Louw and Venter (2006) define the three levels of strategy by stating that:

Corporate level strategy – is concerned with the overall purpose and scope of an organization,

Business level strategy – is concerned with how the organization competes and attains a competitive advantage in each area of business either as low cost producer, differentiator or focus.

Functional level strategy – is concerned with implementing business strategies through the functional areas such as marketing, human relations, production, information systems and finance.

The definitions of strategy are not limited to the categories outlined above. These definitions were introduced in order to illustrate that no matter what definition is given, the commonality between them is that they aim at maximizing the performance of an organization by improving its position in relation to other organizations operating in the same competitive environment.
There are two broad schools of thought in respect of strategy namely: the resource-based view and the industrial organization model, which will be described below.

2.3 Resource-based view model and industrial organization model

Hitt, Ireland and Hoskisson (2005) state that the resource based view model and the industrial organization model are used by organizations to generate the strategic inputs needed to successfully formulate and implement strategies and to maintain strategic flexibility.

2.3.1 Resource-based view model

Proponents of the resource-based view argue that it is not the environment but the resources of the organization, which form the foundation of the firm’s strategy (Feurer and Chaharbaghi 1995). The origins of the resource-based view can be traced back to several authors but Wernerfelt (1984) defined its fundamental principle by stating that, “The basis of a competitive advantage of an organization lies in the application of the bundle of valuable resources at the organization’s disposal”. Barney (1991) then wrote articles on the subject and stated that, “To achieve a competitive advantage the resources should be heterogeneous and not perfectly mobile”. The resources also have to fulfil the VRIN criteria of being valuable, rare, in-imitable and non substitutable in order to achieve a sustainable advantage. (Barney 1991).

However this theory of Barney (1991) received the criticism that these criteria are individually necessary but are not sufficient conditions for a sustained competitive advantage (Dierickx and Cool 1989; Priem and Butler 2001). Further criticism made was that it is perhaps difficult to find a resource which satisfies all of Barney’s VRIN criterion and it ignores external factors including Porter’s Industry Structure analysis (Priem and Butler 2001a). Dierickx and Cool (1989) also argued that purchasable assets cannot be sources of sustained competitive advantage as they can
be purchased by competitors as well. (Hoopes, Madsen and Walker (2003) argue that the concept ‘rare’ is obsolete because if the other criteria: valuable, inimitable and non-substitutability exist, then they make the resource rare anyway.

Hitt et al (2005:19) describe resources in terms of three categories: “physical, human and organizational capital which include capital equipment, the skills of individual employees, patents, finances and talented managers”. The resource alone may not form a competitive advantage but when the set of resources perform tasks in an integrative manner then they form the organization’s capability (Hitt et al 2005). According to Hitt et al (2005) an organization’s unique resources and capabilities provide the basis for a strategy. The resource based model of above-average returns is illustrated by Figure 2 below:
1. Identify the organization’s resources. Study its strengths and weaknesses Compared with those of competitors.

2. Determine the organization’s capabilities. What do the capabilities allow the organization to do better than its competitors.

3. Determine the potential of the firm’s resources and capabilities in terms of a competitive advantage.

4. Locate an attractive industry.

5. Select a strategy that best allows the organization to utilize its resources and capabilities relative to opportunities in the external environment.

Source: adapted from Hitt et al (2005:20)
Hitt et al (2005) note that resources and capabilities become core competencies which in turn serve as competitive advantage for an organization over its rivals if they are continuously developed.

2.3.2 The industrial organization (I/O) Model

The I/O model specifies that the industry in which an organization chooses to compete has a stronger influence on the firm’s performance than do the choices managers make inside their organizations (Hitt et al 2005, Bowman and Helfat 2001).

“The organization’s performance is believed to be determined by a range of industry properties, including economies of scale, barriers to market entry, diversification, product differentiation and the degree of concentration of organizations in the industry” (Hitt et al 2005: 16, Shamsie 2003; Seth and Thomas 1994).

Hitt et al (2005:16) have found that the I/O model has four underlying assumptions:

(i) “The external environment is assumed to impose pressures and constraints that determine the strategies that would result in above-average returns.

(ii) Most organizations competing within a particular industry are assumed to control similar strategically relevant resources and to pursue similar strategies in light of those resources.

(iii) Resources used to implement strategies are highly mobile across organizations.

(iv) Organizational decision makers are assumed to be rational and committed to acting in the organization’s best interest”.

The organizations are urged to operate in an attractive industry and they have to learn to use their resources to implement the strategy required by the industry’s structural characteristics (Hitt et al 2005). The five forces model of competition is
an analytical tool used for this task. It suggests that an industry’s profitability is a function of interactions among five forces: “suppliers, buyers, competitive rivalry among organizations in the industry, product substitutes and potential entrants to the industry” (Hitt et al 2005:16, Porter 1980 and Porter 1985). Hitt et al (2005) notes that model suggests that an organization can earn above average returns by manufacturing products or producing services through using a cost leadership strategy or a differentiation strategy.

The I/O models suggests that above-average returns are earned when organizations implement the strategy dictated by the characteristics of the general, industry and competitor environments (Hitt et al 2005) and is illustrated by Figure 3 below.:
Figure 3: The I/O Model of Above - Average Returns

Study the external environment especially the industry environment.

1. Locate an industry with high potential for above – average returns.

2. Identify the strategy called for by the attractive industry to earn above – average returns.

3. Develop or acquire assets and skills needed to implement the strategy.

4. Use the organization’s strengths (its developed or acquired assets and skills) to implement the strategy.

Source: Adapted from Hitt et al (2005:17)
The research found by Hitt et al (2005) illustrated that 20% of an organization’s profitability could be explained by the industry, while 36% of the variance in profitability could be attributed to an organization’s characteristics and actions meaning that executives must integrate the two models of the resource base view and the I/O to develop the most effective strategy. In essence Hitt et al (2005) contend that the successful companies are those that develop or acquire the internal skills needed to implement strategies required by the external environment.

2.4 Evolution of strategy development

The concept of strategy development has evolved in meaning based on the era in which the academics have written about it. “Many of the concepts that form the basis of today’s understanding of strategy development were developed during the first half of the twentieth century” (Feurer et al 1995:11).

The main stages of the evolutionary process of strategy development moved from the concept of strategy to strategy planning (e.g Swot analysis and other tools for analysis). Strategy management then emerged with development of concepts like competitive advantage. Attention was then given to strategy implementation as assisted by strategy processes leading to the development of dynamic strategy formulation and implementation (Feurer et al 1995). The result of this development led to the realization that strategy formulation and implementation which were treated separately had to be merged into a dynamic approach comprising both aspects.

However Mintzberg (1985) was one of the first authors to recognise that strategy development cannot be regarded as a simple design mechanism but that different strategy processes may exist in different organizations and that there may be a gap between the intended and realized strategy (Mintzberg and Waters 1985). Mintzberg and Waters (1985) also refer to the concepts of deliberate and emergent strategies which will be explored below.
2.5 Deliberate and emergent strategies

In order to look at the various ways in which strategies take shape one has to look at the relationship between leadership’s intended plans and what the organization actually did. Mintzberg (1984) pointed out that the realized strategy of an organization can strongly differ from the intended strategy and the extent to which an intended strategy can be realized is closely related to the strategic processes that exist within an organization. This is the phenomenon which the researcher seeks to prove through the case study research.

Figure 4 illustrates the difference between intended and realized strategy.

Figure 4 Intended versus realized strategy


Mintzberg and Waters (1985) postulate that for a strategy to be perfectly deliberate i.e for realized strategy to form exactly as intended, at least three conditions would have to be satisfied:

(i) “There must have existed precise intentions in the organization articulated in concrete detail for creating no doubt about what was desired before any actions were taken.
(ii) Intentions must have been common to virtually all the actors, either shared as their own or else accepted from leaders, probably in response to some sort of controls.

(iii) Collective intentions must have been realized exactly as intended which means no external force could have been interfered with."

Mintzberg and Waters (1985) realised that it is a tall order for a strategy to meet all these three conditions and the achievement thereof is dependent on strong leadership.

On the other hand Mintzberg and Waters (1985) state that for a strategy to be perfectly emergent, there must be consistency in action over time in the absence of intention about it and this translates to, “No consistency means no strategy or at least unrealized strategy – intentions not met”. However these authors realized that it is difficult to have action in the total absence of intention and they concluded that there can be no perfect forms of either deliberate or emergent strategies. For Mintzberg and Waters (1985) the real world strategies fall between the two poles of deliberate and emergent strategies.

The main types of strategies identified by Mintzberg and Waters (1985) to be applicable within various organizations are the planned strategy, the entrepreneurial strategy, the ideological strategy, the umbrella strategy, the process strategy, the unconnected strategy, the consensus strategy and the imposed strategy. To qualify each of these strategies as either deliberate or emergent is dependent on various factors like the intention coming from either a single entrepreneur or the top managers or from the consensus of all stakeholders, or even from the external environment. This will clarify the control procedures for implementation of the strategy.

The deliberate and emergent strategies are both important in an organization because deliberate strategies focus on direction and control to get desired things done while emergent strategies open up the notion of strategic learning since it involves responding to an unfolding pattern of action (Mintzberg and Waters 1985).
The formulation and implementation of strategy have been developed to a holistic approach which no longer treats them as separate entities but rather treats them as one suitable for a dynamic changing environment (Okumus 2003). The dynamic strategy formulation and implementation is described below.

2.6 Dynamic Strategy Formulation and Implementation

Moving towards dynamic strategy development necessitates the transfer of ownership of the strategy by cascading it down to individual responsibilities throughout the organization (Feurer et al 1995). The ability to implement a formulated strategy is an important source of competitive advantage (Engelhoff 1993, Feurer et al 1995). One of the first frameworks for strategy implementation was McKinsey’s 7S- framework, which laid the foundation for a wide range of similar concepts (Feurer et al 1995). It identified seven factors that are essential for strategy implementation namely: strategy, skills, shared values, structure, systems, staff and style (Feurer et al 1995). The framework is based on the assumption that a change in strategy will require a change in the organization’s skills and shared values and this in turn will determine the requirements for the remaining factors (Feurer et al 1995). Higgins (2005) then worked on McKinsey’s 7S model, to formulate the Higgins’ 8S Model. “The 8S model differs from the 7S model in two primary ways:

- “Resources has replaced Skills as one of the Contextual ‘S’ s since an organization cannot successfully execute strategy without marshalling additional resources such as money, information, technology and time.
- An eighth ‘S’ Strategic Performance, has been added to focus on results) (Higgins 2005:7)”.

Higgins (2005:4) postulated that executives must align the cross functional factors – “structure, systems and processes, leadership style, staff, resources
and shared values with each new strategy that arises in order for that strategy to succeed and for strategic performance to occur”.

However after this foundation was laid on strategy implementation the realization came that with the increasing level of competition in many competitive environments, new sources of competitive advantage emerged like quality, speed and fast cycle time capabilities (Feurer et al 1995). More theories then were developed on the subject of strategy implementation.

Louw and Venter (2006:33) have developed a strategic management process model that focuses on working on the strategic intent which determines “what the organization wants to become, what the current situation is, where the organization is going, how the organization is getting there and an evaluation of how the organization doing”. This model works on the strategic analysis, the strategy development and the strategy implementation and monitoring. Strategic analysis analyses the macro environment, the industry environment and the internal environment. “Strategy development involves understanding the underlying options for the corporate level, business level and global strategy development,”

From Louw and Venter’s (2006:33) perspective, “Successful strategy implementation is dependent on strategic leadership as the key driver of implementation and a sound organizational architecture. Top management in an organization needs to ensure that its employees have the required knowledge base to facilitate strategy formulation and implementation (Louw and Venter 2006). It is easier to implement strategies through empowered team members and since knowledge management is systems driven, it can add value to the process of strategy implementation (Louw and Venter 2006). Organizations are challenged to improve technical expertise and knowledge of high-end technology so as to find opportunities in the competitive environment which has also become global in nature.

This theory of Louw and Venter (2006) is similar to the theory by Ehlers and Lazenby (2004) which acknowledges that the various strategy implementation
drivers are leadership, organizational culture, reward systems, organizational structure and resource allocation.

The dynamic approach to strategy formulation and implementation requires the leaders of an organization to include plans for the implementation of a strategy during the strategy planning stages already thus requiring a more systematic and integrative approach (Pryor et al 2007).

For Pryor et al (2007), this integration required in the strategic direction of an organization is encapsulated by the 5 Ps model of strategy implementation which depicts a connection between strategy (purpose) and structure (principles as internal structures) and the influence of structure on employee behaviour (people) and corresponding results (performance). Should an organization not plan for the method of implementation whilst the strategy is being formulated then it will be doomed to fail. Organizational leaders are called upon to recognize that, “strategy drives structure, structure drives behaviour and behaviour drives results (Pryor et al 2007:7).

Research by Raps (2004) has indicated that properly aligned human assets are the key to successful strategy implementation but unfortunately the link to human resource component is often feeble or missing in many organizational execution endeavours.

The people in the entire organization, the role of middle managers and communication will be discussed below to illustrate how they affect strategy implementation.

2.6.1 People

Pryor et al (2007) have discovered that people are the process owners who perform work that is consistent with the principles and processes of an organization to achieve its purpose. Therefore, people must be a substantial section of any depiction of a comprehensive and integrated implementation process. Organizational leaders are advised to recognise that the people in the organization should be well remunerated and relatively happy at work so that they can deliver to the level of quality expected and this can be done through enforcing measurement and feedback systems (Pryor et al 2007). If this advice
is heeded then an organization can achieve long-term survival and profitability.

Nel, Dyk, Haasbroek, Schultz and Sono (2004) postulates that an organization needs to observe the requirements of a legally integrated human resource management system. Nel et al (2004) illustrate that the workplace has to manage the employee, group and organizational empowerment through human resource interventions in order to successfully implement its strategy. These human resource interventions include concepts like:

- “Job and organizational design
- National level skills development issues
- Training and development of employees and career management at organizational level
- Performance management
- Organisational renewal and change management”.

