Developing a long-term strategy for a selected small transport entrepreneur

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Treatise submitted in partial fulfillment of the requirements for the degree Magister in Business Administration in the Faculty of Business and Economic Sciences of the Nelson Mandela Metropolitan University

Promoter: Mr. Marius Keet

October 2008
Port Elizabeth
I, David Christopher Burgins, hereby declare that:

- the work submitted in this dissertation is my original work;

- all sources used or referred to have been documented and recognized; and

- this dissertation has not been previously submitted in full or partial fulfillment of the requirements for an equivalent of higher qualification at any educational institution.

____________________

D. C. Burgins
Port Elizabeth
November 2008
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ABSTRACT

South Africa, recognised as a developing economy, is encouraging its citizens to be entrepreneurs through various initiatives and assistance, with a bias towards the previously disadvantage people. This encouragement, from the government, has been taken advantage of by numerous citizens to the detriment of themselves, especially in the transport industry.

Kazderich Pro Trans, a small transport entrepreneur, has founded itself based on the notion that businesses will utilize its services frequently based on the preferential treatment, to previously disadvantaged communities. The stakeholders in the transport industry, however is firstly geared towards maintaining their market share in a fiercely competitive industry with arguably an introspective view of the preferential treatment governmental policies.

The purpose of this is to research the transport industry and accurately identify the environment the transport businesses operate in, with a view of analysing competencies that attract and retain business.

This paper negates the government policy to a minor external environmental factor and argues that the company (Kazderich Pro Trans) should operate on the same principals as its competitors in the transport industry.

The important issue being discussed in this research, the long term strategy, is to make small transport entrepreneurs realise that researching and planning their business are more important than starting it. The attraction and retention of clients is the basis of a successful transport business and the analyses of the questionnaire employed are used as guidance in developing the long term strategy.
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### CHAPTER TWO

A LITERATURE-BASED ANALYSIS AND COMPARISON OF FACTORS INFLUENCING KAZDERICH PRO-TRANS cc

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1.1 INTRODUCTION
It may be argued that establishing a small business is often regarded as the only step necessary toward becoming independent. The application of a major shareholder’s expertise, networking ability or capital is then regarded as the only resource required to ensure its success. Furthermore it may be stated that this thought process has brought failure to many start-up companies due to the lack of proper planning; poor focus on the ultimate goal of the shareholders; and the lack of a long-term strategic plan.

Strategic planning may be defined as the process of (1) analysing the organisation’s external and internal environments; (2) developing a mission and vision; (3) formulating overall goals; (4) identifying general strategies to be pursued; and (5) allocating resources to achieve the organisation’s goals (Hellriegel, Slocum, Staude & Associates, 2001: 77).

Starting a company is usually promoted as the preferred option to finding employment in South Africa. Identifying opportunities in a particular market usually serves to encourage individuals to pursue and exploit such opportunities in an effort to be self-employed and become wealthy in the shortest possible time.

Kazderich Pro-Trans cc was established when a small opportunity presented itself in the transport industry. It involved the delivery of cargo in the Nelson Mandela Metropolitan, East London and George areas. A partnership was formed and registered as a close corporation, subsequent to completing both a cost analysis and twelve-month cash flow projection. This was followed by arranging for finance at a registered financial institution. The application was supported and motivated by a logistics supervisor.

Within the first two months of operating it became apparent that the logistics supervisor had exaggerated the amount of trips the newly-established close
corporation would be conducting. The four working partners were faced with having to search for other business. A national transport company procured the services of Kazderich Pro-Trans cc, thereby allowing the partners to fulfill their financial obligations for the period it was utilised by the national transport company. This, however, exerted financial pressure on the partners as a result of increased input costs. The first signs of trouble in the partnership developed due to questions on the financial viability of the company.

The working relationship between the two companies abruptly came to an end when the national transport company implemented structural and organisational changes at a national level. The partners looked for, and found work delivering construction materials to companies in the local Port Elizabeth metropole. This barely sustained the company and caused two of the partners to withdraw from the close corporation.

The remaining two partners (this author being one of them) continued searching for long-term contracts and alternative opportunities to maintain the company financially. They realised, however, that the real cost of running a self-sustaining company, and the problems associated thereto, comprise:

- human resources (contracts, salaries, procurement of professionals, etcetera);
- industrial relations (discipline and grievance procedures);
- public relations (dealing with clients); and
- equipment maintenance (service and procurement of equipment).

It may be stated that entrepreneurs believe that technical or operational knowledge ensures a sufficient understanding of business. This, however, is a fatal assumption that may cause small businesses to fail within the first five years. A small business owner usually acts as a predator in the industry, absorbing opportunities during the early stages of the company. Due to a failure to both manage the company and apply soft and administrative skills to the company, such small business owners often become the hunted (their business commitments haunts them through poor application), instead of remaining the hunter.
The researcher further believes that a company owner should view a dynamic strategic plan as an enabler in the particular market segment s/he operates in. According to Johnson and Scholes (2002: 26), a small business owner is subject to significant competitive pressures, unless such a business owner specialises in some particular segment. Issues of competitive strategy will, therefore, be important to any small business owner.

1.2 THE PROBLEM STATEMENT AND OBJECTIVE
The primary role of every company is to ensure that the company stays financially healthy; is self-sustaining; and maintains a measure of profitability. Kotler (2000: 64) describes the aim of strategic planning as the shaping of a company’s business and products so that it yields target profits and growth. It is further stated that “the main goal of strategic planning is to help a company select and organize its business in a way that will keep the company healthy even when unexpected events adversely affect any of its specific businesses or product lines” (Kotler, 2000: 64).

In the absence of a clear objective for Kazderich Pro-Trans cc, the following problem statement was formulated:

What suitable strategy must be developed for Kazderich Pro-Trans cc as a guideline to success?

1.3 THE SUB-PROBLEMS
To develop a research strategy that will address the main problem, the following sub-problems have been identified:

1. What are the strengths and weaknesses of Kazderich Pro-Trans cc?
This sub-problem focuses on understanding the company and its stakeholders and, through the application of a SWOT analysis (strengths, weaknesses, opportunities and threats) and a review of available literature, determines how organisational strengths and weaknesses can be converted into enablers and enhancers.
2. Do the stakeholders at Kazderich Pro-Trans cc have the necessary competencies to enhance the performance of the company? The application of skills acquired can lead to a competitive advantage in the services industry. Customers value less tangible things, such as staff attitude, ambience of offices and swiftness of service delivery (Johnson & Scholes, 2002: 27). It is, therefore, important to identify the competencies of all stakeholders in the company and to compare it to literature so that it may contribute toward enhancing the development of the company.

3. What do potential clients regard as imperative before they engage in business transactions with companies? Any company wants to maximise the value it receives from its service providers. A questionnaire will be developed to obtain a clear and proper understanding of the needs of companies that utilise transport providers toward determining the impact such needs will have on the strategy proposed for Kazderich Pro-Trans cc. The statistical procedure to be used in interpreting and analysing the data will be literature-based.

4. How can the above be integrated into a relevant, realistic and appropriate strategic plan?

1.4 RESEARCH METHODOLOGY
This section describes the methodology followed toward solving the main research problem, as well as the sub-problems related thereto.

1.4.1 Delimitation of the research
Demarcation will serve as a constraint to render the research topic manageable from a research point of view; however, the omission of certain topics does not imply that there is no need to research them.

1.4.2 Management level of transport companies
This study will be limited to middle management who are both in control of subordinates and have a direct influence on production. All other management levels, such as senior (executive) and supervisory (lower), are excluded from this study.
1.4.3 **Sample size**
The Yellow Pages of the 2007/2008 Port Elizabeth telephone directory list 32 transport companies. These listed companies exclude the bigger players in the industry, such as Imperial Logistics, Dynamic Express and ITT. To make the research manageable, a minimum of 20 companies will be approached as part of the research toward development of a viable strategic plan for Kazderich Pro-Trans cc.

1.4.4 **Geographical demarcation**
The Eastern Cape port city, Port Elizabeth, provides the focus point of the research. The empirical component of this study will be limited to transport companies in Port Elizabeth and the empirical survey will be conducted by means of both questionnaires and conducting interviews with middle-level managers at selected companies.

1.4.5 **Business ethics**
Ethics is broadly defined as the study of people’s rights and duties; the moral rules that people apply in making decisions; and the nature of the relationships among people (Stoner, Freeman & Gilbert, 1995: 107). For the purposes of this research, business ethics will be studied to understand the level of impact it has on an organisation.

1.4.6 **The development of a strategic plan**
The aim of this study is twofold, namely to develop a strategic plan that will both make the development of the company manageable and keep management focused on the goals set for the company; and to integrate current, relevant literature with what practitioners view as the competencies required to formulate a strategic plan.