The focus on people was also emphasised by Charan and Bossidy (2008) who postulated that execution of strategy involves understanding how to link people, strategy and operation.

“With the right people in the right jobs there’s a leadership gene pool that conceives and selects strategies that can be executed. Once the right people and strategy are in place, they are linked to an operating process that results in implementation” (Charan and Bossidy 2008:1).

Speculand (2006) goes further and categorises the people in an organization in terms of the saboteurs who resist change, the groupies who neither support the implementation nor oppose it and the mavericks who are the drivers of change. Strong organizational leaders know what leadership style to apply for each category of the people so as to ensure implementation of the strategy required.

However Okumus (2003) has found that there is no tangible empirical testing of the approach of dynamic strategy formulation and implementation. One is led to believe that organizations should exercise effective people management and effective communication in order to succeed in strategy implementation.
2.6.2 Communication

However the strategies have to be demonstrated to the people through regular and effective communication channels. It is true that if a person does not understand what has to be done, then one cannot own the process and will thus not be able to deliver since no one can apply what they do not properly understand (Sterling 2003).

Klein (1996) suggests that organizations can formulate their communication strategies around the Kurt Lewinian model incorporating the unfreezing stage, changing stage and the refreezing stage. The primary objective of the unfreezing stage is to prepare organizational participants for change by giving them information on what is going to happen and why (Klein 1996). At this stage the content of the communication is characterised by explanations, rationales and reassurances.

Klein (1996:37) outlines three primary objectives during the changing stage:

(i) “To provide those who initially are not directly involved with the change with detailed and accurate information of what is happening.

(ii) Those not currently involved should be aware of how they will become engaged in the future, how they will become engaged in the future, how the change will affect them their new roles and responsibilities.

(iii) To challenge whatever misinformation is circulating about the change”.

During the refreezing stage, Klein (1996:39) outlines three primary objectives:

(i) Building understanding through building structures and processes that support new ways.

(ii) Understanding personal implications of the change.

(iii) Making it a way of life.
It has been found that the people who work for an organization normally need effective communication for two reasons: in order to achieve responsiveness of supervision to employee complaints about work standards and the degree to which employees felt that they had influence over how they did their job and at what pace (Klein and Ritti 1985).

Implementation of a strategy can also be monitored and controlled if the specifics have been effectively communicated however this should take place before the monitoring and controlling process is effected. In this respect, therefore, performance management is an essential process for strategy implementation. The desired results can never be achieved if they are not effectively monitored for performance and the personnel directly involved with implementation must be held accountable (Sterling 2003).

2.6.3 The role of middle managers

The role of middle managers is therefore significant for effective people management and effective communication towards effective strategy implementation (Aaltonen and Ikavalko 2002). Middle managers are crucial as they are the subordinates to carry out the instructions on strategy from top management and they are superiors to the employees to ensure implementation of the strategies by the employees. However Nienaber (2007) has found that South Africa is faced with the challenge of unavailability of competent senior managers to nurture both the employees and the customers in a constructive manner to gain competitive advantage for their organizations. “South African management is perceived as being focused on profit making, rather than creating value and wealth” (Nienaber 2007: 85). Human capital is not employed with care as the employees’ individual contributions are not unleashed to the maximum benefit of the organization but employees are immobilised in one way or the other. There are a number of variables that contribute to this immobilisation of employees like; minimum involvement of employees, extremely unequal remuneration between executives and employees, lack of motivation to employees and an environment conducive to effective performance. Nienaber
(2007:85) proposes a solution by “Government to intensify its focus on economic policy that aims at addressing structural problems that impede economic growth and wealth creation” and by business to rectify the shortcomings of current management through acquainting them with sound theory underpinning management”.

The competency required of middle management therefore is the practical ability to juggle planned strategies with realized strategies (Aaltonen and Ikavalko 2002). According to Noble 1999, these strategies have to be communicated, interpreted, adopted and enacted and these components cannot be detached from one another. There is no doubt that “two-way communication within organizations is seen as fundamental to the effective implementation of strategy, with emphasis on facilitating useful feedback and reacting to bottom-up messages (Alexander 1985, Rapert et al, 2002, Aaltonen and Ikavalko 2002).

Atkinson (2006:1443-1444) notes that theorists may have an emerging consensus about the important implementation issues to be addressed like:

- “The importance of communication
- Problems in identifying relevant performance indicators
- The significant part played by middle-level managers
- The role of strategic control systems, however, Reed and Buckley’s observations are that literature has focused on different aspects of strategy implementation and offers partial problem-solving solutions as a result general rules are elusive.” (Reed and Buckley 1988).

This is indeed a very valid observation of the fragmentation and it therefore requires leaders of organizations to know their organizations thoroughly and know what implementation factors to address during different times of change. It certainly is very difficult to give a cut and dried solution in terms of a specific model or framework. The test for the achievement of dynamic formulation and implementation appears to be the ability of business leaders and management to apply various strategies as required and maintain stability in times of change. Thus the organisation needs to be clear about what it is trying to achieve.
Reed and Buckley (1988 in Atkinson 2006:1444) have recognized four problems associated with strategy implementation namely:

1. The need for a clear fit between strategy and structure no matter which comes first as long as there is congruence in the operating environment.
2. The need for management style to be appropriate to the strategy being implemented.
3. Problematic goal setting and controls, with need for heightened control as uncertainty and change provide a volatile environment.
4. The difficulty of identifying co-ordinated targets at various levels in the organization.

Atkinson (2006) suggest that the balance scorecard can be used in facilitating effective strategy implementation and it could address the key implementation problems.

2.7 The balanced scorecard and strategy implementation

“Robert S Kaplan and David P Norton have had a major impact on how companies think about strategy and how they measure performance of managers” (Harmon 2004:1). Kaplan and Norton claim that the balanced scorecard “provides a framework for managing the implementation of strategy while also allowing the strategy itself to evolve in response to changes in the company’s competitive market and technological environments….” (Kaplan and Norton 1996b).

This framework views an organisation's performance from four key perspectives: the financial perspective, the customer perspective, the internal business and learning perspective and the growth perspectives) (Atkinson 2006).
“A causal relationship is recognised between the four perspectives with innovation and learning being the driving force to deliver success in the internal process, which then in turn will meet customer and consequently shareholder needs”. (Atkinson 2006:1449).

The proponents of the balanced score card claim that it addresses the deficiencies of the traditional performance measurement systems like the budget control system as an example as they contend that the outcomes may be tailored in favour of what is required (Akinson 2006). They also identify cause and effect relationships as resulting in trade offs between key goals and measures are highlighted which are vital for identifying organisational priorities.

However the balanced score card approach received criticism to the effect that, “The effective integration of the balance scorecard with strategic and management control systems remained a potentially significant inhibitor to successful strategy implementation” (Atkinson 2006:1453). Atkinson 2006 found that this inhibition was caused by a lack of a relationship between the balanced scorecard model and the various budgeting systems clearly indicated a need for further empirical research.

In response to the criticisms on the balanced score card, Kaplan and Norton produced further work on it resulting in a book, “Strategy Maps: Converting Intangible Assets into Tangible Outcomes” (Kaplan and Norton 2004). Kaplan and Norton (2004) realised that executives wanted to apply the system to solve the problem associated with – how to implement new strategies.

The strategy map methodology arranged the four sets of the balanced score card measures in a hierarchical fashion with Financial Measures at the top, driven by Customer Measures, which are in turn the result of
Internal (Process) Measures and are supported by Innovation and Learning measures (Kaplan and Norton 2004). Having considered the balanced scorecard approach to strategy implementation and the need for further empirical research to strengthen it, the work of Okumus (2003) is now explored. Okumus (2003) developed a strategy implementation framework of his own after, having done a critical evaluation of the previous strategy implementation frameworks. The Okumus (2003) strategy implementation framework appeals to the researcher because it seems to be a practical option in that, it does not assume alignment of processes or implementation factors at any given time. Rather it is meant to assist organizations with strategy implementation during complex times of non-equilibrium and non-coherence (Okumus 2003). A state of non-equilibrium and non-coherence occurs when there is no stability in an organization due to changing business environment. This is the practical challenge faced by leaders and managers, namely implementing a dynamic approach to strategy formulation and implementation during times of change.

2.8 The Okumus Strategy Implementation Framework

Okumus (2003:878) has categorised a set of strategy implementation frameworks that he discovered, into three groupings namely:

- “Frameworks in the first grouping developed by Hambrick and Canella (1989), Hrebiniaiak and Joyce (1984), Stonich (1982) and Waterman et al. (1980) which tend to simply list and describe the implementation factors.
- Frameworks in the second grouping (Vasconcellos e Sa (1990), Noble (1999), Galpin (1997), Bergadaa (1999) and De Feo and Janssen (2001) which suggest rational step-by-step implementation models that are often difficult to follow in complex situations of implementation.
Frameworks developed by Pettigrew (1987), Pettigrew and Whipp (1991) and Dawson (1994) which emphasize the importance of context and process but do not provide detailed explanations and discussions about which implementation factors are important, what their specific roles are and their impact on the implementation process” (Okumus 2003:878)

Okumus (2003) proposed a strategy implementation framework that holistically takes a comprehensive view to evaluate content, context, process and outcome in a complex environment. Okumus (2003) suggests that this framework can be empirically tested by investigating cases of strategy implementation in organizations through collecting data from top, middle and lower management over a period of time.

This study intends to undertake an empirical test of the Okumus framework by investigating and analysing how the research company successfully implemented its strategies from the perspective of the Okumus framework.

The theories discussed in paragraph 2.6 on dynamic strategy formulation and implementation are linked to the Okumus (2003) strategy implementation framework in that they identify the implementation factors and describe what should take place during strategy implementation. However, they also have limitations because they do not illustrate the link between the various implementation factors. They do not give guidelines on how the link between the implementation factors should be carried out. It is the Okumus (2003) strategy implementation framework that gives guidelines on how to carry out strategy implementation processes and connect the linking implementation factors appropriately.
The Okumus framework is preferred because it is more practical and realistic in the business world since it acknowledges that implementation factors can never achieve coherence simultaneously according to prescriptive models. This assessment recognizes that successful companies are those that know how to recognize what implementation factors are to be addressed together in order to achieve the necessary changes in the implementation of desired goals. Okumus’ strategy implementation framework is set out in Figure 5 below.

**FIGURE 5:**
Okumus Strategy implementation framework


**Key:**

a. Changes in the external environment influence the strategic context and force organizations to deploy new initiatives.

b. Problems and inconsistencies in the internal context require new initiatives.
c. The strategy is implemented in the internal context, and the characteristics of organizational structure, culture and leadership influence the process factors.
d. Having an organizational context that is receptive to change is essential for the successful implementation of strategy.
e. The process factors are primarily used on a continuous basis to implement the strategy and manipulate the internal context.
f. The characteristics of the context and process factors and how they are used directly influence the outcomes.

Okumus (2003:875) identified eleven implementation factors and these are: “strategy development, environmental uncertainty, organizational structure, organizational culture, leadership, operational planning, resource allocation, communication, people, control and outcome”. Okumus (2003:875) grouped these implementation factors into four categories:

2.8.1 Strategic content

According to Okumus (2003:875:876) “strategy development refers to why and how strategy is initiated, and supplies key areas to be considered as guidelines:

- The new strategy should be consistent with the overall strategic direction of the company and the aims of the new initiative should be clearly identified.
- The expertise and knowledge of strategy developers in managing change are crucial. Active participation from all levels of management is recommended.
- The potential impact of ongoing and future projects on the new initiative should be considered.
- The potential impact of the new strategy on other ongoing strategic projects should be assessed”
2.8.2 **Strategic context**

2.8.2.1 **External context**

Environmental uncertainty refers to “The degree of uncertainty and changes in the task and general environments with the following main issues:

- “Changes and developments in the general and task environments require a new strategy.
- The new strategy should be appropriate to the market conditions, trends and developments in the external environment until the implementation process is completed” (Okumus 2003:876).

2.8.2.2 **Internal context**

Organizational structure refers to “The shape, division of labour, job duties and responsibilities, the distribution of power and decision-making procedures within the company. Issues to be considered are:

- “The potential changes in duties, roles, decision-making and reporting relationships due to the new strategy.
- Whether the organizational structure facilitates the free flow of information, coordination and cooperation between different levels of management and functional areas.
- The potential impact of the new strategy on informal networks, politics and key shareholders.
- The attitude of powerful groups towards this new strategy.
- The potential challenges of using the existing organizational structure when using process variables including operational planning, communication and resource allocations.” (Okumus 2003:876)

Organizational culture refers to “The shared understanding of employees about how they do things within an organization. Issues to be considered are:

- The company’s culture and subcultures and their possible impact on the implementation process.
• The impact of organizational culture on communication, coordination and cooperation between different management and functional levels.
• The implications of the new strategy on the company’s culture and subcultures.
• Efforts and activities to change the company’s overall culture and subcultures and potential challenges” (Okumus 2003:876-877)

Leadership refers to “The actual support and involvement of the CEO in the strategic initiative. Leadership is crucial in using process factors and also in manipulating the internal context to create a context receptive to change. Key issues to be considered are;

• The actual involvement of the CEO in the strategy development and implementation process,
• Level of support and backing from the CEO to the new strategy until it is completed.
• Open and covert messages coming from the CEO about the project and its importance” (Okumus 2003:877.

2.8.3 Organizational Process

For, Okumus (2003) organizational process includes operational planning, resource allocation, people, communication, control and feedback. The various processes have an impact on each other in one way or the other. For example the process of initiating the project and the operational planning of the implementation activities affect the resource allocation, communication and the provision of training and incentives. Resource allocation refers to the process of ensuring that all necessary time, financial resources, skills and knowledge are made available. The recruitment of relevant staff for the new strategy implementation is a crucial consideration and this relates to appropriate training of managers in this regard and the provision of incentives that relate to strategy implementation. Okumus (2003:877) places emphasis on the need to use clear multiple modes of communication (“top-down,
bottom-up, lateral, formal informal, internal, external, one time and continuous communication) to communicate the new strategy within and outside the organization” (Okumus 2003:877). The efforts and results of the implementation are to be monitored and compared against predetermined objectives. The operational plans and communication are regarded as key to monitoring the process (Okumus 2003).