1.4.7 **Literature review**
Business ethics and interpersonal competencies that add value and ability to the integration of managers will be identified by means of a literature review. Different strategic models, and the application thereof, will also be identified and compared to extract the best from it, thereby providing Kazderich Pro-Trans cc and its owners with a unique strategy.
1.4.8 **Empirical study and recommendations**

The empirical study comprises the following:

a. **Questionnaire survey**
   A questionnaire will be circulated (hand-delivered) to establish those motivational factors contributing to the success or failure of companies. The questionnaire will further be used to measure the successes and/or failures, as well as growth of the companies.

b. **Sample**
   The sample, as outlined previously, will comprise 20 Port Elizabeth-based transport companies.

c. **Statistical analysis of data**
   The statistical procedure to be used in interpreting and analysing the data will be based on known statistical methodology.

1.5 **KEY CONCEPTS**

- **Entrepreneur**
  According to Hellriegel et al (2001:30), the term entrepreneur is assigned to someone who creates new business activity in the economy. The researcher views an entrepreneur as one who acts on a conviction to be in control of his/her life; to create personal wealth; and to prove that working for oneself is more rewarding than working for an employer.

- **Small business**
  The researcher considers a small business as a company that employs less than 10 people, irrespective of the capital input, or lack thereof.

- **Strategy**
  This term (economic strategy) is defined as a plan or policy to achieve something (Oxford). Johnson and Scholes describe strategy as the “direction and scope of an organisation over the long term, which achieves advantage for the organisation through its configuration of
resources within a changing environment and to fulfill stakeholder expectations” (2002: 11).

• Stakeholders
Kotler (2000: 40) describes stakeholders as stockholders, customers, employees, suppliers and distributors. This term may be deemed to include all those who have the ability to render an impact on the company, either negatively or positively.

• Competency
It may be stated that competency comprises having the right skills, knowledge and behaviour required to perform certain tasks.

1.6 ASSUMPTIONS
It is assumed that there are certain universal business ethics and personal competencies which will create and enhance a company’s smooth transition to a newly-developed long-term strategy. Such universal business ethics and inter-personal competencies are independent of type of company and are used in the same way, irrespective of the type of company. The success of the company also depends on the application of basic principles, such as:

• bookkeeping;
• regular contact with clients;
• properly maintaining the assets of the company;
• remunerating creditors punctually; and
• punctual payment of taxes due to South African Revenue Services (SARS).

The fast-changing transport industry in the Eastern Cape serves as impetus for small role players in the industry to continually change their goals and methods of operating. It is assumed that, whilst the strategy will be researched, the applicator of the strategic plan must adjust these goals and methods of operating as the industry changes, thereby keeping the ultimate strategic vision in mind.
Macro-economic changes, currently taking place both globally and nationally, render a significant impact on small businesses. The price of fuel and increasing interest rates increase the cost of doing business, resulting in marginal businesses foregoing opportunities. It is further assumed that meticulous planning and execution of a relevant, realistic and practical strategic plan can avoid the demise of a small business. The execution of such a strategic plan can project a small business toward self-sustainability, profitability and, ultimately, growth.

1.7 SIGNIFICANCE OF THE RESEARCH

Goleman (2000: 78) suggests that the most effective leader uses a collective array of leadership styles – each in the right measure, at just the right time.

Small business owners initially work to accumulate wealth as fast as possible and, in most cases, later just to make sure their businesses survive. A lack of strategic planning may be viewed as the cause for the lack of growth at Kazderich Pro-Trans cc. It may be said that stagnation led to the demise of this close corporation.

In its quest to become excellent, a company must become both measurable and performance-orientated. In excellent companies, small in almost every case is beautiful. The small facility turns out to be the most efficient; it’s being switched on, motivated, highly productive workers, in communication (and competition) with their peers, out produces the worker in the big facility time and again. It holds for plants, project teams, divisions – for the entire company (Buellens, Kreitner & Kinicki, 2002: 526).

The findings of this study could lead to further development of a fast-growing small business, aiming to become a leader in its segment. Universal competencies, suitable to the company, will be identified and might be considered as a measurement or supplementary tool that can assist in the future recruitment of employees, as well as improving employee behaviour toward clients.
1.8 PROGRAMME FOR THE STUDY
The following chapters are included in this study:

- Chapter One
  This chapter provides a discussion on the background, problem statement and sub-problems thereto. The research methodology, layout and glossary will also be specified in this chapter.

- Chapter Two
  A literature review which analyses, compares and agrees with articles and other forms of literature, identified as applicable to the study, will be presented in this chapter. A situational analysis, describing the current state of affairs at Kazderich Pro-Trans cc and origin thereof, is further provided in Chapter Two.

- Chapter Three
  This chapter presents the research methodology followed, including the research design; research sample; and a discussion and analysis of the questionnaire used.

- Chapter Four
  The presentation and interpretation of the results are provided in Chapter Four.

- Chapter Five
  Chapter Five completes this study with recommendations and a conclusion.

1.9 CONCLUSION
The importance of this study was emphasised in Chapter One. The introduction clearly described the current business state at Kazderich Pro-Trans cc, as well as the reasons thereto. The sub-problems to assist in the resolution of the main problem were identified.
It was important to establish, in advance, the constraints limiting this study so that the focus thereof could be established. Failure to determine relevant constraints may prove detrimental to research efforts as the researcher loosely conducts surveys that results in incomplete solutions which can be interpreted as generic.

The problem, as per the problem statement; the research methodology applied; and the key concepts used in this study were further detailed to sensitize the reader to the major focus areas in the study. In addition, the study program used to resolve the main problem was provided.

The previously-mentioned focus areas will form the key elements used in determining a strategic plan for Kazderich Pro-Trans cc, a small transport entrepreneur. The importance of practical strategic plans, as a determinant of success and growth, cannot be overstated and may be lacking in many small entrepreneurial companies.

Chapter Two provides a literature survey that will be employed, supported by empirical studies, to find the solution to the sub-problems described.
CHAPTER TWO

A LITERATURE-BASED ANALYSIS AND COMPARISON OF FACTORS INFLUENCING KAZDERICH PRO–TRANS cc

2.1 INTRODUCTION
Chapter One outlined the reasons why small businesses often fail in the first five years of operating. It was concluded that, to survive in the current macro-economic environment, a properly developed strategic plan is critical to the survival of a business.

This chapter focuses on the reasons for, and intentions of strategic plans; the role players thereto; and the factors that have to be considered when planning a practical strategic plan which will impact on the way business is conducted. “Thus, understanding an acknowledging the ‘reality’ of an organization is crucial to making strategy deliverable” (Ackerman, Eden & Brown, 2005: 2).

Companies may assume that the usual way of doing things is the right, or only way of conducting business. It is this type of organisational culture that may cause a company to stagnate or lose business. The literature reviewed in this chapter will be explored to fully understand the current situation of the company, thereby assisting in addressing the sub-problems identified in Chapter One.

2.2 SMALL BUSINESS GROWTH THROUGH INTER-FIRM LINKAGE
Economic development occurs in a global marketplace. Toomey (1998) asserts that South Africa’s economic policy of gearing is aimed at annually creating 300 000 new jobs, until 2004, to reduce unemployment. Small, medium and micro-enterprise growth is central to meeting this target. Toomey further affirms that, even though numerous government structures have been created to assist small businesses, few such structures assist small businesses in meeting the demands of the marketplace. Toomey suggests that inter-firm linkage between large and small businesses is one
strategy that can assist the growth of small business, create employment and increase labour skills (1998).

The government’s promotion of inter-firm linkage between large and small businesses may prove unsuccessful due to a lack of tangible incentives. Larger businesses operate the way they do as they are aware of their current risks and are, therefore, unwilling to mentor small businesses.

A solution to Kazderich Pro-Trans cc’s current scenario may be found in joint ventures, inter-firm linkages and co-operation agreements between larger and smaller businesses (Toomey, 1998). Such a solution can be used as a vehicle for job creation, new market development and much-needed skills training. Given that the democratic government of South Africa prizes these goals and that the apartheid-generated capacity deficits among potential entrepreneurs are so marked, inter-firm linkages between existing and emergent businesses appear to be an under-utilised vehicle for developing the capabilities of small, medium and micro enterprises (SMMEs) in a competitive market environment.

Whilst Toomey does not focus on the transport industry, it is believed that Toomey should have employed an entrance strategy less reliant on the government. A small business must initiate and drive such a project in conjunction with government-sponsored, tangible incentives. The small business owner must be the driving power in this project, thereby creating both the perfect partnership and growth for the shareholder and the economy.