2.8.4 Outcome

Okumus (2003) notes that outcomes should be recorded of the intended and unintended results of the implementation process and the following issues are to be considered in this regard:

- Whether the new strategy has been implemented according to the plan. If not, the reasons for this.
- Whether predetermined objectives have been achieved. If not, the reasons for this.
- Whether the outcomes are satisfactory to those involved in, and affected by, the process.
- Whether the company has learned anything from the strategy implementation process”. (Okumus 2003:877).

In the proposed framework, Okumus (2003) sees strategy implementation as a process that occurs in a strategic context, while the strategic content is seen as the strategic direction of the company and believes it will assist with examination and evaluation of complex implementation cases. In this manner, Okumus (2003) agrees with Pettigrew (1987) who contends that the content, context and the process are intertwined and affect one another.

2.9 CONCLUSION

In this chapter, a literature review was undertaken to clarify the concepts of dynamic strategy formulation and implementation. Through the literature, the discovery was made that strategy implementation is more difficult to carry out than strategy formulation. The literature revealed that organizations should make concerted efforts to focus on enhancing the role
of the people, the middle managers and communication in ensuring successful implementation of a strategy.
In the next chapter, the researcher will outline how the research of the case study to illustrate strategy implementation in the research company, will be carried out.
CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

In this chapter, the researcher describes the research design chosen to answer the research question: “How the research company implemented its strategy to be one of the best cost leaders in the manufacture of automotive pressed metal body components during January 2006 to December 2007. The strategy of the research company during this period was to holistically train and develop its employees in the implementation of strategies to reduce the cost of scrap so as to offer high quality products at the best cost to clients. This strategy was arrived at after the research company had undertaken a strategic planning session in February 2006 and the results of the SWOT analysis identified the need to reduce the cost of scrap.

The researcher outlines the research aim and explains the research paradigm. The appropriateness of the use of the single case study is outlined and the research participants are described.

The data-gathering tools and methods of analysis are fully set out. The researcher explains the research procedure followed. This chapter reflects on quality issues and ethical considerations. It also assesses potential limitations of the chosen methodology.

3.2 Research aim and objectives

The research aim is to determine: “How the research company implemented its strategy to be one of the best cost leaders in the manufacture of automotive pressed body components during the period January 2006 to December 2007.

The research objectives are:
3.2.1 To describe the strategic content of the research company
3.2.2 To describe the strategic context of the research company.
3.2.3 To describe the operational process within the research company.
3.2.4 To describe the outcomes of the strategies implemented within the research company.

3.3 Research paradigm

The research paradigm chosen is the interpretivist paradigm in that its methodology is focused on an understanding and reconstruction of the beliefs that individual people hold (Guba and Lincoln (1994). The aim of the research is to give an in-depth description of the events comprising the strategy implementation at the research company during the period January 2006 to December 2007. “The in-depth description will capture the actions as they occur in contexts that are understandable to the actors themselves in order to stay true to the meanings of the actor (Babbie and Mouton 2006:272). The phenomenological method of interpretivist paradigm will be used for a number of reasons namely:

- the main source of data will be the views and experiences of the participants themselves,
- the sampling is planned and purposive because the participants are selected because they have “lived” the experience under study,
- The use of existing literature on the subject of strategy implementation (Goulding 1998)

The ontology applicable in this case study is relativist in that the realities are apprehendable in the form of multiple, intangible mental constructions, as socially experienced by the participants in the research company (Guba and Lincoln 1994). The epistemology is transactional and subjectivist in that the researcher and the research company are interactively linked so that the “findings” are literally created as the investigation proceeds (Guba and Lincoln 1994).
3.4 Research method: case study

The holistic single case study has been chosen because the researcher has focused on the study of one company, the research company. (Gray 2004)

The case study is an ideal research method to use in that the research seeks answers to “how” and “why” questions in order to obtain an understanding of the practice and experience at the company regarding its strategy implementation. (Gray 2004)

Qualitative data will be used to interpret the implementation of the strategy to be one of the best cost leaders in the manufacture of automotive pressed metal body components.

The case study will also be used because an empirical inquiry will be made to interpret the occurrence of events at the company within a real-life context. This is in line with the definition of a case study by Yin (1994:13) that:

“A case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident “

3.5 Method of data collection

Yin (1994) states that evidence for case studies may come from six sources: documents, archival records, interviews, direct observation, participant observation and physical artifacts. However, only two sources of evidence have been used for this case study.

The two sources used in this research are:

3.5.1 Documents – Documentation was comprised of all the company’s strategy implementation documentation, business plans, annual
reports, operational reports, minutes of meetings and policy documents). A purposive sample of the documentation has been carried out to fulfil the need to utilise the documents that objectively assist to answer the research question. The documents were collected from the interviewees to support the verbal evidence provided.

3.5.2 Interviews - The interview sample is comprised of 3 directors, 4 middle managers, 1 quality supervisor, 1 manufacturing engineering technician and 2 operational staff members within the research company. The sample used is a purposive sample as it allows one to choose a group, setting and individuals who hold knowledge on the subject as is the case with the research participants (Denzil and Lincoln (2000). Open-ended interviews and semi-structured interviews have been used with the participants to afford them the opportunity to fully express their experiences with strategy implementation at the research company (Riege 2003). In this way the reality is fully constructed through the participants’ own words. The different participants with the different portfolios they hold in the research company provide evidence to corroborate the evidence received from the different organizational levels of top management, middle management and the operational level. Each participant has a contribution to make in terms of role, position, department and knowledge.

The interviews are useful to assist the researcher to make an in-depth probe into the operations within the research company for better understanding of the strategy implementation processes.

Whilst collecting the data the case study, the researcher has taken guidance from the three principles of Yin (1994) namely:

(i) use of multiple sources of evidence,
(ii) creating a case study database and
(iii) maintaining a chain of evidence.
The multiple use of sources of evidence set out under the above-mentioned sources of interviews and documentation analysis have the advantage of the development of converging lines of inquiry, a process of data triangulation which helps to make the evidence convincing and accurate (Yin 1994).

The data collected has been organised and documented in labelled files and is subsequently set out in the research report thus forming a case study database. The case study database enhances reliability of the case study as another researcher may review the evidence directly and not be limited to the written research report only (Yin 1994). A chain of evidence was maintained by ensuring that a reader of the case study can follow the derivation of the evidence from the initial research question to the ultimate case study conclusions and also from conclusions back to the initial research questions (Yin 1994). The researcher has ensured that the evidence presented in the case study report is the same as the evidence that was collected during the data collection process in order to enhance the reliability of the evidence. The interviews have been audio-taped and transcribed to ensure that an accurate and complete record is obtained for analysis. Field notes were also written and later typed to corroborate the audio-taped interviews.

### 3.6 Data analysis

According to (Yin 1994:102), “Data analysis consists of examining, categorizing, tabulating, or otherwise recombining the evidence to address the initial propositions of a study”. Yin (1994) further proposes that a researcher should start with a general analytic strategy in order to yield priorities for what to analyze and why, by using any of four dominant analytic techniques namely: pattern-matching, explanation-building, time-series analysis and program logic models.
The data collected was analyzed by using a general analytic strategy which begins with a descriptive approach to describe the strategy implemented by the research company and also by relying on theoretical propositions from the Okumus strategy implementation framework, to answer the “how” and “why” questions (Yin 1994). The theoretical propositions have assisted the researcher to address the research aims and answer the research question. The analysis is thus thematic analysis following a deductive approach (Boyatzis 1998) since the theory has assisted to direct the research methodology from a position of prior knowledge before the research.

A record of the findings has been given based on the interviews carried out. The analysis of the data has relied on all the relevant evidence collected in order to address how the research company implemented its strategy (Yin 1994).

3.7 Research procedure

The following steps of the research process were undertaken:

A preliminary literature review was conducted to obtain theoretical knowledge about strategy implementation, and the Business and Operations Director of the research company was approached during a face to face initial interview to request an opportunity to undertake a case study at the research company.

A purposive sample of the research participants was composed, based on the knowledge each of them holds as representatives of the different organizational levels of top management, middle management and operational staff.

The research participants were requested to participate in the research and appointments were scheduled for interviews. Interviews were prepared for and planned accordingly. The interviews were conducted over a sporadic
five day period. The interviews were both semi structured and open-ended in order to construct the realities in terms of the participants’ actual interpretations of their experiences. The interviews were audio-taped, extensive field notes were taken and the interviews were transcribed for cross checking with the typed field notes.

Relevant documents were collected from the interviewees to corroborate their evidence. The typed notes were studied and analyzed. The supplied documentation was studied and linked to the interviews.

The evidence was categorized according to theoretical propositions and themes. The data was analysed and a framework was developed for the main themes. An in-depth literature review was undertaken and the thesis was planned.

The data analysis portion was discussed with two directors of the research company for input. The input was received and worked into the final thesis. This thesis will be made available to the research participants.

3.8 Quality

3.8.1 Quality issues

Seale (1999), states that, poor studies are produced by a researcher who is blind to the consideration of the different characteristics of the research methodologies. It is for this reason that the researcher has attended to ensuring that the researcher observes the requirements of high quality research. A debate exists from the perspective of the positivist paradigm and from the realism paradigms (which includes case study research) as to when trust is achieved from research that has been undertaken (Riege 2003). Riege (2003:84) states that, “The four design tests of construct validity, internal validity, external validity and reliability are commonly applied to the theoretical paradigm of positivism”. However Riege (2003) also states that these four “traditional” design tests can be similarly used for the realism paradigm which includes case study research. In addition to
the four traditional design tests, Riege (2003) recommends the use of four “corresponding” design tests: credibility, transferability, confirmability and dependability, to enhance validity and reliability and they are defined as follows:

“Credibility is the parallel construct to internal validity and it involves the approval of research findings by either interviewees or peers” (Riege 2003:81).

“Transferability is analogous to external validity in quantitative research and it is the test achieved when the research shows similar or different findings of a phenomenon amongst similar or different respondents or organizations” (Riege 2003:81).

“Dependability is analogous to reliability in quantitative research and it is the test designed to show indications of stability and consistency in the process of inquiry by showing whether the techniques used are consistent” (Riege 2003:81).

“Confirmability is analogous to neutrality and objectivity in positivism corresponding closely to construct validity and the test assesses whether the interpretation of data is drawn in a logical and unprejudiced manner” (Riege 2003:81)

In essence Riege (2003) argues that all eight design tests, traditional and corresponding are applicable to the realism paradigm and if applied to case study research, the quality, validity and reliability of case study research is enhanced. Riege (2003) also makes the distinction that the four traditional design tests are well-known from quantitative research approaches while the corresponding design tests are known to refer to more qualitative approaches.

However if the constructivism/interpretivist paradigm is used in the case study research then, quality is enhanced through the use of
credibility, transferability, dependability and confirmability (Riege 2003).

This case study has used the interpretivist paradigm thus quality of the research is supported through the use of the design tests of credibility, transferability, dependability and confirmability.

The credibility of this case study has been established by providing rich and thick descriptions of what the research participants understood about how the research company implemented its strategy through their roles in the different organizational levels. The interviews were audio-taped and transcribed to ensure that an accurate and complete record was obtained for analysis. The interviews in respect of the different levels of top management, middle management and operational level enhanced the approval of research findings by the interviewees and peers.

Transferability was proved by providing a detailed, rich description of the setting studied thus providing sufficient information for an external reader to judge the applicability of the findings to other settings of choice (Seale 1999). The term “rich” is used to describe the amount of detail used to provide a very detailed setting of the research context. Dependability of the case study has been sought through providing a clear description of the research question and by ensuring that the features of the case study design are congruent with it (Riege 2003). The case study is undertaken with reasonable care to obtain an audit trail through the documentation of data, methods and decisions made during the case study (Seale 1999). Dependability, was achieved by ensuring that errors and biases are eliminated in the study (Yin 1994).
The researcher sought to achieve confirmability through ensuring that a reader of the case study could follow the derivation of the evidence from the initial research question to the ultimate case study conclusions and also from conclusions back to the initial research questions (Yin 1994). This would be done by retention of the raw data such as field notes, tapes and documents obtained during data collection so as to be available for later inspection (Riege 2003)

3.8.2 Rigour
To establish overall quality and rigour, the case study is undertaken through in depth data collection and in depth data analysis methods with efforts to be thorough during each phase of the research (Riege 2003).

3.9 Ethics

Remenyi (1998:115) suggests that,
“Irrespective of any particular individual’s view of what is right or wrong, one way to ensure a standard of ethics is to focus on three principles of medical research which may be translated in business and management research as follows:

1. Ensure a high degree of respect for the autonomy of the individual.
2. Working towards the beneficitation of society is a primary motivation for research; and
3. Respect for fairness”

These three principles have been taken into account throughout the process of undertaking this case study as everything was done honestly to give a true reflection of all phases of the research for the benefit of society. In this way the respect for fairness to the research participants and the research company were observed at all times. In support of these three principles, the researcher has also considered the four guidelines to the code of ethics as set out by Denzin and Lincoln (2000:139) namely: “informed consent, deception, privacy and confidentiality and accuracy”.

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The researcher has sought to observe these guidelines by informing the research participants about the nature and consequences of the case study. All the research participants were given open information and they agreed voluntarily to participate (Denzin and Lincoln 2000). The principles of privacy and confidentiality have been ensured in order to protect the identities of the research participants, the identity of the research company and the identity of the research location to safeguard against unwanted exposure (Denzin and Lincoln 2000). The researcher made sure that the data was accurately reflected during the stages of collection, analysis and findings. The fact that the researcher is not a member of the research company but an independent person allowed distance from the realities experienced by the research participants and the possibility of any bias was thus eliminated.

3.10 Research limitations

The potential limitations of the research methodology chosen were:

- The findings of this specific research company are not necessarily transferable to any other company.
- The focus of this research was on the strategy to be one of the best cost leaders in the manufacture of automotive pressed metal body components with emphasis on the operational processes to reduce the cost of scrap. This type of business operation may not be applicable to other companies.
- The readers of this case study will be able to judge from the thick description of the setting studied whether applicability of the findings to the settings they know exists or not (Seale 1999).
- The purposive sample used may not necessarily cause this case study to be transferable. The research participants were selectively chosen as they hold the knowledge required for constructing the realities necessary to reflect on the different
organizational levels of top management, middle management and operational staff.

Nevertheless, in line with the interpretivist paradigm, the researcher has endeavoured to provide a thick and rigorous picture of the research context to clarify one aspect of strategy implementation which is peculiar to the business operations of the research company. Future research would have to be undertaken for empirical testing of a general strategy implementation framework.

3.11 Summary

In this chapter the researcher has outlined the research design that has been used to undertake the case study. The researcher has described and justified the design paradigm, the methodology, the data collection methods and the data analysis. Under the research procedure the researcher has set out how the research was done in terms of the research design. Multiple sources were used to converge the lines of inquiry (Yin 1994). Quality and rigour were ensured through the corresponding design tests of credibility, transferability, dependability and confirmability (Riege 2003). In the next chapter, the findings of the case study will be presented.
CHAPTER 4: FINDINGS

4.1 Introduction

This chapter is divided into four main sections in an effort to answer the research question: How the research company implemented its strategy to be one of the best cost leaders in the manufacture of automotive pressed metal body components during the period January 2006 to December 2007. During this period 2006 to 2007 the research company had undertaken the services of an external consultant to assist it to analyse its company in terms of the strategic content, strategic context, operational process and outcomes. Therefore the research objectives are set out to describe this process of analysis of the company through the assistance of the consultant. Thus the four sections of this chapter are intended to give a description of the four research objectives namely:

- To describe the strategic content of the research company.
- To describe the strategic context of the research company.
- To describe the operational process of the research company.
- To describe the outcome of the strategy implementation at the research company.

4.2 Strategic Content

From the interviews held with the consultant, the researcher found that on 11 February 2006, a strategic planning session was attended by the management component of the research company in order to develop the company strategy and outline how it was to be implemented (Consultant 2007. All the management members were encouraged to deliberate on current operational methods and on possible future goals of the company. (Director of Business and Operations (2007). The result was an identification of the core capabilities of the company.
A mission statement of the research company was developed which clearly identified the need to obtain best cost leadership in its field of automotive pressed metal component manufacturing. By employing an external consultant to oversee the process, the research company sought the expertise and knowledge of strategy developers to manage the change required to achieve its goals (Director of Business and Operations (2007)). The consultant was available from the beginning of the process of strategy planning right through to the process of strategy implementation. (Director of Business and Operations (2007)). The consultant facilitated the strategy planning session in February 2006. Active participation from all levels of management took place, culminated in the SWOT analysis of the company at that time. (Director of Business and Operations (2007)).

4.3 Strategic Context

The strategic planning session allowed the research company to do an extensive environmental analysis in order to construct its new strategies in line with the market trends.

After in-depth deliberations at the strategic planning session, the research company set out the political/legal, economical, socio-cultural, technological and geographic (PEST+G) forces of its macro environment. In this way, the external environment in which the company operates was described. The internal context of the micro environment was also described during the strategic planning session. (See Table 1: Swot Analysis of research company.)
Table 1: SWOT analysis of research company

<table>
<thead>
<tr>
<th><strong>STRENGTHS</strong></th>
<th><strong>WEAKNESSES</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Management style:</strong> Flat, hands-on and accessible management structure with first-line contact with staff, customers and suppliers.</td>
<td><strong>BEE (Black Economic Empowerment):</strong> The industry has not developed a code of practice for a programme to secure Black Economic Empowered suppliers or investors. The company is striving to achieve such compliance in order to secure business from customers who insist on compliance.</td>
</tr>
<tr>
<td><strong>Location and facilities:</strong> The location of the company is suitable for both local supply and export supply. For export requirements, it is 180 km from the port of East London. The components of the local market of vehicles can be sourced within the borders of the country through the Motor Industry Development Program (MIDP)</td>
<td><strong>HIV/AIDS</strong> The company is working on an HIV/Aids policy as it realizes that HIV/Aids affects the bottom line through its effect on labour.</td>
</tr>
<tr>
<td><strong>Supply Chain Management:</strong> The company’s inventory holding of an average 10 days compares favourably to the national average of 35 days and the international average of 30 days.</td>
<td><strong>Human Resources:</strong> The company’s employees have high illiteracy and innumeracy and the company is challenged to constantly up-skill the employees to comply with employee development, the Employment Equity Act No 55 of 1998 and the Skills Development Act No 97 of 1998.</td>
</tr>
<tr>
<td><strong>Quality:</strong> The company has an ability to supply high quality parts at low cost measured through customer returns, internal defect rates and supplier quality. The company has had an average customer-return rate of 364 parts per</td>
<td><strong>One dominant customer:</strong> The “80/20” rule is applicable to the company’s business base, which confines the company to have 80% of turnover being generated by the business of the main client.</td>
</tr>
</tbody>
</table>
The company’s current internal reject rate of 1.6% during the same period is also better than the national average of 1.9% and the international average of 1.8%. The company has been recognized as Supplier of the Year for three times in the last ten years from 2006, by its main client General Motors South Africa (GMSA).

**Organizational structure:** The flat management style allows management activities to overlap and not take place in stand-alone silos for effective interaction with suppliers and customers.

**Succession Planning:** While the company’s management team presents a competitive advantage to the company, succession planning to replace their skills is lacking. The company therefore has to focus on an aggressive skills development and retention plan.

<table>
<thead>
<tr>
<th>OPPORTUNITIES</th>
<th>THREATS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic Forces:</strong> South Africa’s readmission to the world economy opened up new markets that were previously inaccessible to the research company. The emerging black middle class is enhancing economic performance and has knock-on effect in the motor vehicle market and the economy.</td>
<td><strong>Economic Forces:</strong> Economic factors like those of inflation, exchange rates and interest rates are closely monitored as they potentially present opportunities or threats.</td>
</tr>
<tr>
<td><strong>Geographic Forces:</strong> The company has the advantage of being closer to the Far East than the European and American markets. It therefore has a competitive edge with regard to logistics.</td>
<td><strong>Geographic Forces:</strong> The economies of scale that exist with competitors in the volume markets in Europe and the Far East and the low inflationary environments of these areas make competing for business difficult.</td>
</tr>
</tbody>
</table>
**Technological Forces:** Global competitors’ facilities are designed and geared for high volume production; however, the research company’s facilities are geared for low volume production. This is because the local vehicle industry operates at very low volumes compared to the markets in the Far East, Europe and America. This opens up the company’s production capabilities to niche markets in the global arena.

**Technological Forces:** Competition with global markets is intensified by the economies of scale that have higher volumes and automated press lines. The company is forced to properly maintain its current equipment, as replacement is very expensive. Matching new tool design with latest press technology could pose a threat to future business.

<table>
<thead>
<tr>
<th>Social/Cultural and Legal Forces:</th>
</tr>
</thead>
<tbody>
<tr>
<td>The heavily regulated labour environment can pose threats to the smooth business operations of the company through its heavy cost to the company.</td>
</tr>
<tr>
<td>The industry incurs high amounts of health care costs due to HIV/AIDS.</td>
</tr>
<tr>
<td>The level of protection from competitors that was available under the MIDP is scaled down and the research company has to compete on equal footing with the rest of the world.</td>
</tr>
</tbody>
</table>
4.3.1 External context

4.3.1.1 Political/Legal Forces
The operating environment is controlled by legislation like Labour Laws, Employment Equity Act No 55 of 1998, Skills Development Act no 97 of 1998, Broad Based Black Economic Empowerment Act and also the regulations of the Motor Industry Development Programme. Compliance with the legal prescripts has cost implications for the company and it is compelled to plan for it in order to maintain survival in the industry. The company operates in a business-to-business (B2B) environment and it has been forced by its customers to be a supplier that is BEE compliant, as required by the Broad Based Black Economic Empowerment Act or else it may lose business. The company engages a system it calls the decision support system (DSS) to continuously scan the environment for possible threats. It also holds memberships with industry associations like National Association of Automotive Component and Allied Manufacturers (NAACAM), National Association of Automobile manufacturers of South Africa (NAAMSA) and Automobile Industry Export Council (AIEC) to keep abreast of developments in the industry.

4.3.1.2 Economical Forces
The research company has to compete globally because of the globalization of the market place and the local industry has to comply with the regulations of the World Trade Organisation (WTO). A monopoly exists in respect of the steel manufacturer and processor and where supply problems are encountered, the company has to wait until a solution is made.
The introduction of the National Credit Act 34 of 2005 as brought stricter money lending conditions by banks to customers which forces the market to be a buyer’s market. Buyers of cars now choose to buy cars with the best affordable prices. This has stiffened the competition in the automotive industry. The advent of cars from China and India has increased competition for affordability as well. The research company relies on producing products that comply quality standards set by the main clients in order to achieve the best cost strategy and thus retain its competitive advantage.

4.3.1.3 Socio-cultural Forces

The research company’s labour is affected by HIV/AIDS and health care costs have to be budgeted for. At the time of research, the company was busy with compilation of its HIV/AIDS policy. The company also periodically gives training and awareness education on the subject of HIV/AIDS. However the company still has to formulate and implement its policy on HIV/AIDS. The location of the research company is within a community that has low literacy levels. The company is engaged in the ABET education programme to up-skill its employees and get them out of the comfort zone.

4.3.1.4 Technological Forces

The research company’s manufacturing facilities consist of eight wide-bed high tonnage presses, both double and single action, plus a second line of four extra wide bed higher tonnage single action presses. The consultant found that the industry across the country has automated press lines;
however, the research company resolved that it would not be cost effective to automate its press lines and thus they would keep them manual to maintain the job creation offered. The local industry has to weigh up the benefits of making use of technological advances against the need for job creation in the communities. Most of the time the companies make a business decision to secure the jobs of their employees.

4.3.1.5 Geographic Forces

The local OEMs are all subsidiaries of international companies and are able to source stamped body components from all over the globe. However, the Business and Operations Director (2007) stated that OEMs’ strategies are affected by the need to earn export credits and often require re-engineering of certain components for the South African market. The research company therefore features in this re-engineering process and gets customers in this way.

The research company adopted strategies that were appropriate to the market conditions, trends and developments within the external environment.

The internal context of the strategic content will now be outlined.

4.3.2 Internal Context

The internal context of the research company is determined by factors like the organizational structure, the organizational culture and leadership (Okumus 2003). These factors contribute to the manner in which strategies are implemented
and will be discussed below in relation to findings within the research company.

4.3.2.1 Organisational structure

The directors of the research company have consciously ensured that the management style is a flat structure which allows first line contact with both customers and suppliers. This enables relationship marketing and personal selling to the customers. This manner of operation also gives the company a competitive advantage that is difficult to emulate.

During the interviews the Director of Planning and Logistics (2007) explained how they devised institutionalized multi-disciplinary team meetings to address suggestions on how to reduce the cost of scrap. The multi-disciplinary team was composed of members from the departments of production, tool-room, maintenance and quality. The purpose was to change the mindset of the employees so as to be conscious of all operations undertaken during the manufacturing process so as to focus on reducing the cost of scrap. Meetings were scheduled once a week to establish what parts were scrapped each week and the cost thereof. At the meeting, open proposals were obtained from each person about how to improve on the reduction of scrap.

The Director of Planning and Logistics (2007) emphasized that the meeting was undertaken in a relaxed manner and all employees were encouraged to speak freely and all suggestions were taken into account for improvement. In this way, the free flow of information encouraged ownership of the work done in the context of the strategic direction of the company. The direct involvement of the operational employees with the directors transferred the intentions of the
new strategies and improved the communication channels. The employees interviewed also confirmed this method of operation and acknowledged its effectiveness [Personnel and Training Officer (2008) and Forklifter (2008)]. Through the meetings the Director of Planning and Logistics (2007) found that the employees took more ownership of their responsibilities.

4.3.2.2 Organizational culture

The research company is comprised of employees who have worked for a number of years ranging from 5 years to 20 years. A specific shared culture therefore exists in terms of an understanding of how things are done within the company. Some employees tended to be over relaxed at work and lacked the motivation to operate effectively towards required targets. The consultant was engaged to give motivation seminars to the employees. The main objective during these seminars was to create a better understanding of the business strategy, for the employees. The interaction between the employees and the consultant was a two way process to supply feedback on issues of motivation. Individuals were taken through the process of understanding “What motivates you”. The supervisors and management were made to understand what motivates their teams. When these aspects were identified then the focus was placed on “How to manage the motivation” (Consultant 2007). These motivation seminars contributed to the change of culture as the Director of Business and Operations (2007) observed that with more knowledge and responsibilities the employees were enthusiastic about their work. In this manner better communication, coordination and cooperation between departments was achieved (Consultant 2007).
4.3.2.3 Leadership

Throughout the interviews, it was evident that the organization was distinctively and visibly given strategic direction by its directors. The Business and Operations Director (2007) facilitated the holistic training and development of the employees alongside the motivation seminars for all employees at all levels. The Consultant (2007) was tasked to do a Training Needs Analysis and was then engaged to facilitate the respective training needs. Training was streamlined for management, supervisors and employees. The Director of Planning and Logistics (2007) was instrumental in institutionalizing the scheduled weekly meetings for open proposals on improvement on cost saving mechanisms for the business in whatever manner. The Technical Director (2007) assisted the employees with the technical support needed to carry out the business strategy.

The strategic leaders thus had a vision to take the research company to a state of achieving best cost leadership and they took their employees with them on this journey. They gave strategic direction and they integrated the process of strategy formulation and implementation through communicating their vision and empowering their people (Ehlers and Lazenby 2004).