2.3 SMALL BUSINESSES

The majority of small businesses is owned by families and, as such, can be regarded as socio-economic organisations, made up of two overlapping sub-systems: the family and the business, as depicted in Figure 2.1.
Carlock and Ward (2001) state that each of these two sub-systems has its own norms, membership rules, value structures and organisational structures. Conflict usually arises due to the same individual having to fulfill obligations in both systems, for example, as parent and professional manager. The researcher believes that these two sub-systems have to operate in a bigger circle, namely the macro environment of the industry within which it operates.

When, as in the case with Kazderich Pro-Trans cc, the owners do not depend on the business for their livelihood, the business sub-system initially exerts a greater impact on the small business than that of the family sub-system. This impact, however, will cascade down to the family sub-system when the environment changes, either negatively or positively, as illustrated in Figure 2.2.
Figure 2.2: Comparative influence of industry and the macro environment on a family-owned business sub-system

![Diagram showing the influence of business, industry macro environment, and family.]

Source: Researcher's construction

Figure 2.2 illustrates that finding a strategy that will affect and improve both return on investment and sustainability, in the challenging and influential industry macro environment, poses the key challenge to Kazderich Pro-Trans cc.

2.4 DEFINING ENTREPRENEURSHIP

Knight (1967) and Drucker (1970) assert that entrepreneurship is about taking risks. The behaviour of the entrepreneur reflects the kind of person willing to put his or her career and financial security on the line; and to take risks in the name of an idea, spending time, as well as capital, on an uncertain venture.

An entrepreneur may be considered a positive person who, through passion and determination, makes the initial response to an opportunity in a particular market or through innovative ideas. The entrepreneur is also more likely to take calculated risks in pursuance of an initial vision, even though the specifics of achieving it are not clear, albeit flexible.

According to Hellriegel et al (2001: 32), successful entrepreneurs find market opportunities that others may have overlooked and form a vision of
how to exploit such opportunities. Entrepreneurs may fail as a result of new inventions; however, they are more likely to succeed through offering a better quality product or service, rather than introducing something completely new.

Studies of entrepreneurs have shown that successful entrepreneurs portray and share several common characteristics. These characteristics include personal attributes, good technical skills and strong managerial skills (Hellriegel et al, 2001: 33). Every successful entrepreneur brings about benefits, not only to him/herself, but also for the community, municipality and region. Benefits that can be derived from entrepreneurial activities include:

- personal financial gain;
- self-employment, increased job satisfaction and flexibility of the workforce;
- employment for others;
- healthy competition, thus encouraging higher quality products;
- improved availability of goods and services;
- development of entrepreneurial qualities and attitudes among potential entrepreneurs;
- freedom from dependency on the jobs offered by others;
- ability to achieve great accomplishments; and
- emigration of talent may be stopped by a better domestic entrepreneurship climate (Entrepreneurship, 2008).

An entrepreneur must possess over high tolerance levels and the persistence and patience to deal with any situation that might confront him/her. Displaying these characteristics, in addition to managerial skills and the appropriate academic background, can prove to be the decisive factor in determining the success of a business run by an entrepreneur.
2.5 ANALYSING STRATEGY

Loewen (1998: 21) argues that, whilst there are many definitions of strategy, the one held by the former managing director of McKinsey & Co is simple and to the point. “He believes that strategy boils down to one thing – adding value to your customer. Adding sustainable value to your customer is what ensures business survival and future success” (Loewen, 1998: 21).

Bourgeois (1996) alternatively defines strategy as “a pattern in a stream of decisions”. He claims that this definition has two advantages:

- it is based on action, not just intentions, thereby making strategy observable and tangible; and

- it defines strategy in a way that does not depend on a firm having gone through a formal planning and documentation process. Many firms may not have strategic plans per se; however, they do have realized strategies.

Johnson and Scholes (2002: 65) assert that, in the case of a small business, the person upon whom strategic development and change is dependant should be viewed as the strategic leader. Johnson and Scholes further describe the different lenses strategy can be viewed through to serve as basis of how people develop strategies (2002: 65).

2.5.1 The design lens

According to Johnson and Scholes (2002: 41), an organisation’s performance can be understood through the careful analysis of those factors influencing the business most significantly. This allows the business to compare these factors to its strengths and resources, so as to take advantage of opportunities and overcome or circumvent threats.

The development of the strategy then takes place through a deliberate positioning of the organisation through a rational, analytic, structured and directive process (Johnson & Scholes, 2002: 41). The design lens suggests that strategic leaders have thought this through analytically. It can,
however, simply be a case of the individual consciously, systematically, and on the basis of personal logic, working through issues the organisation faces and coming to his/her own conclusions.

### 2.5.2 The experience lens

The strategies adopted from the experience lens take place in an adoptive fashion, thereby building on the existing strategy and changing gradually. As time goes by, each move is informed by this developing pattern of strategy and, in turn, reinforces it. This could lead to a significant, but incremental, shift in strategy. The experience lens can, therefore, be viewed as strategy development based on the outcome of individual and collective experiences of individuals, as well as taken-for-granted assumptions (Johnson & Scholes, 2002: 41).

### 2.5.3 The idea lens

A changing and unpredictable environment demands a response from an organisation. Such a response usually manifests itself in the form of diverse ideas and innovations. These are usually controlled in different fashions, depending on the hierarchical structure of the organisation. Additionally, there has to be consensus in this lens as it facilitates collective action (Johnson & Scholes, 2002: 50).

Notionally, a design approach should result in innovation, but in fact tends to so emphasise control that it is likely to result in conformity, rather than innovation. Johnson and Scholes (2002: 50) confirm this statement by defining the idea lens as the emergence of order and innovation from the variety and diversity which exist in and around the organisation.

Whilst Johnson and Scholes (2002: 50) argue that the idea lens is useful but insufficient, the researcher believes that it is could prove more than useful in the case of Kazderich Pro-Trans cc. The nature of small businesses is such that limited resources, difficulty in maintaining financial sustainability and poor attraction of new clients force them to be logical, analytical and structured when developing their strategies. This provides
them with clear direction and creates realistic expectations which can act as motivation for continuing the business.

2.5.4 SWOT analysis of Kazderich Pro–Trans cc

The decisions management make can determine the direction a business moves towards. In the case of a small business, a single decision can be fatal for the business if it is not taken objectively. The risks associated with decision-making must be minimised through basing the decision on actual facts and numbers (Hellriegel et al, 2001: 151). This will, indeed, be the case if the decision-maker is aware of the strengths and weaknesses of the organisation.

Johnson and Scholes (2002: 135) describe a SWOT analysis as both a summary of key issues from the business environment and the strategic capability of an organisation that are most likely to impact on strategy development. Below is a summary of the strengths, weaknesses, opportunities and threats (SWOT) of Kazderich Pro-Trans cc.

a. Strengths

This may be viewed as the internal ability of the business to remain operating as a business. The various strengths inherent to Kazderich Pro-Trans cc include:

- The main shareholder is currently studying towards a business degree and, therefore, possesses over the academic credentials required to manage the company.

- The shareholders maintain a strict debt management policy. The only debt owed by the company is that of repayment of the truck. All other payments or transactions are cash-based.

- Kazderich Pro-Trans cc has a loyal workforce. Employees working for the company display traits of loyalty and are always available.
• The client-base covers all expenses, thereby allowing the shareholders to manage the company without financing it personally.

• The company has supportive shareholders who, when the company experiences difficulty, provide assistance until the company is operating properly again.

b. Weaknesses
This concerns the lack of ability that can negatively influence the business and include:

• The company does not have a brand name, nor is it associated with one. This creates difficulty in finding clients.

• Inconsistent working hours result in significant turnover of manpower. Clients demand transport services at peculiar times and the availability of the employees are not always guaranteed.

• Kazderich Pro-Trans cc is subject to poor financial strength as accessing and managing finance for a small business is difficult.

• The company lacks long-term contracts with clients as current clients are reluctant to commit to long-term contracts.

c. Threats
The following comprise those external environmental forces that influence the profit the business generates:

• The external cost of doing business, due to continuous increases in the price of fuel, renders a significant impact on the company as it uses price to retain clients.

• The size of the company results in it often being overlooked in favour of established businesses. This causes the business to be isolated
and, therefore, lacking in the necessary networking that is essential in the transport business.

- The competitive transport environment in the Nelson Mandela metropole compels Kazderich Pro-Trans cc to both be vigilant and offer the right service, at the right time and at the right place, to prevent loss of clients to competitors.

- Without a proper strategic plan in place the company is just striving to pay its bills and make some profit.

d. Opportunities
These are those external factors that positively influence the business and which, subsequently, lead to increased profits, growth and reinforcing the company’s place in the transport industry.

- An increasing amount of construction and infra-situational maintenance in Port Elizabeth creates a climate conducive to growth, thereby resulting in the possibility of increasing the company’s number of clients.

- Inter-linking with an established company, made possible through the current relationship between Kazderich Pro-Trans cc and its main client, may result in an exponential potential for growth for the company.