4.4 Operational Process

The operational process of the research company was obtained through the information supplied during the interviews. The aspects covered were operational planning, resources, communication, people and control.
4.4.1 Operational Planning

The operational planning processes emanated from the strategic objectives of the research company. The mission statement of the company was to obtain best cost leadership in the manufacture of automotive pressed metal body components. The consultant (2007) stated that during the period January 2006 to December 2007, the research company undertook strategic planning and the strategic map gave operational plans for implementation by the various departments. The main points of focus that were agreed upon were:

- Observation of Quality Procedures and Systems
- Routine scheduled maintenance of equipment
- High quality production with a target to reach scrap rate of 0.25%
- Development and Compliance with policies, especially Supply Chain Management
- Effective personnel and training
- Skills development and retention
- Employee development
- Focus on internal projects

4.4.2 Resource allocation

The resource allocation at the research company was monitored by the Director of Business and Operations (2007) and as a result he ensured that necessary time, financial resources, skills and knowledge were made available at appropriate times. The resources allocation was thus linked with operational planning, communication, training and incentives as alluded to by the Consultant (2007) who helped them with their training needs and in-house assistance within the company’s operations. Resources were allocated for this by the
Directors as they saw to it that finance, time and money were available for the Consultant (2007) to carry out her process.

4.4.3 People

The people who work for the research company were encouraged to be enthusiastic about the business strategy so they could understand how to implement the strategy to obtain best cost leadership in the manufacture of the company’s products. People were offered motivation workshops, training and development, scheduled meetings for operational reports and incentives. All personnel issues were attended to by a designated Personnel and Training Officer (2008). Personal and operational support was also given to individuals by the respective supervisors and managers as alluded to by the Production Manager (2008) during the interviews. The motivation workshop that was given by the consultant contributed a lot to the upliftment of the employees’ work morale (Consultant 2007).

The interview with the personnel and training officer revealed that the educational programme of ABET helped the employees to improve their knowledge base for work purposes and also for personal upliftment in life.(Personnel and Training Officer (2008). The ABET skills acquired enabled them to read and carry out instructions but it also allowed them to use banks and carry out instructions at the automatic bank machines. This certainly boosted the morale and status of the employees even within their communities. The periodical training of the managerial employees also boosted their knowledge base at work and in society (Production Manager (2008), Toolroom Manager (2008) and Maintenance Manager (2008))
4.4.4 Communication

The research participants at director level, managerial level and operational level, all informed the researcher that the communication mechanisms at the company were both formal and informal. The research company ensured that employees have a direct communication channel with all directors and all employees on all matters so as to keep abreast with all operational and personal matters (Director Business and Operations 2007). Written instructions and communication was done in simple understandable terms in both English and the vernacular language (Personnel and Training Officer 2008).

4.4.5 Control and feedback

During the interviews, the directors and the managers indicated that the formal and informal mechanisms of control and feedback were clearly communicated so as to enhance the implementation process. The employees to whom control and feedback were exercised were made aware of expectations and policies before their application. They were then informed of the outcomes after the implementation of duties and feedback was given for improvement and further development (Director Planning and Logistics 2007).

4.5 Outcome

The intended and unintended outcomes of the implementation process of the endeavours to obtain best cost leadership in the manufacturing of the company’s products were welcomed by the Director of Planning and Logistics (2007). The emphasis was on working on the reduction of the cost of scrap and the results achieved were pleasing to the directors. The strategy was not always implemented according to plan. The research participants indicated that because of unforeseen economic fluctuations scrap costs were sometimes lowered but
were also randomly increased due to differing business interventions (Director Planning and Logistics 2007). Interventions affecting the reduction of scrap referred to factors like cold climate, employee absenteeism, withdrawn client base and no orders for production. However the Director of Planning and Logistics (2007) indicated that they were happy with the manner in which the reduction of the cost of scrap was controlled as it indicated low percentages of scrap to be at 0.50% by the end of 2007. The goal of the research company was to reach a percentage scrap of 0.25% and they were to continue to work at achieving it the following year (Director of Planning and Logistics (2007).

The research company was happy with the quality of goods it produced for its main client which resulted in the customer recognizing it as the best supplier for three years from 2006 (Director Business and Operations 2007). This means that the research company achieved its goal to be one of the best cost leaders in the manufacture of the automotive pressed metal body components.

4.5.1 Record of Accumulative Scrap Value

Table 2 shows the records of accumulative scrap value report including rework scrap for 2006 and 2007 and,

Figure 1 shows the record of scrap as percentage volume and value for the years 2005, 2006 and 2007.

In accordance with the records from Table 2 and Figure 1, a narrative description of the trend on the record on scrap for the period 2006/2007 is outlined.
### Table 2. ACCUMULATIVE SCRAP VALUE REPORT 2006 AND 2007

<table>
<thead>
<tr>
<th>MONTH</th>
<th>TOT VALUE</th>
<th>SCRAP VALUE</th>
<th>%</th>
<th>ANNUAL CUM TOTAL</th>
<th>ANNUAL CUM SCRAP</th>
<th>%</th>
<th>MONTH</th>
<th>TOT VALUE</th>
<th>SCRAP VALUE</th>
<th>%</th>
<th>ANNUAL CUM TOTAL</th>
<th>ANNUAL CUM SCRAP</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>JAN</td>
<td>4,467,028</td>
<td>71,762</td>
<td>1.61%</td>
<td>4,467,028</td>
<td>71,762</td>
<td>1.61%</td>
<td>JAN</td>
<td>4,376,218</td>
<td>15,600</td>
<td>0.31%</td>
<td>4,975,219</td>
<td>15,603</td>
<td>0.31%</td>
</tr>
<tr>
<td>FEB</td>
<td>6,313,194</td>
<td>115,050</td>
<td>1.89%</td>
<td>10,780,212</td>
<td>110,832</td>
<td>1.77%</td>
<td>FEB</td>
<td>7,503,398</td>
<td>31,709</td>
<td>0.47%</td>
<td>11,725,010</td>
<td>47,372</td>
<td>0.40%</td>
</tr>
<tr>
<td>MAR</td>
<td>6,611,102</td>
<td>74,473</td>
<td>1.13%</td>
<td>17,391,403</td>
<td>265,965</td>
<td>1.53%</td>
<td>MAR</td>
<td>8,374,637</td>
<td>34,785</td>
<td>0.40%</td>
<td>26,401,263</td>
<td>92,137</td>
<td>0.40%</td>
</tr>
<tr>
<td>APR</td>
<td>3,902,041</td>
<td>44,003</td>
<td>1.13%</td>
<td>21,293,445</td>
<td>309,308</td>
<td>1.45%</td>
<td>APR</td>
<td>5,500,049</td>
<td>21,037</td>
<td>0.32%</td>
<td>20,901,303</td>
<td>103,174</td>
<td>0.38%</td>
</tr>
<tr>
<td>MAY</td>
<td>5,740,320</td>
<td>96,706</td>
<td>0.64%</td>
<td>27,042,765</td>
<td>346,014</td>
<td>1.28%</td>
<td>MAY</td>
<td>8,483,516</td>
<td>94,612</td>
<td>1.11%</td>
<td>35,440,919</td>
<td>107,787</td>
<td>0.56%</td>
</tr>
<tr>
<td>JUNE</td>
<td>6,972,688</td>
<td>56,137</td>
<td>0.81%</td>
<td>34,015,652</td>
<td>462,151</td>
<td>1.18%</td>
<td>JUNE</td>
<td>6,367,751</td>
<td>43,166</td>
<td>0.73%</td>
<td>42,017,570</td>
<td>245,053</td>
<td>0.59%</td>
</tr>
<tr>
<td>JUL</td>
<td>16,624,249</td>
<td>130,846</td>
<td>0.82%</td>
<td>21,816,317</td>
<td>163,916</td>
<td>0.75%</td>
<td>JUL</td>
<td>7,321,029</td>
<td>23,440</td>
<td>0.32%</td>
<td>49,039,109</td>
<td>269,402</td>
<td>0.55%</td>
</tr>
<tr>
<td>AUG</td>
<td>7,150,201</td>
<td>25,126</td>
<td>0.35%</td>
<td>40,732,781</td>
<td>462,601</td>
<td>0.95%</td>
<td>AUG</td>
<td>8,562,046</td>
<td>40,225</td>
<td>0.47%</td>
<td>57,601,245</td>
<td>200,657</td>
<td>0.54%</td>
</tr>
<tr>
<td>SEP</td>
<td>7,071,997</td>
<td>19,285</td>
<td>0.25%</td>
<td>56,404,778</td>
<td>461,887</td>
<td>0.85%</td>
<td>SEP</td>
<td>5,331,994</td>
<td>10,290</td>
<td>0.32%</td>
<td>62,032,939</td>
<td>325,987</td>
<td>0.52%</td>
</tr>
<tr>
<td>OCT</td>
<td>22,990,126</td>
<td>79,736</td>
<td>0.36%</td>
<td>20,815,369</td>
<td>90,024</td>
<td>0.39%</td>
<td>OCT</td>
<td>6,500,020</td>
<td>25,000</td>
<td>0.36%</td>
<td>62,995,698</td>
<td>506,895</td>
<td>0.80%</td>
</tr>
<tr>
<td>NOV</td>
<td>8,202,936</td>
<td>30,498</td>
<td>0.44%</td>
<td>71,198,533</td>
<td>543,394</td>
<td>0.70%</td>
<td>NOV</td>
<td>6,395,050</td>
<td>37,450</td>
<td>0.54%</td>
<td>74,518,111</td>
<td>374,714</td>
<td>0.50%</td>
</tr>
<tr>
<td>DEC</td>
<td>3,181,846</td>
<td>18,063</td>
<td>0.60%</td>
<td>74,380,370</td>
<td>562,376</td>
<td>0.76%</td>
<td>DEC</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>74,516,111</td>
<td>374,714</td>
<td>0.50%</td>
</tr>
</tbody>
</table>

4.5.2 Description of the Record of Scrap Value

In order to address the efforts to reduce the cost of scrap, the company had embarked on calls for open proposals from members of staff, to reduce the cost of scrap (Director Planning and Logistics – 2007). At scheduled times, meetings were held to give reports on scrap, the reasons for it and proposals to prevent it the next time (Director Planning and Logistics – 2007). In this way the staff members took ownership of the work and commitment was thus improved (Director Planning and Logistics – 2007). Educational skills were improved through scheduled ABET courses and in this way the operations could be improved from a knowledgeable environment (Director Planning and Logistics – 2007).
The positive trend of scrap from 0.76% in 2006, to 0.50% in 2007, moved the company close to its goal of 0.25% in line with the quality standards prescribed by the main client (Director Planning and Logistics – 2007).

This downward trend from January 2006 to November 2007 was clearly illustrated by Figure 1 in line with the narrative above.

The company continued with its intentions to maintain the scrap at a low and to achieve the 0.25% standard.

The record of the findings obtained from the interviews in respect of the director level, managerial level and operational level are best illustrated through the matrix in table 3 below.

4.5.3 Matrix of Findings from Interviews

The record of the findings obtained from the interviews in respect of the Director level, Managerial level and Operational level are best illustrated through the Matrix in Table 3 below:
Table 3. Matrix of findings from interviews

### Operations

<table>
<thead>
<tr>
<th>POSITION</th>
<th>CONTENT</th>
<th>CONTEXT</th>
<th>PROCESSES</th>
<th>OUTCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director Level</td>
<td>Preparation for Strategy formulation through Strategic Planning session February 2006.</td>
<td>Internal and external environmental analysis was undertaken at strategic planning session.</td>
<td>Strategic planning session undertaken in February 2006 and re-visited in November &amp; December 2007.</td>
<td>Business Plan for 2006 to 2008 was drafted.</td>
</tr>
<tr>
<td></td>
<td>Efforts to address low levels of literacy in the research company.</td>
<td>During 2006 a Consultant was brought in to assist with training and development of employees.</td>
<td>Training was provided to employees who can now read and are now able to follow written instructions.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Development of people, skills retention plan crafted.</td>
<td>Employees were empowered through provision of training and sharing of information.</td>
<td>The educational programme ABET was facilitated for training and upgrade of employees’ skills. Training was done in compliance with Merseta. Training was done for main client’s Quality Systems Requirements.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Operational planning and resource allocation plans, were drawn following the strategic planning session. The purpose was to address the achievement of the strategy to obtain best cost leadership in the manufacture of pressed metal component. Reduction of the costs of scrap was set out as a priority to achieve the strategy. Communication and motivation of employees planned for.</td>
<td>Outcomes reflected a decline percentage record of the costs of scrap and was displayed through Table 2 and Figure 1. Result was that as at end 2007 the scrap percentage was at 0.50%.</td>
<td></td>
</tr>
<tr>
<td>POSITION</td>
<td>CONTENT</td>
<td>CONTEXT</td>
<td>PROCESSES</td>
<td>OUTCOME</td>
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<td></td>
<td>General cost saving processes were addressed.</td>
<td>Formed a multi-disciplinary task team and asked for 5 suggestions from each person about ways to reduce the cost of scrap.</td>
<td>The employees changed their way of thinking by putting the parts in boxes which prevented the oil from leaking and the bottom of the parts getting dirty and thereby saving R50 000.00 a year.</td>
<td></td>
</tr>
<tr>
<td>Management Level</td>
<td>Participation in the strategy planning process so as to prepare to carry it out during the implementation process.</td>
<td>Participation in the internal and external environmental analysis.</td>
<td>Implemented the operational plans, resource allocation plans and communication of mission. Undertook the control and feedback process with the employees. Facilitated the motivation lessons to the employees to keep them focused to achieved the desired strategy.</td>
<td>Improvement caused by ABET was shown in the ability of employees to carry out instructions and to understand the business strategy. Visual proof of happy employees due to motivation workshop by consultant.</td>
</tr>
<tr>
<td></td>
<td>Providing the necessary training to managers/supervisors.</td>
<td></td>
<td></td>
<td>Visual proof of educationally empowered employees.</td>
</tr>
<tr>
<td>Operational level</td>
<td>Specific representatives of the employees confirmed to have taken part in the strategy implementation process in February 2006.</td>
<td>Through their inputs the specific employees contributed to the internal and external analysis of the environment.</td>
<td>The specific employees interviewed confirmed that communication was clear to them about the carrying out of instructions for the business strategy and about control and feedback from management. The employees also confirmed training from ABET, training on the main client’s quality Systems and training on motivation from the consultant.</td>
<td>The employees confirmed that The ABET programme, the training on General Motors Systems Requirements and the motivation workshop did contribute positively to their development.</td>
</tr>
</tbody>
</table>
4.6 Summary

In this chapter, the findings of the research were outlined in the context of the results obtained from the interviews with the research participants. The findings are a submission of the interpretations of the constructs made by the research participants themselves.