- The company may experience improvement in its networking due to the research conducted by one of the shareholders amongst its competitors.

2.5.5 The basic strategy model
“All strategic planning approaches attempt to find an optimal match between the resources and capabilities available within the firm (Strengths and Weaknesses) and the external market conditions and environmental
trends (Opportunities and Threats)” (Bourgeois, 1996: 9). The basic dimension of this fairly straightforward approach is illustrated in Figure 2.3.

**Figure 2.3: The basic strategy model**

![Diagram of basic strategy model](image)

Source: Bourgeois, 1996: 9

### 2.5.6 The 7S model

Richard Pascale and Anthony Athos launched an investigation into the success of Japanese industry in 1981. At the same time, Tom Peters and Robert Waterman were exploring what contributed to making a company excellent. The 7S model, as illustrated in Figure 2.4, was born at a meeting of these four authors in 1978 (7-S, 2008).
Figure 2.4: 7S framework model

The 7S model comprises the following aspects:

- Shared values (super-ordinate goals) - what the company stands for and what it believes in; the central beliefs and attitudes.

- Strategy - plans for the allocation of a company’s scarce resources, over time, to reach identified goals (environment, competition and customers).

- Structure - the way in which the company's units relate to each other: centralised, functional divisions (top-down); decentralised; a matrix, a network, a holding, etcetera.

- Systems - the procedures, processes and routines that characterise how work should be done, including financial systems, recruiting, promotion and performance appraisal systems.

- Staff - number and type of personnel within the company.
• Style - the cultural style of the company and how key managers behave toward achieving the company’s goals.

• Skills - distinctive capabilities of personnel or of the company as a whole (http://www.12manage.com/methods7S.html).

The 7S model may be viewed as an over-elaborate system that is not user-friendly to a small business. A smaller business may still be attempting to establish itself in its respective industry and, therefore, developing cultures, systems and skills in the operations. It might, however, still be applicable to established firms as it is simple and easy to understand and apply.

2.5.7 The 3C model
The 3C model (3Cs, 2008) of Kenichi Ohmae, a Japanese strategy guru, emphasises that a strategist should focus on three factors key to success. In the construction of any business strategy, three main players must be taken into account:

a. Corporation
These strategies aim to maximise the company's strengths, relative to the competition in the functional areas that are critical to achieve success in the industry. Internal cost-efficiency strategies, without sacrificing quality or leading the competition in one function only, can cascade to other functions (3Cs, 2008).

b. Customer
Clients are the basis of any strategy, according to Ohmae. There is no doubt that a company's foremost concern should be the interests of its customers, rather than that of its stockholders or other parties. In the long run, a company genuinely interested in its customers will be interesting to its investors (3Cs, 2008).

c. Competition
According to Ohmae, these strategies can be constructed by looking at possible sources of differentiation in functions such as purchasing, design,
engineering, sales and servicing. Corporate management is achieved through improving the business image; strategically exploiting the profits gained; and streamlining people, money and things (3Cs, 2008).

When the above three critical resources are in balance, it will be without any surplus or waste (3Cs, 2008). Figure 2.5 illustrates the 3C model.

Figure 2.5: The influence of the three Cs on the strategy of a company

![Diagram of the 3C model]

Source: Adapted from 3Cs, 2008

A sustained competitive advantage can only exist by integrating the three Cs (corporation, customer and competition) in a strategic triangle. Ohmae refers to these key factors as the three Cs, or the strategic triangle (3Cs, 2008).

The constitution in multi-cultural South Africa recognises all cultures in different forms, rights of marriage, religion, language, etcetera. It is, therefore, important to recognise that it would be insensitive to ignore culture when doing business in South Africa as the different cultures are promoted continually through all the media mediums. Furthermore, it is imperative to incorporate a fourth C, culture, to augment Ohmae’s 3Cs toward constructing a successful strategy.
Incorporating the concept of culture into the company’s strategy will change the accepted way of doing business. With government-promoted black economic empowerment (BEE) deals currently enjoying much support amongst businesses, business leaders will have to be sensitive to the way in which business is conducted with peers, or potentially lose out.

2.6 CORE COMPETENCIES

Competency characteristics include content knowledge, behavioural skills, cognitive processing, personality traits, values, motives and, occasionally, other perceptual or sensory motor capabilities (such as combat pilots’ reaction time or sommeliers’ taste and smell). These competency characteristics are known to validly predict performance outcome criteria. Several hundred competencies have been identified, but only 20 to 25 account for 85 per cent of the variance in most jobs.

Knowledge, skill and personality characteristics required for minimally acceptable performance are called threshold competencies and distinguish the people who can do the job from those who cannot. Characteristics that predict superior performance are differentiating competencies as they statistically differentiate superior performers from those who are average (Spencer, 2003).

Hellriegel et al (2001) describes managerial competencies as the set of knowledge, skills, behaviours and attitudes a manager needs to be effective in a wide range of managerial jobs and various organisational settings. Understanding the overall mission and values of the organisation, and ensuring that your actions and those of the people you manage are aligned with these, requires strategic action competency. A strategic action competency includes understanding the industry; understanding the organisation; and taking strategic actions (Hellriegel et al, 2001).

Loewen (1998: 58) argues that strategy comes from outlining a strong picture of the future industry with the company’s team. Seeking out opportunities, and looking for unique skill combinations to maximise these, will then become automatic. Such strategies can easily be sabotaged by
parties who were not included in the buy-in process. Managers will not be trapped by such dynamics if they are aware of what the company’s objectives are for strategic success. Managers need to realise they are implementing strategy toward guaranteeing future profitability (Loewen, 1998: 58).

Core competencies are points of leverage toward gaining competitive advantage. These are organisational competencies that are either unique to the company or performed better than its competitors and make a significant contribution to customer-perceived value or create a significant cost advantage (7-S, 2008).

Organisational competencies are the functional capabilities and experience a company possesses by virtue of the way it integrates and blends the individual skills of its employees toward achieving results. It can be argued that examples of organisational experience in competencies are:

- planning, budgeting and controlling costs;
- attracting, developing and retaining a highly competent workforce;
- meeting challenging customer delivery schedules; and
- employing managers with the appropriate academic background to support their management and administrative skills (7-S, 2008).

According to Johnson and Scholes

Core competencies are activities or processes that fundamentally underpins the organization’s competitive advantage. They create and sustain the ability to meet the critical success factors of a particular customer group better than other providers in ways that are difficult to imitate (2002: 156).

Johnson and Scholes further explain that, to fulfill the above-mentioned criteria, the competence must:

- relate to an activity or process that fundamentally underpins the value in the product or service features;
• lead to levels of performance that is significantly better than that of its competitors; and

• be robust, thereby making it difficult for competitors to imitate (2002: 156).

Table 2.1: Resources, competencies and competitive advantage

<table>
<thead>
<tr>
<th>RESOURCES</th>
<th>COMPETENCIES</th>
<th>Same as competitors</th>
<th>Better than competitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Threshold resources</td>
<td>Threshold competencies</td>
<td>easy to imitate</td>
<td>difficult to imitate</td>
</tr>
<tr>
<td>Unique resources</td>
<td>Core competencies</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Johnson & Scholes, 2002: 154

Table 2.1 summarises how the company requires unique resources and core competencies to be better than its competitors. Developing or acquiring unique resources and core competencies is of critical importance to a small business in developing and applying a superior strategy (Johnson & Scholes, 2002). Newly created small businesses seldom have core competencies or core resources, unless such a company is a specialist in its industry. Small businesses that start up in established industries imitate competencies and rely on contacts or networking to sustain them while they are developing core competencies or acquiring core resources.

In the case of Kazderich Pro-Trans cc, the company’s inability to attract more business can be attributed to the company only having threshold resources and threshold competencies. The company’s ability to be more competitive is being restrained by these factors and its position will only alter once either its resources or competencies become better than that of its competitors, or difficult to imitate.

A small business requires a spread of core competencies due to the small number of employees working for it. Should the entrepreneur possess all, or the majority of the core competencies, s/he will be engulfed by the
business, eventually doing everything and not trusting the subordinates’ capabilities or competencies. Making core competencies a threshold to joining the company will increase the company’s potential to sustain a profitable business. The identification of core competencies must be based on the type of industry the business is operating in.

2.7 BUSINESS ETHICS
In the most elementary sense, ethics may be defined as a set of values and rules that define right and wrong behaviour. Ethics indicate when behaviour is acceptable or unacceptable. In a broader sense, ethics include distinguishing between fact and belief; defining issues in moral terms; and applying moral terms to a situation (Hellriegel et al, 2001: 122).

Johnson and Scholes (2002) believe that business ethics exist at three levels, namely:

2.7.1 The macro level
Managers need to understand the factors, in local, national and international businesses, that influence societal expectations of organisations, particularly in relation to how inclusive or exclusive companies are expected to be to the influence of various stakeholders. This is the broad ethical stance of a company (Johnson & Scholes, 2002).

2.7.2 Corporate social responsibility
This aspect is concerned with the specific ethical issues facing corporate entities, both private and public. Corporate social responsibility specifically relate to the extent to which organisations should move, beyond those minimum obligations provided through regulations and corporate governance, as well as how the conflicting demands of stakeholders can be reconciled (Johnson & Scholes, 2002).

2.7.3 Individual level
This level concerns the behaviours and actions of individuals within organisations. This is an important issue, especially for small business
owners whose employees are critical to the image of the company (Johnson & Scholes, 2002: 216).

A lack of business ethics can lead to criminal behaviour. A number of high profile fraud cases (Clifford, Fidentia) have been published and continues to damage the image of the organisations and the governmental departments it is associated with. The effect it has on the shareholders, and the business itself, is negative and can be terminal in the case of small businesses. The researcher concurs, therefore, with the view that a company must have an ethical stance.

An ethical stance can be defined as the extent to which a company will exceed its minimum obligations to stakeholders and society at large (Johnson & Scholes, 2002: 217).

It is, ultimately, the small business owner’s responsibility to ensure that employees behave ethically correct and it would, therefore, by default be the business owner’s responsibility to ensure that ethical culture is reinforced through:

- frequently communicating about the ethical values and ethical commitment of the company;
- dealing with anticipated ethical dilemmas which typically arise;
- talking about how the company's ethical values and commitments apply to the work being done;
- talking about how the ethical values and commitments apply to specific decisions the employee makes or participates in;
- recognising ethical issues when they do arise;
- asking questions when the ethical action is unclear;
- making ethical decisions consistent with organisational values and ethics; and
- reporting concerns about ethical and unethical actions to top managers (Writing, 2008).
2.8 MIDDLE MANAGEMENT

Managers are people who make sure that a company achieves its goals. The term management is often used to refer to a group of people who manages a company. Executives and directors are usually referred to as top managers, whilst the managers reporting to them are known as middle management (Hellriegel et al, 2001: 8).

A small business usually has only a single level of management, due to the size of its operations. At this level, the manager is responsible for coordinating and directing activities and at times performs tasks usually executed by non-managerial personnel (clerks and receptionist), such as calculating salaries and directly dealing with industrial problems (Hellriegel et al, 2001: 13).

Middle managers are pivotal to a company’s success as they manage both people and results and provide vital links between customers and suppliers. The five emerging roles of middle managers include:

• executing strategy and delivering results;
• leading, motivating, and inspiring people to perform exceptionally;
• managing, developing and retaining key talent;
• building relationships and influencing others; and
• building, leading and participating in teams (www.conferenceboard.ca/press/2003/middle_managers.asp).

Buellens, Kreitner and Kinicki (2002: 9) identify the following as useful lessons for developing managerial skills:

• Dealing effectively with people is what management is all about. These skills should provide enabling conditions, thereby creating a cycle of goal creation, commitment, feedback, reward and accomplishment which results in interaction at every turn.

• Managers with high skills mastery tend to obtain better sub-unit performance and employee morale than managers with low skills mastery.
• Effective female and male managers do not have significantly different skills profiles, contrary to claims in the popular business press.

2.9 STAKEHOLDERS IN THE BUSINESS

Hellriegel et al (2001) define stakeholders as individuals or groups (customers, suppliers, employees, strategic partners, etcetera) that have interests, rights or ownership in an organisation and its activities. These stakeholders, as depicted in Figure 2.6, may either benefit from the successes of the organisation or be harmed as a result of its failures (Hellriegel et al, 2001: 133). Strategic business decisions can influence and have an impact on some, or all of its shareholders. An employee is the shareholder that is usually most affected by changes to improve profit or operate more effectively. As one of the more important shareholders, especially in the case of a small business, including employees in finding solutions to the business are imperative.

Figure 2.6: Stakeholders of an organisation

Source: Hellriegel et al, 2001: 134
Manning (2001: 29) maintains that of all the stakeholders, the interests of one group supercede the rest. According to Manning, companies have to satisfy many stakeholders, however, the interests of the shareholders rank above that of all others. Even though the company should strive for win-win relationships with all the stakeholders, the company will be faced with trade-offs and the long-term survival of the company should be the first priority of the shareholders (Manning, 2001: 29).

According to Kotler “Today’s businesses are increasingly recognizing that unless they nourish other stakeholders – customers, employees, suppliers, distributors – the business may never earn enough for the stockholders” (Kotler, 2000: 40).

Figure 2.7: The high-performance business

Source: Kotler, 2000: 40

Kotler (2000) reaffirms that a business must strive to satisfy the threshold expectations of each stakeholder group and further be careful not to violate
the various stakeholder groups’ sense of fairness about the relative treatment each group is receiving. This concept is illustrated in Figure 2.7.

2.10 CONCLUSION
The researcher attempted to clarify the different categories that have a dynamic influence on a company, based on the literature reviewed in this chapter. The first two sub-problems were addressed by identifying organisational competencies and understanding how successful companies operate.

Throughout Chapter Two it was made clear that the very existence of a company is dependant on the positive dynamics of its shareholders, especially its leader. Small businesses are extremely vulnerable if its managers and employees lack the core competencies to provide the company the leading edge in the industry within which it operates.

Providing a superior business strategy is a proactive activity and one which endeavors to direct the business in a sustainable and profitable course for the long term. The benefits derived from putting such a strategy into action will serve as motivating factors for the shareholders and stakeholders, provided the driver of the change, the leader, remains committed.

Based on the literature reviewed, the researcher further attempted to clarify the importance of all the stakeholders involved in the company; the importance of competencies; and suggestions or recommendations on how to approach planning for change in a company.

The research methodology (methodology, sample and questionnaire) is discussed and analysed in Chapter 3. The questions entailed in the questionnaire used for this study were devised to determine whether core competencies and core resources provide companies in the transport industry with a competitive edge, as well as what other factors are considered essential to the industry. Chapter Three will, therefore, focus on the models available to interpret these findings.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

Chapter Two presented a literature review which analysed and compared articles and other forms of literature applicable to the study. The research design employed toward developing a strategy is discussed in this chapter.

Small businesses that develop long-term strategies, based on current market conditions alone, will quickly realise the futility of doing so if they do not compare the organisation’s performance against those organisations that are perceived to be better. Johnson and Scholes (2002: 174) describe best-in-class benchmarking as the comparison of an organisation’s performance against the best in class performance, wherever it is found.

Leedy and Ormrod (2001: 3) assert that

In virtually every subject area, our knowledge is incomplete and problems are waiting to be solved. We can address the holes in our knowledge and those unresolved problems by asking relevant questions and then seeking answers through systematic research.

The aim of this chapter is to describe the theoretical basis of, and survey method employed for conducting the empirical research. The construction of the questionnaire; bias in research design; the survey population; and the method used for administering the questionnaire will next be discussed.

3.2 RESEARCH DESIGN

Research, according to Welman and Kruger (2002: 2), may be defined as the process in which scientific methods are used to expand knowledge in a particular field of study. The success of the study is dependent on proper and meticulous planning of the research, namely the research design. Kinnear and Taylor (1979: 123) explain that research design is the basic plan which guides the data collection and analysis phases of the research project.
Leedy and Ormrod (2001: 91) describe research design as the strategy that provides the overall structure for the procedures followed; the data collected; and the data analysis conducted. Simply put, research design is planning.

3.2.1 **Understanding the strategic capability**

Successful strategies depend on companies having the required strategic capabilities. Johnson and Scholes (2002: 145) argue that an understanding of strategic capability is important as it is concerned with whether a company’s strategy continues to fit the environment it operates in. Johnson and Scholes further assert that strategic capability is about providing products or services that are valued, or might be of value in the future, to customers (2002: 145).

Loewen (1998: 17) believes that several questions must be asked by the strategy developer to understand the direction the company must move towards. These are:

- How competitive is our industry?
- What basket of goods do we offer?
- How can we do better?
- What are the key success factors?
- What are the core competencies?

Swords and Turner (1997: 90) point out that there should either be a fit between the company’s core competencies and the way its environment is developing; or a match between the company’s strengths, weaknesses, threats and opportunities (SWOT analysis).

The researcher concurs that a failure to understand your business, the industry and the developing state thereof will provide a strategy worth only the paper it is written on. Understanding your own business and its capabilities is the first step towards developing a successful strategy.
3.2.2 Quantitative and qualitative research

It is imperative for a company in the embryonic stage to address strategic challenges through extensive external research. Although the identification of internal capabilities is important, it is vital to conduct research amongst its peers to identify core competencies that can be turned into critical success factors. As there are basically two methods of research, the quantitative and the qualitative, the researcher investigated both to consider which is best suited to assist in the delivery of a realistic solution.