The next chapter will give an analysis of the findings.
CHAPTER 5: DISCUSSION

5.1 Introduction

In this chapter, analysis is made of the understandings held by the research participants in their interpretation of how the research company implemented its strategy to achieve best cost leadership in the industry manufacturing automotive pressed metal body components. The themes reflected upon have been established from the literature review for purposes of addressing the following research objectives:

(1) To describe the strategic content of the research company
(2) To describe the strategic context of the research company.
(3) To describe the operational processes within the research company.
(4) To describe the outcomes of the strategies implemented within the research company.

The research objectives are addressed through the process of describing in exact terms how the research company, through an external consultant, undertook a SWOT analysis of its business so as to formulate and implement the required strategy to achieve best cost leadership in the industry manufacturing automotive pressed metal body components.

The interpretations of the research participants are better understood from the strategy implementation framework of Okumus (2003). A deductive approach has been used in this case study, to guide the study in an explanatory way “before data collection” but also to compare and contrast the findings with the theoretical model (after data collection) (Boyatzis 1998). The Okumus strategy implementation model was developed in an attempt to provide a practical model or framework for academics and practitioners to use during strategy implementation (Okumus 2003). Okumus and Roper (1999) had also discovered five approaches to strategy implementation namely the planning approach, the contingency approach, the configuration approach and the complexity approach (Okumus and Roper 1999).
According to Stacey’s (1996b), a company needs to employ ordinary management techniques when the internal and the external environments of the company are predictable and stable. The company should then use the complexity approach when the environment is complex and dynamic to change (Stacey 1996b). However this theory by Stacey (1996b) was criticized for not offering any practical models and then Okumus (2003) devised a practical model to strategy implementation composed of the four components of strategy content, strategic context, operational process and outcome. Okumus (2003) uses the implementation factors under these four components in a synergistic manner illustrating that one factor influences all the others to bring about the success of the implementation process.

The strategic content facilitates the development of the strategy and its alignment with the overall strategic direction and is best carried out by all levels of management.

The strategic content assists with understanding the context in which strategies are implemented both in the internal and external environment.

The operational processes are used in an ongoing process of the business to ensure that all implementation factors work towards the transformation process that is desired.

The outcomes of the strategy implementation are measured against the results that were either intended or realized by those affected.

These four components from the Okumus strategy implementation framework, have been used to discuss how the research company implemented its strategy.

5.2 Strategic Content

The research company is led by directors who hold diverse leadership skills and talent. The Directors embarked on a big hairy and audacious goal to be one of the best cost leaders in the manufacture of automotive pressed metal body components. The contracting of the consultant to drive the process assisted the research company to effectively plan for the development of its strategy and its implementation. The Director of Business and Operations stated that the process for strategy formulation had been in the pipeline already in 2005 but
came to fruition “When pen was on paper on 11 February 2006” (Director, Business and Operations 2008). The strategy planning session was attended by a participative management component of the research company resulting in a documented business plan for the period 1 January 2006 to 31 January 2008 which is reviewable on a six month basis. The aim of the new initiative with the assistance of the consultant was identified to be the production of high quality products with the lowest percentage defects of at least 0.25%. Emphasis was placed on the need to achieve this strategy through the efforts of obtaining cost savings on scrap material. At the company, the cost saving enterprise has been driven by the Director of Planning and Logistics who has over fifteen years experience with the company (Director Planning and Logistics 2008). The strategy to achieve cost reduction on scrap was managed by the Director of Planning and Logistics through a committee that addressed the reasons for scrap and the suggestions for improvement. The Director of Planning and Logistics sought to get the employees to own the production process by focusing on industrial relations and engaging with the employees daily to address matters concerning scrap.

The Technical Director with over twenty years experience in manufacturing-engineering emphasized that the strategic planning session highlighted that the company was good at what it did, had good loyal employees who needed to be trained and developed (Technical Director 2008). The Directors supported the consultant who came on a weekly basis from 2006 to 2007 in order to assist employees with training and development but also to assist with implementation of the strategic plan. Utilizing the consultant ensured that the new initiative was consistent with the overall strategic direction of the company. The consultant had the requisite knowledge in managing change and achieved this through the provision of motivation workshops to the employees to help them through the process (Director Business and Operations 2008). The employees were taught what the business strategy is and how to apply it to every day tasks, in that way communicating the vision to them. In this way employees realized that reducing the amount of scrap material enabled the production of high quality products.
The Directors thus harnessed strategic leadership skills by communicating the strategic direction to all the employees.

The Okumus strategy implementation framework requires consideration to be made on the potential impact of ongoing projects on the new initiative (Okumus 2003). The Director of Business and Operations outlined that the strategy of striving to be one of the best cost leaders did not have a negative impact on any ongoing operational work of the research company but it rather helped to improve the working methods. The Director of Business and Operations indicated that the consultant’s involvement in carrying out the strategic plan was for a period of one year in 2006 to 2007 and a lot of discipline was instilled during that time. However the Director also noticed that when the company had to reduce the period of the day shifts, the employees needed to be motivated once more (Director Business and Operations 2008).

It would be advisable that the research company consider giving periodic motivation workshops to encourage the employees since the short working shifts lead to reduction of the employees’ remuneration and causes demotivation (Consultant 2007). The motivation workshops would help to illustrate to the employees that the company will not always have short times but may have lucrative periods of business as well which would generate more remuneration in future. Since the company has not attempted the periodic motivation workshops, the researcher suggests that this matter be considered for the future subject to weighing up the advantages and disadvantages that would go with it.

5.3 Strategic Context

According to Okumus (2003) the strategic context is divided into the external context and the internal context with the former including environmental uncertainty and the internal context including organizational structure, organizational culture and leadership. The real world version of the actual
operations of the research company in terms of the external and the internal context will be analysed in relation to the theoretical perspective of the Okumus strategy implementation framework.

5.3.1 External context

Environmental uncertainty gives rise to a need for new strategies to be implemented thus resulting in changes in tasks within the organization. In theory, the changes in the task environment require the new strategy to be appropriate to the market conditions, trends and developments in the external environment until the implementation process is completed (Okumus 2003). For success to be achieved in the implementation of a new strategy, the key changes in responsibilities of employees should be clearly defined so as to ensure alignment with the main strategic goals (Ehlers and Lazenby 2004). The aim should be to ensure that the majority of the staff component understands the vision and strategy in order to effectively implement a desired strategy (Ehlers and Lazenby 2004).

The trends in the Automotive industry have been analysed by Deloitte for the period 2006 to 2007. Deloitte observed that,

“The year 2007 was expected to be slow in automotive retail sales with an expectation of the total sales volumes around 7% short of the volumes realized in 2006 because of two major trends:

- Increased cost pressures on local manufacturing
- Changes in the macro environment e.g. increased interest rates, phasing out of old models and introduction of new models from China and India which are on the lower end of the price scale” (Deloitte South African Yearbook 2008).
5.3.1.1 Increased cost pressures on local manufacturing

Recent research conducted by Deloitte on the challenges for the automotive manufacturing environment in South Africa, especially in the field of Supply Chain Management (SCM), has shown that certain capabilities do not necessarily meet with expected standards (Deloitte’s South African Automotive Yearbook 2008). Phillips (2008), the automotive leader for Deloitte Consulting, adds that cost reduction and process improvement could be achieved by manufacturers during the import of parts for local production. The importing process is usually affected by items like local infrastructural problems, the reliability of shipping lines, the efficiencies of airport and harbour companies and the timeous clearing of imported goods through customs. However Phillips (2008:2) believes that, “Big numbers of savings could be realised, if companies would focus on the right issues, pertinent to their organizations as not every company faces the same challenges”.

Deloitte assists companies with efficiency improvements through the use of their "value-modelling tool" which is essentially there to determine the financial impact on cost an intervention would have on the bottom or top line of a company" (Phillips 2008).

In this regard, the research company as a member of the South African Automotive Benchmarking Club (SAABC), has utilized the services of a benchmarking consultant, Ellis (2007) to produce a benchmarking report for it in terms of the research company's value chain. In terms of the research, the cost reduction efforts of the company have been focused on the need to manufacture high quality products at the best cost favourable to the clients. The quality measures that were focused upon are customer returns, internal defect rates (rejects, reworks, scrap) and supplier quality. The research has been undertaken to determine what strategies the company implemented to achieve best cost leadership with the
objective to gain world class competitiveness in the business of manufacturing pressed metal parts.

Data was collected from the research company which showed that the main strategy to attend to reduction of scrap costs was supervised by the Director of Planning and Logistics together with training and development of the employees in this regard by the consultant. The results of these efforts showed that by the end of 2007, the company was happy with its achievement of the scrap rate reaching 0.5% from a previous 2% in the previous years. The Director of Planning and Logistics indicated that the company was happy with such achievement for their business and they would strive to reach 0.25% in the following year, 2008 (Director Planning and Logistics 2008).

5.3.1.2 Changes in the macro environment

Increased competition, the uncertainty of the legal frameworks like the MIDP as well as increased environmental pressures make the automotive industry a challenging industry (Phillips 2008).

In South Africa, the introduction of the National Credit Act 34 of 2005 changed the business scenario in that the consumers were protected from over indebtednesses. However the banks were also protected from the previous risks of financing consumers who were later unable to pay. In 2007, the default rate was increased by over 30% compared to the previous year’s figures thus dampening the excitement of new car sale statistics (Deloitte South African Yearbook 2008).

The increase in interest rates throughout 2007 also caused consumers to look for the best affordable deals thus choosing the manufacturer that offered the best price (Phillips 2008).
The global automotive industry is also experiencing the effects of change in an accelerated way due to the globalization of production. The cost-cutting strategies by the OEMs and as a consequence, their suppliers as well are fundamentally driven by certain major global trends for example outsourcing and sourcing strategies, new technology and innovation as well as environmental requirements (Automotive Passport 2008). These realities have also had an impact on the research company because it has had to compete with other manufacturers of pressed metal components for sourcing and outsourcing opportunities in addition to being a supplier to General Motors South Africa (GMSA), its main client.

There is a range of external factors impacting on the business operations of the South African automotive industry and these include global developments, World Trade Organisation (WTO) rules and regulations, trade arrangements, logistical costs, raw material prices, currency movements as well as Black Economic Empowerment (BEE) and HIV/AIDS (Automotive Passport 2008). The research company through the assistance of the consultant has been working on formulating policies in respect of the BEE requirements and HIV/AIDS. However the benchmarking report found the research company lacking in taking the HIV/AIDS epidemic seriously with regards to implementation of a policy to assist to curb the illness that so affects the surrounding community (Ellis 2007). The research company has undertaken to work on this aspect as one of the imperatives of good corporate governance requires involvement to assist the communities in which businesses operate (Ehlers and Lazenby 2004).

The consultant has been instrumental in identifying what the company needs to address in respect of the external environment as outlined in terms of the PEST+G components already set out in
Chapter 4. The new strategy initiated by the consultant to train and develop the employees to better understand the external environment has been beneficial to the company. The contribution of the input of the ABET training courses for employees has assisted to reduce scrap costs and thus enhance high quality production due to visual instruction charts and also the managerial course undertaken at Rhodes University on “Manufacturing and Supply Chain Management” (Ellis 2007). However the benchmark report by Ellis (2007) suggested that although real improvements have been made with internal scrap, a further strengthening of the company’s internal quality profile is required through reinforcing both recording and daily updating of performance by the operators themselves.

The research company has recognized the need to continuously upskill the educational levels of its employees as they have been currently benchmarked as the lowest in relation to other automotive component manufacturers in South Africa and internationally.

The company has realized that its machinery needs technological innovation in order to match the competitive standards, however management has considered this aspect and decided to carry on with effective maintenance of the current machinery as new machines are exorbitantly expensive (Director Business and Operations 2008).

The comforting element to the automotive component manufacturers is that the automotive sector has been regarded as the leading manufacturing sector which contributed 7.53% to the country’s GDP in 2006 with the result that in 2007 government recognized it as one of the four sectors to fast-track growth (Automotive Passport 2008).
5.3.2 Internal context

According to the Okumus strategy implementation framework, the internal context is comprised of organizational structure (power share, coordination and decision-making practices), the organizational culture (traditions, values and standards) and leadership (backing and involvement of senior executives in the process) (Okumus 2003). These factors contribute to the manner in which strategies are implemented in an organization. Ehlers and Lazenby (2004:178) have found that,

“The challenge of successful strategy implementation is to create a series of tight fits between the chosen strategy and leadership, strategy and culture, strategy and reward systems, strategy and structure and strategy and resource allocation”.

Each implementation factor at any point in time should be in alignment with main strategic objectives or else successful implementation is jeopardized. It is suggested that decisions of implementation should be incorporated into the decisions concerning formulation since in practice strategy formulation and strategy implementation overlap (Okumus 2003, Ehlers and Lazenby 2004)

Organizational structure and organizational culture are critical drivers of strategy implementation as they involve the people of the organization while strategic change requires strong leadership for the achievement of desired goals.

Each element of the internal context of strategy implementation will be briefly discussed in the following sections:
5.3.2.1 Organisational structure

The alignment of organizational structure to strategy affects the shape, division of labour, job duties and responsibilities, the distribution of power and decision-making procedures within the company (Okumus 2003). For Okumus (2003:876), the issues that should be considered during the implementation of the new strategy in the research company are:

“(i) The potential changes in duties, roles, decision-making and reporting relationships due to the new strategy.
(ii) Whether the organizational structure facilitates the free flow of information, coordination and cooperation between different levels of management and functional areas.
(iii) The attitude of powerful groups towards the new strategy.
(iv) The potential challenges of using the existing organizational structure when using process variables including operational planning, communication and resource allocations”.

The outcome of the research reveals that the organizational structure of the research company is a flat structure which facilitates direct communication between the different levels of management. The strategy planning session that took place in February 2006 was attended by all levels of managerial and supervisory staff with an outline as to who would be responsible for what tasks. The consultant was specifically tasked to train and develop all employees to understand the main strategy to obtain industry leadership in the manufacturing of automotive pressed metal components. The intervention of the consultant facilitated that multi-disciplinary meetings be held by the Director of Planning and Logistics with all
operational staff so as to improve on high quality production through reduction of costs of scrap.

The benchmarking report by Ellis (2007) revealed that the external satisfaction measure of quality performance as confirmed by the OEMs that the research company supplied, indicated that no quality concerns exist, however the organization's internal quality performance needed further improvement (Ellis 2007). Proposals were provided that even though the ABET had brought positive improvement, transfer of ownership of quality onto operators was needed with both recording and daily updating of performance. (Ellis 2007).

The research company has taken into cognizance the proposals from the benchmarking report by Ellis (2007) to forge a continuous improvement culture on the factory floor by establishing a team-based manufacturing culture incorporating Visual Performance Management so as to get the workforce to contribute towards productivity improvements. Once these systems are in place, the reporting lines and decision making structures would still be the same thus making it easy to implement the focus change as desired.

The Personnel and Training Officer who works on a first hand basis with the operational employees has confirmed that the ABET courses have brought improvement to the employees in the reading and carrying out of operational instructions. The free flow communication at the different levels of the research company has not been tampered with during the implementation of the new strategy because of the flat structure that helps to facilitate this.

The flat organizational structure of the research company facilitates proper dissemination of instructions from director level, to middle management and eventually to the operational members (Production Manager 2007). The research company has policies that set out the
checklist of all operations to be carried out and the periodic auditing of the internal operations assists the employees to carry out their duties. The organizational structure is aligned with the main strategy to obtain best cost leadership as its framework facilitates the setting of operational plans, communication and resource allocations (Okumus 2003, Ehlers and Lazenby 2004).

Louw and Venter (2006:33) also support this alignment and describe it as organizational architecture, which refers to “How organizational alignment of processes, structures, systems and knowledge with strategy creates a competitive advantage by adding value”.

5.3.2.2 Organizational Culture

Organizational culture has a great impact on strategy because it refers to the shared understanding of employees about how they do things within the organization (Okumus 2003). The Okumus strategy implementation framework proposes that the following issues be considered:

- "The company’s culture and subcultures and their possible impact on the implementation process.
- The impact of organizational culture on communication, coordination and cooperation between different functional levels.
- Efforts and activities to change the company’s overall culture and subcultures" (Okumus 2003:876)

From the interpretations made from the interviews the researcher established that the organizational culture at the research company, is largely influenced by the responsibility taken by top management to ensure workplace discipline and a positive work ethic.
The consultant gave input in relation to the situational analysis of the research company before assisting with a change management process that the company had to go through to implement the requirements for improvement which stemmed from the initial strategy planning session in 2006. The consultant’s involvement revealed that top management was concerned about the low literacy levels of its employees and committed her to facilitate the ABET educational courses so as improve employees observation of operational instructions. The consultant assisted the process through motivation workshop teaching the employees about the business strategy and the strategic direction of the company (Consultant 2007). The managers and supervisory employees have occasionally undertaken manufacturing management courses from Rhodes University.

By offering the Abet and university courses to the employees, top management was creating a culture of learning so as to curb illiteracy and improve the carrying out of operational instructions within research company

The consultant indicated that the Director of Business and Operations ensured that the knowledge within production and operations was formalized (Consultant 2007). This aspect was also confirmed by the Manufacturing Engineering Technician responsible for the internal process audits in the company who indicated that each department has to observe a set of procedures when carrying out duties. (Manufacturing Technician 2007). The policies and procedures as documented thus contribute to the formalized control of discipline and the work ethic within the company. The manifestation of the organizational culture is therefore found in the assumptions, values and beliefs of top management and an organizational culture that is rare and not easily imitated can be a source of competitive advantage (Ehlers and Lazenby 2004).
During the interviews, the perspective of the employees about the organizational culture was indicated by the Personnel and Training Officer (2007) when he indicated that his role is to communicate the employees' concerns to top management and in turn he can relate management's position back to them. The Personnel and Training Officer stated that he attends to matters affecting 'the employees leave, disciplinary procedures, training on ABET and quality standard courses among other things' (Personnel and Training Officer 2007).

The Forklifter (2007) indicated that there are formalities that exist in terms of the operational employees relating to management. Through the formal structures of communication, management was able to listen to their concerns for example when the employees requested that the automatic time keepers be removed from the operation floor and be replaced with the human presence of employees so as to avoid discrepancies in record keeping and reporting. This request was formally considered by management and time keepers were scrapped so that employees could retain their jobs. Thus the organizational culture created in the organization is that of developing mutual trust between management and employees so as to forge relations beneficial to both parties. This manner of communicating works in favour of the organization in that it ensures that the goals of the strategy are aligned with an organizational culture conducive for its operation. The mechanisms of communicating through union officials management ensures cooperation between management and the functional levels and helps the implementation process as proposed by Okumus (2003). The training and development of employees to understand the strategy to achieve best cost leadership in the manufacture of automotive pressed metal components was made possible through the organizational culture which supports the strategy. If management had not put systems in place to ensure that the two way communication exists between management and
employees then the strategy to achieve best cost leadership would be compromised.

The leadership has therefore sought to understand the assumptions and beliefs of its employees and has channelled them in a way that is conducive to production (Personnel and Training officer 2007). This system is enhanced through offering perks to the employees like the Educational Trust Fund which gives out loans for studies and also the funeral scheme designed to assist the employees.

It would appear that the behaviour of the employees reflects compliance with authority and learning to adapt so as to ensure amicable relations with management and ensure protection of jobs (Personnel and Training Officer 2007). The forklifter also confirmed that the employees are compliant with authority and seek to create stability as this is a necessary requirement to achieve a stable work environment necessary for both parties (Forklifter 2007). Compliance is necessary as the employees with low literacy are assisted by the company to improve their status and living standards through the ABET educational programmes. The disadvantage that comes with this compliance is the fact that employees tend to move into a mode of lethargy and being content with the minimum such that they have to be continuously motivated to increase productivity (Consultant 2007).

The benchmark report by Ellis (2007) made findings that the equity standards of the research company need to be improved as it did not have any previously disadvantaged individuals employed at managerial level. This proves that diversity of the workforce at the research company exists at the level of managerial and operational employee level.
5.3.2.3 Leadership

The internal context of the research company is best described through the description of the attributes of its leadership in carrying the organization’s vision forward. Leadership is crucial in using process factors and in manipulating the internal context to create a context receptive to change. According to Okumus (2003:877), the key issues to be considered are:

“The actual involvement of the CEO in the strategy development and implementation process. Level of support and backing from the CEO of the new strategy until it is completed. Open and covert messages coming from the CEO about the project and its importance”.

It is thus not just ordinary leadership that is required but rather strategic leadership is needed and Louw and Venter (2006:353) describe the capabilities of strategic leadership as including the following:

♦ “The ability to think strategically
♦ To be emotionally intelligent
♦ To be able to use a range of behaviours and select the right behaviour for the right situation.
♦ To be able to utilize transformational or visionary leadership in addition to transactional or managerial leadership.
♦ To apply African leadership philosophy and approach”.

The attributes of the leadership of the research company have been considered from the perspective of the teamwork of the directors in directing their vision of their company forward. The most crucial attribute that comes out from the data collected is the ability of the team of directors to communicate their strategy to the employees so that they can effectively carry it out during the operational process and production process. The first significant step taken by the team of directors was that
of taking a resolution to have a strategic planning session with their managerial and supervisory employees in February 2006 to address how the company would implement its strategy to achieve best cost leadership in the manufacture of automotive pressed metal components. This indicated a willingness to initiate the communication process to middle management who in turn would facilitate its communication to the operational employees on the ground.

The engagement of the consultant to facilitate the process of strategy development with the managerial component and that of strategy implementation with the operational employees through training and development illustrates the attributes of strategic thinking and visionary leadership. The directors had the foresight to realize that the employees have low literacy levels and they needed to be assisted with ABET educational courses in order to fully understand the requirements of the process of change whilst the managers were educated with managerial courses from Rhodes University (Consultant 2007). The consultant found that when assisting the research company with the training and development process the Director of Business and Operations displayed Level 5 qualities of serving others before self by humbly taking the managerial team along in the vision to achieve best cost leadership and passing it along to the operational team and ensuring that all processes were documented for continuity in the organization (Consultant 2007).

The Director of Planning and Logistics was very much hands on in the process of ensuring that two-way communication takes place between top management and the operational employees through the interactive operational meetings and engagement with the shop stewards on industrial relations matters (Consultant 2007). This direct engagement with the employees offered the level of support required during implementation of the desired strategy but at the same time the Director of Planning and Logistics focused on empowering the employees to take ownership of the operations they are involved with (Consultant 2007).
The main focus of this director was to assist the employees to understand the need to reduce scrap and the cost of scrap which would help to produce high quality products at favourable prices suitable to the customer (Director Planning and Logistics 2007).

The Technical Director with his vast experience in manufacturing engineering assisted middle management and operational employees with effective implementation of systems and processes in the maintenance department, tool room, manufacturing engineering, quality control and customer liaison (Technical Director 2007). The Production Manager (2007) had a very high regard for the team of directors and recognized their assistance with the planning processes, production processes, quality processes, lessons learnt and disciplinary matters. The Technical Director (2007) displayed a lot of commitment and enthusiasm for the development and survival of his organization and showed that top management rewarded its loyal employees who held many years service.

All these efforts by the three directors of the leadership team were essential in ensuring organizational alignment of all the implementation factors with the strategy. They ensured that the organizational culture was streamlined to accommodate the strategy, they ensured that their organizational structure is also aligned to the strategy (Consultant 2007). The top management can improve its leadership involvement with community matters by assisting its employees living with the HIV/AIDS. Thus the leadership should hasten to devise its policy on HIV/AIDS. Non existence of this policy can be perceived as the company taking no interest in what affects the stakeholders yet this is one of the requirements of good corporate governance.

The research objective to describe the strategic context has been outlined through the above analysis of the external and internal context of the research company.
A description will now be made of the third research objective, namely a description of the operational process of the research company.

5.4 Operational Process

According to Okumus (2003), the operational process includes the aspects of operational planning, resources, communication, people and control which will be outlined in terms of their application at the research company.

5.4.1 Operational Planning

“Operational planning has a great deal of impact on allocating resources, communicating and providing training and incentives and the main issue to be considered is participation and feedback from different levels of management and functional areas in preparing the operational plans” (Okumus 2003:877)

At the research company the result of the SWOT analysis carried out by the consultant revealed that management placed emphasis on the following operational planning requirements:

♦ Observation of Quality Procedures and Systems
♦ Routine scheduled maintenance of equipment
♦ High quality production with target to reach scrap rate of 0.25%
♦ Development and Compliance with policies, especially Supply Chain Management
♦ Effective personnel and training
♦ Skills development and retention
♦ Employee development
♦ Focus on internal projects

Top management assisted the functional areas to formulate their operational plans through the system of documenting policies and
procedures for all the operational requirements in each of the functional departments of production, maintenance, quality and toolroom (Internal Process Auditor 2007). The internal process auditor indicated that each department sets out its operational plans ranging from daily plans, to weekly plans, to monthly plans and quarterly plans right up to yearly plans. The operational plans seek to carry out the requirements of the main strategy. The main strategy relates to the research company’s Mission statement which is to be recognized as one of the best cost provider in the manufacturing of the automotive pressed metal body components. However the results of the strategic planning session emphasized the need to cut down on costs caused by scrap material. Cost reduction on scrap was seen as necessary to achieve high quality products therefore the Director of Planning and Logistics’ main focus was to address the cost reduction targets for the operational employees through their managers. The Technical Director was hands on with the functional managers to assist them to set their operational plans to achieve the target of reducing the cost of scrap to achieve the 0.25% rate of defects.

Participation and feedback from the different levels of management was collated through the management monthly meetings and reports (Production Manager 2007). The Director of Planning and Logistics keeps graphical records of progress made in the reduction of scrap and this visual outline assists all operational employees to see that progress is made to reduce the cost of scrap (Director of Planning and Logistics 2007)

5.4.2 Resource allocation

“Resource allocation relates to the process of ensuring that all necessary time, financial resources, skills and knowledge are made available and it is closely linked to communication and training and incentives” (Okumus 2003:877). Okumus (2003) proposes that incentives should be provided to employees who have achieved the
goals of the strategy implementation. The resource allocation process has to be linked to the company’s overall Human Resource Management policies and practices on implementing new strategies (Okumus 2003). The limitation of the research is that the Human Resource Management policies and practices of the research company were not studied so as to ascertain whether they are linked to the resource allocation patterns or not. However it is evident from the data collected that top management of the company allocated the time, finance and skills necessary to achieve the production of high quality products with as little scrap defect which was recorded as 0.50% in 2007 (Director Planning and Logistics 2007).

5.4.3 People
The implementation of the new strategy requires that proper employees be recruited to carry out that strategy alternatively employees should be provided with skills and knowledge to implement it (Okumus 2003). The research company was forthright in its efforts to train and develop employees in the form of educational training by ABET and quality training courses based on the GMSA requirements. These training methods assisted the employees to read and carry out the operational instructions with a resultant improved level of productivity of high quality products with the least scrap (Consultant 2007). Ehlers and Lazenby (2004) endorse the requirement to nurture the people in an organization because they are the process owners and process is what drives implementation. The implementation of the strategy to achieve best cost leadership was carried out by the people of the research company as desired by top management.