Leedy and Ormrod (2001: 101) define quantitative research as answering questions about relationships among measured variables with the purpose of explaining, predicting and controlling phenomena. In contrast to quantitative research, qualitative research is typically used to answer questions of a complex nature, related to phenomena, often with the purpose of describing and understanding the phenomena from the participant’s point of view.

O’Sullivan and Rassel (1999: 36) describe qualitative research methods as opinions that produce verbal data which is difficult to convert to numbers. To reach credible results, researchers often use both the quantitative and qualitative methods to conduct one study. Qualitative research methods are particularly oriented towards exploration, discovery and inductive logic (Merriam, 2000: 13). This may result in either no hypotheses being designed or in any theory-building exercises performed.

Quantitative or empirical analytical research may be described, in general terms, as a highly formalised approach to research in the social sciences. It is more explicitly controlled, with a range that is more exactly defined in terms of the methods used, and is relatively close to the physical sciences (Mouton & Marais, 1990: 155).

Quantitative research includes intervention studies where one technique or strategy is used and its effects compared with another. Quantitative research usually contains numbers, proportions and statistics (www.rcn.org.uk), whilst qualitative methods are used when the meaning of
something needs to be found. Qualitative research usually contains no measurements or statistics, but uses words, descriptions and quotes to explore meaning. The question, therefore, to pose when planning a research project is: Do I want to count or measure something, or do I want to find the meaning of something and describe it?

Quantitative design may further be defined as an investigation toward describing the current status of a variable, or the relationships thereof, where the variables are:

- **descriptive**: simple descriptive information about the frequency or amount of something;
- **comparative**: descriptions of the differences between groups; or
- **correlation**: descriptions of the relationships between or among variables (http://wps.ablongman.com/ab_mcmillan_edresearch).

Qualitative designs can be applied as:

- **case studies**: the in-depth study of a single program, event, activity, group or other entity, over a sustained period of time;
- **phenomenology**: studying a phenomena to fully understand its essence;
- **ethnography**: studying an intact cultural group in a natural setting during a prolonged period of time; or
- **grounded theory**: studying a particular environment to generate, or discover a theory that describes it (http://wps.ablongman.com/ab_mcmillan_edresearch).

Leedy and Ormrod (2001) believe understanding of the two approaches should be assessed, thereby enabling the researcher to select the appropriate approach when embarking on a research project. Leedy and Ormrod (2001) furthermore distinguish between the characteristics of quantitative and qualitative research, as summarised in Table 3.1.
Table 3.1: Distinguishing characteristics of quantitative and qualitative approaches

<table>
<thead>
<tr>
<th>Quantitative</th>
<th>Qualitative</th>
</tr>
</thead>
<tbody>
<tr>
<td>To explain and predict</td>
<td>To describe</td>
</tr>
<tr>
<td>To confirm and validate</td>
<td>To explore and predict</td>
</tr>
<tr>
<td>Formal voice, scientific style</td>
<td>Personal voice, literary style</td>
</tr>
<tr>
<td>Focused</td>
<td>Holistic</td>
</tr>
<tr>
<td>Known variables</td>
<td>Unknown variables</td>
</tr>
<tr>
<td>Established guidelines</td>
<td>Flexible guidelines</td>
</tr>
<tr>
<td>Static design</td>
<td>Emergent design</td>
</tr>
<tr>
<td>Statistics, aggregated data</td>
<td>Narratives, including quotes</td>
</tr>
<tr>
<td>Detached view</td>
<td>Personal view</td>
</tr>
<tr>
<td>Representative, large sample</td>
<td>Informative, small sample</td>
</tr>
<tr>
<td>Standardised instrument</td>
<td>Observation, interviews</td>
</tr>
<tr>
<td>Deductive analyses</td>
<td>Instructive analyses</td>
</tr>
<tr>
<td>Numbers</td>
<td>Words</td>
</tr>
</tbody>
</table>

Source: Leedy & Ormrod, 2001: 102

Based on the literature on quantitative and qualitative research, quantitative research is considered as most appropriate to this particular study as it will allow the researcher to gather facts pertaining to the described situation and problem. This research method further allows the use of measurable tools and standardised instruments that can predict the outcome of a particular situation. Accuracy achieved, based on the standardised tools used, will render more meaningfulness and credibility to the study.

3.3 SURVEY METHODS

Leedy and Ormrod (2001: 196) define a survey as follows:

The researcher poses a series of questions to willing participants, then summarizes their responses with percentages, frequency counts or more sophisticated statistical indexes and draws inferences about a particular population from the response of the sample.
Initial planning of the survey design and survey questions is extremely important in conducting survey research. It is difficult or impossible, once surveying has begun, to adjust either the basic research questions under consideration or the tool used to address them, since the instrument must remain stable to standardize the data set. The survey instrument must satisfy basic validity and reliability issues. As a research tool it should offer information and guidance about important decisions or preferences pertaining to the topic being researched (Writing, 2008).

According to O’Sullivan and Rassel (1999: 177), data collection forms an integral part to the implementation of a research plan. How the researcher engages potential subjects to obtain data may determine the success of the project. Cost is the only factor that can influence one data collection method from the other (O’Sullivan and Rassel, 1999: 177).

Leedy and Ormrod (2001: 196) distinguish between three typical survey research methods, namely:

- face-to-face interviews;
- telephone interviews; and
- written questionnaires.

Certain basic practicalities need to be considered before commencing with a survey. For instance, the most convenient time to carry out data collection (this becomes particularly important in interview surveying and group-administered surveys) must be determined, as well as how long data collection is likely to take. Finally, practical arrangements must be made for administering the survey. Pre-testing the survey assists in determining the time it takes to administer, process and analyse the survey and will further assist in identifying and solving any problems, before embarking on the actual survey (Writing, 2008).

3.3.1 **Face-to-face interviews**

Leedy and Ormrod (2001: 196) describe face-to-face interviews as having a distinct advantage as it enables the researcher to establish rapport with participants and, therefore, gain their co-operation. As a result, such
interviews yield the highest response rates in survey research. Structured interviews comprise a set of standard questions, whilst semi-structured interviews comprise standard questions, followed by one or more tailor-made questions.

3.3.2 Telephone interviews
Leedy and Ormrod (2001: 197) regard telephone interviews as less time-consuming and less expensive as it only involves the cost of the calls. The researcher believes that, due to the delimitations of this study, telephone interviews would be inappropriate. The prospect of telephone interviews impacting negatively on the study carries a high probability factor. The use of telephone interviews, as a research method, is therefore discounted for the following reasons:

- availability of potential participants;
- delimitation of the research (Nelson Mandela metropole only);
- potential poor response due to rejection of telephone calls;
- impersonal nature of conversing; and
- potential of people fronting as managers when they are low-level employees.

3.3.3 Written questionnaires
Hellriegel et al (2001: 79) describe strategic planning as ensuring long-term effectiveness and growth which includes the ability to survive and compete through times of uncertainty and risk. This, in the researcher’s opinion, is made possible through questioning decision-making industry stakeholders.

Asking the appropriate or right questions is as important as questioning the proper decision-maker. The researcher firmly believes that, before asking any question, the strategic leader must have conducted an analytical internal and external environmental investigation.

Strategy is about asking questions (Manning, 2001: 57). Manning asserts that meaningful strategic questioning requires rigorous probing into what the organisation does, and why. Taking things for granted in business is dangerous as assumptions can lead to the downfall of a company.
Leedy and Ormrod (2001: 202) believe that questionnaires can be tricky to construct and administer and that one false step can lead to uninterpretable data or a low return rate. The following guidelines are presented toward constructing a questionnaire:

- **Keep it short:** questions should be as brief as possible and only solicit that information essential to the project.

- **Use simple and unambiguous language:** questions should be constructed to communicate exactly what information is required.

- **Check for unwarranted assumptions implicit in questions:** assumptions can lead to uncooperative participants.

- **Word the questions in a way that do not provide clues as to desirable responses:** refrain from leading the participant in preferred responses as it might lead to secondary data that will negatively influence a realistic conclusion.

- **Check for consistency:** the author of the questionnaire should maintain the line of questioning based on the study and, if necessary, ask countercheck questions if answers may be socially acceptable, but not necessarily true.

- **Determine in advance how responses will be coded:** consider how responses obtained will be processed.

- **Keep the respondents’ task simple:** make the instrument as simple to read and respond to as possible.

- **Provide clear instructions:** communicate exactly how the respondent is expected to respond to elicit a uniform response.

- **Provide a rationale for any item whose purpose may be unclear:** each question should have a purpose and it is, therefore, important
to ensure that the participants know the reason why the question is asked.

- Make the questionnaire attractive and professional-looking: this important factor can determine whether a respondent participates or not.

- Conduct a pilot test: determines whether there is any difficulty in understanding the questions and prepares the researcher for possible type of responses that may be forthcoming.

- Scrutinise the almost-final project to ensure that it addresses all the researcher’s needs to ensure that it complies with the above-mentioned guidelines.

For the purposes of this study, a questionnaire was devised to collect primary data toward addressing the main problem. The questionnaire was designed with fully structured questions that would require respondents to select from pre-determined potential responses. Open-ended questions were not used due to the expected difficulty in categorising and analysing such questions (Gilham, 2000: 1; 5). Simple, yet specific, stringent criteria were applied to yield worthwhile data.

As Schnetler (1989: 81) cautions that question order can influence the results of the research, the following specific principles were applied in consideration to the respondents:

- questions should inspire interest and motivate the respondent;
- questions should not be perceived as threatening by respondents; and
- questions should commence with simple and general items and progress to more complex and specific items (Emory & Cooper, 1991: 137).

Schnetler also believes that the following factors regarding question content should be considered (Schnetler, 1989: 57):
• the question must be definitive when the answer required has to be definitive;
• questions must be kept as concise as possible;
• questions must be simple;
• leading questions should be avoided;
• questions that may embarrass the respondent must be avoided;
• provision must be made for all possible answers; and
• questions which necessitate additional work for the respondent must be avoided.

3.3.4 **Pilot Study**
The last step in finalising the questionnaire is that of conducting a pilot study. A pilot study is used to test and refine the questionnaire. Emory and Cooper (1991: 382) regard a pilot study as essential as it assists in the elimination of poor structure and improves the acceptability of the questionnaire to potential respondents. Testing the questionnaire on a small population is also easy to control and the benefits derived from it contribute toward improving the quality of the questionnaire.

A pilot study was conducted, for the purposes of this study, by means of handing out three questionnaires amongst colleagues and logistic firms employed by the researcher’s employer. The questionnaire was handed out with the explanation that the purpose of the pilot study was to refine the questionnaire to ensure that it would achieve the function it was designed for. The questionnaire was hand-delivered to the participants and the response rate was 100 per cent.

3.3.5 **Maximising the questionnaire return rate**
Leedy and Ormrod (2001: 204-208) reaffirm that a poor response rate may often be due to:
• long, open-ended questions;
• too many questions; and
• submitting questionnaires by mail.

Leedy and Ormrod (2001: 206) argue that, whilst surveys are voluntary, the response rate is often better when the researcher is present while
questionnaires are being completed and the participants are captive. To improve the response rate, Leedy and Ormrod (2001: 2006) suggest the following guidelines:

- Consider the timing: the timing of issuing questionnaires must be convenient to the respondent, not the researcher.

- Make a good first impression: the neatness and professional construction of the questionnaire, in conjunction with the manner and approach of the researcher, is vital.

- Motivate potential respondents: give respondents a reason to want to respond.

- Include a self-addressed envelope with return postage: make it convenient for the respondent to return the completed questionnaire.

- Offer the results of the study as a return on the respondents' investment, time and effort used in completing the questionnaire.

- Be gently persistent: increase the response rate by sending out reminders when people do not initially respond to the questionnaire.

3.3.6 The covering letter
It is imperative that the questionnaire be accompanied by a covering letter (Leedy and Ormrod, 2001: 206) that:

- is concise, without being abrupt;
- is professional-looking at first glance, thereby enticing the potential participant to read it;
- describes the purpose of the questionnaire, without lengthy definitions;
- offers the potential participant a return on investment (their time spent on reading and completing it), if possible; and
- is worded in such a manner that both the academic manager and the not-so-sophisticated leader can read it with ease.
The covering letter is extremely important. It should be carefully and thoughtfully constructed and should stress the concerns of the person receiving the letter, rather than any selfish interests of the sender (Leedy and Ormrod, 2001: 206). Leedy and Ormrod (2001) further point out that a poorly-constructed letter and a lack of common courtesy are major contributors to a poor response rate.

A covering letter (refer Annexure A) was drafted for the purposes of this study and submitted with each questionnaire. The purpose of the covering letter was to:

- identify the researcher;
- identify the institute at which the researcher is registered;
- explain the purpose of the questionnaire;
- request the respondents’ voluntary participation;
- explain the construction of the questionnaire;
- provide potential methods of response (fax and e-mail);
- provide the survey’s closing date; and
- thank the respondents for their time and trouble.

3.3.7 The questionnaire
The questionnaire comprised the following two sections:

a. Section A (independent variables)
This section required demographical and biographical details from respondents, thereby providing information on the company, its size, type and affiliation to other companies.

The answers to these questions were expected to provide facts, as independent variables, which usually do not change in the short term. This will allow the categorisation of questionnaires returned by respondents, thereby enabling the researcher to cluster and analyse such respondents.
b. **Section B (dependant variables)**

This section requested respondents to volunteer information regarding those general operational needs and methods the company engages in, either to increase or maintain its lead or to sustain ability in the industry.

It was expected that the responses to these questions would assist in identifying core and threshold competencies; give guidance in preferred methods of improving business; and advice on potential threats in the industry. Dependant variables can change based on the demands of the industry. The information provided in Section B must, therefore, be analysed, based on the current demand and state of the industry.

Biased data is often the outcome of introducing bias in the research design. Biased questioning may elicit answers corresponding with the researcher’s own perceptions (O’Sullivan & Rassel, 1999: 200). Biased questions are usually worded so that respondents are encouraged to give one answer over another, thereby resulting in inaccurate information (O’Sullivan & Rassel, 1999: 200). In dealing with the bias problem, the researcher has to realise and acknowledge the possibility of biased data. This requires that particular attention is paid to the methodology employed to prevent bias as any bias will negatively influence the research and possibly violate the scientific approach employed.

### 3.4 QUESTIONNAIRE ADMINISTRATION

For the purposes of this study, and due to the relatively small transport industry in the Nelson Mandela metropole, questionnaires were hand-delivered to the selected respondents. The purpose of this was two-fold, namely to ensure the correct respondent received the questionnaire; and to initiate a potential networking system in the industry. It was expected that, with the interaction of industry decision-making stakeholders, the response rate, potential advice and positive criticism would be more forthcoming.

A period of two weeks was allowed for the completion of the questionnaire. This was to ensure minimum pressure on respondents and to reduce the I-completely-forgot-about-it syndrome. Respondents were assured that
completed questionnaires could either be collected or submitted via fax or e-mail, as indicated in the covering letter. Respondents were contacted telephonically, prior to delivery, to ensure that the timing of the delivery of the questionnaire was optimal. The questionnaires were delivered from the 16\textsuperscript{th} to the 18\textsuperscript{th} of July 2008 and completed questionnaires were expected on, or before, the 1\textsuperscript{st} of August 2008. Courtesy visits and telephone calls were engaged in to subtly remind respondents of the due date in an effort to maximise the response level.

3.4.1 The population and sample size
The survey population was carefully selected and derived from the fact that the small transport company, Kazderich Pro-Trans cc, operates in the relevant industry in the Nelson Mandela metropole. The sample size was influenced by the current role models operating in the transport industry. Whilst the sample size is small (21 questionnaires were handed out), the majority of the potential respondents were engaged with in an effort to increase the potential for a maximum response rate which would, subsequently, provide a more realistic view to solving the main problem.

3.5 CONCLUSION
Chapter Three described the research methodology and the survey method employed to conduct this study. The background to the research design was reviewed, guided by literature, and an in-depth discussion thereof guided the construction of the questionnaire and covering letter.

Particular attention was paid to the structuring of the questionnaire and the covering letter to emphasise the critical role it plays in research. Guidelines toward avoiding bias, in both the construction of the questionnaire and administration thereof, were discussed, as well as the size of the survey.

The construction of the questionnaire provided direction and prevented the researcher from digressing from the purpose of this study, namely to develop a realistic strategic plan, based on core competencies and opportunities in the market place.
After creating and conducting the survey, the data obtained must be now processed and the results thereof analysed. These steps require strict attention to detail and, in some cases, knowledge of statistics. How these steps are conducted depends on the scope of the study; the researcher’s capabilities; and the audience to whom the results are directed. Chapter Four deals with the above-mentioned items in a structured manner.
CHAPTER FOUR

ANALYSIS OF THE QUESTIONNAIRE SURVEY

4.1 INTRODUCTION
The research, underpinned by the literature review as described in Chapter Three, was designed to emphasise the importance of planning and conducting research. Chapter Three described the different methodologies that can be used to conduct surveys in detail. The benefits and disadvantages of each methodology were discussed to decide on the most appropriate method for this study.