5.4.4 Communication
Okumus (2003) proposes that multi modes of communication should be used to send out both formal and informal messages about the strategy to be implemented. The research company used its flat
structure to ensure that top management communicates directly with the employees about the intended strategy. The middle managers were also a crucial tool for communicating the strategy. The role of the leadership in effecting communication within the research company proved to be valuable as also indicated by the Personnel and Training Officer and the forklifter who are operational members on the ground. The documented policies and procedures also helped to communicate how to implement the strategy required to achieve the production of high quality products at the best prices for the customers.

5.4.5 Control and feedback

The results and efforts of the implementation are monitored through both formal and informal mechanisms particularly through communication and operational plans (Okumus 2003). The research company used the policies and procedures alongside the operational plans to communicate to the employees exactly what is expected after their operation. This is what the company refers to as the internal process audit.

The description of the third research objective was undertaken above and now the description of the fourth research objective will be outlined namely relating to the description of the outcomes.

5.5 Outcome

The outcomes associated with the intended and unintended results of the implementation process and can either be tangible or intangible (Okumus 2003). The key issues that Okumus (2003:877) suggests should be considered are:
♦ Whether the new strategy has been implemented according to plan. If not the reasons for this.
♦ Whether predetermined objectives have been achieved, if not the reasons for this.
♦ Whether the outcomes are satisfactory to those involved in and affected by the process.
♦ Whether the company has learned anything from the strategy implementation process”.

The findings on the data collected reveal that the research company achieved both intended and unintended outcomes of the implementation process. Most of the requirements of the strategic planning session ere carried out in that the following was achieved:

♦ Training and development of employees on educational level through ABET, training on GMSA quality requirements.
♦ Increased productivity of high quality goods were achieved.
♦ Skills development and retention
♦ Employee development
♦ Reduction of the cost of scrap and percentage scrap defects.

What is pleasing to find is that the company engages in a process of collecting the lessons learnt in every functional department with the eventual collection of lessons learnt for the strategy implemented. The Director of Planning and Logistics as the person responsible for the project for reduction of the cost of scrap stated that the company was happy with the outcomes of seeing the scrap reduced to a percentage of 0.5% in 2007. The company was striving to achieve 0.25% in the following year. This is what is crucial in this research namely that top management are happy with the outcomes of the strategy they implemented for their company. The main client needed to be satisfied on it requirements on quality in order to pay the best price for the value offered. The benchmark report by Ellis (2007) also
stated that the main clients had no complaints against the research company on meeting its quality requirements.

Through the benchmarking report however, the company got to realize that it has a shortfall in the implementation of an HIV/AIDS policy and a BEE policy. The company is working on these aspects. The company also needs to improve on the endeavours to exercise African leadership criteria to implement ubuntu in the process to help the community from whom most of its employees come. The company could also improve to periodically motivate the employees not to be despondent in the automotive economy that has faced as slump which has impacted negatively on their income.

5.6 Summary

In this chapter information was presented on the findings from the research in relation to the theoretical framework proposed by Okumus (2003). A comparison was made of what happened in practice with the theoretical framework. In the next chapter the conclusion of the case study will be presented with recommendations to other manufacturers of automotive pressed metal body components and recommendations will be made for further research.
CHAPTER 6: CONCLUSION

This chapter represents the conclusion and recommendations of this case study. Firstly a summary of the case study is presented. This is followed by recommendations for further research in the area of strategy implementation following this case study. Lastly recommendations are made to other companies manufacturing automotive pressed metal components.

6.1 Summary of the case study

This research consisted of a case study on how the research company implemented its strategy to become one of the best cost leaders in the manufacturer of automotive pressed metal body components in South Africa. The main purpose of the case study was to establish how the research company implemented this strategy through a description of its strategic content, its strategic context, its operational processes and its outcomes which are the four main elements of the Okumus framework of strategy implementation. This was done in detail in Chapter 4, which included a thorough review of documentary evidence and the interviews which helped to elucidate what took place both internally and externally.

Having considered the findings of the research, the researcher concludes that the research problem has been addressed in that an understanding has been made of how the research company implemented its strategy to become one of the best cost leaders in the manufacture of automotive pressed metal body components. The description of the research company revealed that the research company fully observed the criteria to be considered in respect of strategic content, strategic context and outcomes as proposed by Okumus (2003). However the research company partly complied with the criteria that Okumus (2003) proposes should be considered in respect of operational processes and certain processes still need improvement for example improvement of policies like the HIV/AIDS policy.
6.1.1 Strategic Content

The interviews and documentary evidence provided produced findings which revealed that the strategic content of the research company was well planned during the initiation stages. The aims of the new initiatives were clearly identified as that of aiming to be one of the best cost leaders in the manufacturing of their products and the new strategy was consistent with the overall strategic direction. During the first strategic planning session in February 2006 there was active participation by all levels of management to come up with the strategy to be implemented in order to become one of the best cost leaders in the manufacture of its products. The research company even utilized the expertise and knowledge of an external consultant to manage the change process during implementation of the new strategy as proposed by Okumus (2003). The consultant worked with the company during 2006 to 2007 which was the time of implementation of the strategy and also the period of research for this case study. The consultant assisted with training and development of all employees in order to help them achieve the goal to be one of the best cost leaders in the manufacturer of its products.

6.1.2 Strategic context

The consultant assisted the research company to analyse the strategic context of the competitive environment in which the company was operating. After instruments like the SWOT analysis were used to assess the internal and external environment the conclusion was drawn that in order to become one of the best cost leaders, the company had to produce high quality products with as little scrap as possible. This is how the research company sought to implement its strategy to become one of the best cost leaders in the manufacture of automotive pressed metal body components. The leadership of the research company was impeccable in giving strategic direction to the implementation of the new strategy in that top management supported and backed the development and implementation of the new strategy until it was completed. The directors of the research company were able to influence the internal context to create a context receptive to change. As a
result its management and operational employees were able to implement the strategy that was required.

6.1.3 Operational Process

The key issues to be considered under operational process are set out by Okumus (2003) under the headings of operational planning, resource allocation, people, communication and control and feedback. While some of the key principles proposed by Okumus (2003) were fully observed by the research company, other key principles were neglected to a greater or lesser extent.

6.1.3.1 Operational planning

The operational plans of each department within the research company were set out in line with the main strategy to become one of the best cost leaders in the manufacturer of the automotive pressed metal body components (Production Manager 2007). The operational plans were set out through visual instruction sheets for the operational employees to undertake. The internal process audits as administered by the Manufacturing Technician (2007) served as checklists to enforce compliance. The interviews and documentary evidence supplied by the production manager, the toolroom manager, the maintenance manager and the quality supervisor revealed that all of them implemented distinctive operational plans which all had the common goal to reduce the costs of scrap and to produce high quality products.

6.1.3.2 Resource allocation

After consideration of the findings of the research, the researcher concludes that the research company has to make sure that its resources of time, money and skills are well balanced to sustain the business in the light of the poor economy in car sales. The company faces a hurdle of low literacy levels of its employees. From the interviews it transpired that the employees faced a
dilemma of wishing to continue with ABET studies however these studies were taken after working hours when the employees could be gaining money for overtime. As a result this put a hold on the continuance of undertaking ABET lessons. The company could overcome this challenge by considering interventions on its resource allocation by perhaps subsidising the studies. A win-win situation could be achieved in this way, as the company by assisting the employees to continue with the educational training in a manner that causes them fewer financial constraints, the employees could improve their educational standards thus causing the company to improve efficiency.

6.1.3.3 People

The research company has successfully looked after its employees by training its employees to achieve the objectives set out in the new strategy. The efforts of the consultant in training and developing the employees was very beneficial in ensuring that the operational instructions were carried out in a manner which strived to reduce the cost of scrap during production. The research company provided incentives to the employees in the form of educational trusts and funeral schemes. Thus there were benefits available to satisfy some of the employees’ needs.

6.1.3.4 Communication

Communication within the company was successful because of the flat structure which facilitated effective communication between all levels of management and the operational employees be it top-down, bottom-up, lateral, formal informal, internal, external, one time and continuous communication. The directors excelled in this by ensuring an open door policy for employees to meet them directly on operational matters affecting achievement of the strategy to achieve being one of the best cost provider in the manufacturer of its products. The Director of Business and
Operations (2007) emphasized that their main client sought products produced according to its unique quality standards at best prices offering the value required by the client. It is for this reason that the strategy was implemented by the Director of Planning and Logistics (2007) ensuring direct involvement with the operational employees guiding them on how to reduce the cost of scrap and recording the progress graphically until it reached the percentages of defect acceptable to the research company. The Director of Planning and Logistics (2007) ensured that employee relations are well maintained by engaging in scheduled meetings with shop stewards on work issues and employee issues. The Technical Director (2007) assisted the manufacturing process through direct involvement with the managers and the operational employees at the plant and ensured that the new strategy is carried out during all operations at the various functional areas.

6.1.3.5 Control and feedback

The monitoring of operational activities was carried out by the internal processes audits, which ensured that employees carried out the instructions according to the set requirements. If not so carried out, then the reasons for non compliance were recorded and lessons learnt were compiled. (Manufacturing Technician 2007). This allowed for the recording of the comparison of implementation of the new strategy against predetermined objectives.

6.1.4 Outcome

The findings of the research reveal that the intended results of the implementation process were achieved on the overall. The reason for this is that the company knew how it wanted to become one of the best cost leaders in the manufacture of its products for its main client. Top management knew that it wanted to achieve this by reducing at minimal cost in order to produce the best cost to the client. The Director of Planning and Logistics (2007) intimated that the company was happy with the results reflecting a decrease
in the percentage of scrap and the cost of scrap as well. Achieving 0.5% made the directors realize that the following year they could achieve their goal of reaching yet a lower percentage of scrap namely 0.25%. The company also recorded their lessons learnt in every functional area of the company during each operational process which was part of the internal process audit. Following these lessons learnt corrective measures were undertaken so as not to have repeat errors.

The benchmarking report by Ellis (2007) also showed that the main client of the research company was satisfied with the service it received as well as the value for money. The main client recorded no adverse comments in this regard when asked for input.

Therefore the outcome of the strategy implementation to be one of the best cost leaders in the manufacture of automotive pressed metal body components was achieved by the research company.

6.2 Recommendations for further research

This research was undertaken subject to limitations that the research company had to remain anonymous in order to protect its identity within a very competitive environment. The researcher had to work with the documentation made available for the research and therefore the research problem had to be addressed in line with ensuring that confidential business information of the research company is protected. The research was addressing how the research company implemented its strategy to be one of the best cost leaders in the manufacturing of automotive pressed metal body components. The research was not concerned with how successful the research company was in implementing its strategy as the company itself was not measuring itself against any a yardstick but was satisfied with achieving the goals it had set for itself.

Further research could be undertaken with regard to how best to keep employees motivated during times of recession. The difficulty experienced by companies during times of recession is that they are faced with the dilemma of cutting costs to
the company and also keeping the employees’ remuneration at the same level so as to provide for their financial obligations. Should the time period of work shifts be reduced due to operational requirements, the remuneration also decreases thus causing employees to be de-motivated. Further research would assist companies to know what strategies to implement to motivate their employees to remain focused during times of recession so as to look to a positive future.

It would also be advisable to undertake further research on linking the resource allocation process to the company’s overall Human Resource Management policies and practices as this would assist during the strategy implementation process.

6.3 Recommendations to other manufacturers of automotive pressed metal body components

The business environment is confronted with change all the time and companies need to hone their skills in strategy implementation techniques. New strategies have to be implemented at every turn of events and globalization has now compelled companies to strive to engage in efforts to sustain the competitive advantage already achieved. Acquiring the skills on strategy implementation necessitates that companies get expert advice on the strategic content, the strategic context, the operational processes and the outcome of the company. Once an analysis of these components is done, the company will acquire an indication of what strategic direction it should take when confronted with an opportunity or threat.

Companies are advised that there is no one size fits all solution for strategy implementation but it is important to know that the same weight should be placed on strategy formulation and implementation as the two go together. Strategy implementation techniques are developed and included in the strategy formulation process already. Periodic strategy planning sessions are therefore advisable so as to be proactive in the efforts to sustain competitive advantage.
6.4 Summary

The research company through the assistance of the external consultant managed the change process of implementing its new strategy to become one of the best cost leaders in the manufacture of automotive pressed metal body components. It acquired this through an overall thorough assessment of its strategic content, strategic context, operational process and outcomes. Strategy implementation is an ongoing process due to the dynamic changes in the business environment which have now been complicated by globalization. Organizations are encouraged to continuously improve their skills in strategy implementation in order maintain a competitive advantage.
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Appendix 2: Research Interview Questions: The middle managers

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<td>1  What is the main strategy of your company.</td>
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<td>2  What do you interpret to be your role in the company?</td>
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<td>3  Do you partake in the strategy planning session of the company?</td>
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<td>4  During strategy formulation, do you also plan for the implementation of the strategies?</td>
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<td>5  How do you seek to transfer the knowledge about strategy formulation and implementation to the employees?</td>
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<td>6  Do you understand the internet and external environment of the company?</td>
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<td>7  Do you think you understand the organisational culture of the organisation?</td>
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<td>8  How do you influence the organisational culture to facilitate strategy implementation?</td>
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<td>9  How do you manage the operational processes to facilitate strategy implementation?</td>
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<td>12 How do you exercise control and feedback?</td>
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## Appendix 3: Research Interview Questions: The Operational Employees

| QUESTIONS                                                                 | 1. Have you been told what the main strategy of the company is? | 2. What is the main strategy of the company? | 3. Who gives you instructions to carry out operations in the company? | 4. Can you read the instructions on the operation floor? | 5. Do you have a duty assigned to you to assist with the well-being of other colleagues? | 6. What do you have to do to assist other employees? Please explain in detail. | 7. How do you assist to train other employees to read and carry out the operational instructions | 8. How do you help other employees to understand that performance is managed at work and incentives are paid for compliance? | 9. How do you assist other employees to be proud of being part of the organisation and to attach a WIN-WIN situation for both the employee and the organisation? | 10. How do you assist the organisation to know what community assistance it can offer the employees. |