The covering letter, accompanied by the questionnaire, was distributed to the sample size after the completion of a pilot study. The sample size was restricted by the small number of locally-based transport companies in the Nelson Mandela metropole. Twenty-one questionnaires were hand-delivered and, due to a poor response rate at the requested return date, respondents were visited and telephoned at least twice weekly to improve the response rate. It was expected that an excellent response rate would result in more realistic and applicable results and, in an effort to achieve this, the return date was extended to the 1st of September 2008.

Responses to the questionnaire survey will be analysed in an effort to obtain realistic, applicable and specific answers to the questions posed as sub-problems in Chapter One, namely:

- Do the stakeholders at Kazderich Pro-Trans cc have the necessary competencies to enhance the performance of the company?

- What do potential clients regard as imperative before they engage in business transactions with companies?

- How can the above be integrated into a relevant, realistic and appropriate strategic plan?
The above questions form an integral part of this study to develop a suitable strategy for the business as guideline to success.

4.2 ANALYSIS OF INDEPENDENT DATA (SECTION 1 OF QUESTIONNAIRE)

Whilst analysis of the data received is important to the research methodology, the rate of response is critical in determining the acceptability of the results received. The response rate obtained for the questionnaire survey, as illustrated in Figure 4.1, was 62 per cent, even though:

- the due date for completed questionnaires was delayed by a month;
- telephonic reminders to respondents were increased;
- respondents were visited on-site to humbly remind them to complete the questionnaires; and
- colleagues of the targeted managers were convinced to serve as motivation toward completing the questionnaire.

Figure 4.1: Questionnaire survey response rate

It is evident from Figure 4.1 that the hand-delivered questionnaires were responded to in sufficient numbers to reveal a fair amount of accuracy in its
analysis. Even though the response rate was not excellent, it is believed that the analysis of the received responses will provide sufficient information to assist Kazderich Pro-Trans cc and that the probability factor is positively influenced by the rate of response.

4.2.1 Types of companies
The first question, Question 1.2, asked the respondent to indicate the type of business ownership, namely wholly-owned subsidiary, joint venture, close corporation or other.

The purpose of the question was to determine what type of company attains success in the transport industry and to assess whether transport companies flourish better as a subsidiary, joint venture or other type of business.

Figure 4.2: Business type surveyed

![Type of ownership](image)

Source: Researcher’s own construction

It is evident from Figure 4.2 that registering as a close corporation is the preferred method of registering a transport company in Port Elizabeth. Close corporations are defined as privately held companies. The stock of a close corporation is held by a limited number of shareholders, usually directors or managers, and not publicly traded (Close, 2008). This observation places Kazderich Pro-Trans cc in the same category as that of
the majority of transport companies in the Nelson Mandela metropole and should, therefore, not be regarded as an impediment to its success.

4.2.2 Number of employees per company

Question 1.3 was used to determine the number of employees in each respondent’s company. Respondents had to indicate this by selecting the appropriate box (1-20; 20-50; 50-100; 100-200; and +200).

Based on the responses received it may be stated that most small transport companies employ 50 or less people and may, therefore, be considered small businesses.

Figure 4.3: Number of employees per company

![Company size - per employee](image)

Source: Researcher’s own construction

The data displayed in Figure 4.3 shows that the majority of the respondent companies are small businesses and, of this majority, close corporations number more than the rest of the companies. Figure 4.3 also displays the fact that, other than close corporation, type of business is at least twice the size of close corporation on average. This may serve as an indication that healthy competition exists between the small companies while they have to
consider their bigger competitors to safeguard their position in the market place.

The effect this analysis has on Kazderich Pro-Trans cc will be determined by the skills, service levels, price and networking abilities of the owners of the close corporation. Small businesses that operate in a healthy, competitive market always ensure that consistent challenges are creatively approached, either in developing core competencies; improving financial skills; or improving the utilisation of their employees. All the activities that managers engage in must add value or the business will falter and disappear from the market place.

4.2.3 The BEE component per company

Question 1.4 was used to determine whether the business has a Black Economic Empowerment (BEE) component, as well as the size thereof. Respondents were requested to indicate this by selecting from amongst the responses: 0-25%; 25-50%; 50-80% or 80-100%.

In the current South African environment it is widely recognised that companies must constructively engage the services of companies owned by previously disadvantaged people. Due to South Africa’s political past, most successful companies are owned by white people and the government of the day encourages companies, through incentives and legislation, to be positively biased towards companies from previously disadvantaged communities in their procurement policies. This initiative is widely known as Black Economic Empowerment (BEE).

Broad-based BEE comprises the economic empowerment of all black people through diverse, but integrated socio-economic strategies. BBBEE is more than a way to address past inequalities; it is a tool to broaden the country’s economic growth and accelerate growth, job creation and poverty eradication. BEE should result in higher profits for the company, thereby allowing the economy to grow. This is the real purpose of BEE: a bigger economy where all South Africans can participate in and benefit from (BEE, 2008).
Source: Researcher’s own construction

It may be assumed that respondents who failed to respond to this question, as indicated in Figure 4.4, represent a low percentage compliance to the BEE initiative, thereby indicating that these companies are not reliant on the BEE initiative to succeed. It is, therefore, obvious that the business market is not creating enough opportunities to support companies owned by previously disadvantaged groups.

Kazderich Pro-Trans cc is owned by previously disadvantaged people and the company will, therefore, have to compete with its competitors in innovate ways and with perseverance. It may further be stated that those respondent companies requiring the services of transport companies are also not complying with BEE initiatives for reasons that may include operational needs, costs, service delivery and loyalty. Success for Kazderich Pro-Trans cc depends on the company’s ability to determine potential clients’ true needs and to exceed such needs at affordable prices, whilst being profitable, as the company will not be able to change clients’ attitude towards the BEE initiative.

4.3 ANALYSIS OF INDEPENDENT DATA (SECTION 2 OF QUESTIONNAIRE)

The purpose of the questions in Section B was to identify the similarities in the different companies and types of business to determine a common
factor that makes a company both self-sustainable and profitable. An analysis of these questions will contribute toward creating a realistic strategy applicable to Kazderich Pro-Trans cc.

4.3.1 Evaluating competencies

Question 2.1: Please indicate which of the following is more important in your business (What do you regard as core and threshold to operate and cause you to have an advantage?).

- Resources (trucks, forklifts, other equipment)
- Fixed capital (buildings)
- Human Resources (people)
- Financial Strength (cash flow)

This question was posed to determine which of the defined assets the respondents consider core or threshold to operations, thereby resulting in an advantage to the company.

As discussed in Chapter Two, core competencies serve as points of leverage for gaining competitive advantage. They are organisational competencies that are either unique to a company or performed better than its competitors. It was expected that posing this question would result in managers and business leaders indicating their perceived strength in the business. Whilst some respondents spoilt this question, responses received were used for analysis. Respondents were requested to indicate which of the afore-mentioned business assets are regarded as more important by indicating next to the listed items, numbering each item from one to four in order of importance, with one being the most important. This indicates the perceived strength of each asset, thereby identifying which assets are regarded by managers as business enablers and, therefore, as a core competency to the company.
It was noted with interest that Finance and Resources (trucks, forklifts, etcetera) are generally regarded as more important, whilst Human Resources are generally regarded as the least important. This is of particular interest in the light that the smaller companies, which are mostly close corporations, are of the opinion that Finance and Resources are the most important assets. This may be due to the fact that the monetary value associated with such assets is high and that the number of such assets normally exceeds employee numbers. Additionally, employees are more
easily replaced than assets with a monetary value. This may serve to indicate that ownership of these assets, in the case of small companies, are more important as it is the availability thereof that creates work.

Figure 4.7: The 2\textsuperscript{nd} most important assets

![2nd Most important assets](image)

Source: Researcher’s own construction

Figure 4.8: The 3\textsuperscript{rd} most important assets

![3rd Most important asset](image)

Source: Researcher’s own construction
Figures 4.7 and 4.8 depict the second and third most important assets, according to the respondents. Figure 4.7 confirms that even the second most important assets amongst the respondents are Finance and Resources and, therefore, entrenches the belief that owning assets is a core competency in the case of small companies. It is believed that the application, size and availability offered by the company will make the assets core competencies, whilst the finance available, or access thereto, makes it operational.

4.3.2 Increase in business turnover

Question 2.2: What is your most successful way of doing business? (How do you business increase turnover?)

- Networking (working through people you know)
- Marketing (advertising)
- Response to queries (quick and effective)
- Service (word of mouth)

The second question in Section 2 of the questionnaire was used to determine what methodology the companies apply to increase their turnover. The purpose of this question was to indicate what a successful company utilises to sustain and increase its turnover. Table 4.1 indicates that the majority of the companies use service as a key method of attracting business.

Table 4.1: Methods used to increase business

<table>
<thead>
<tr>
<th>Business Type</th>
<th>Close corporation</th>
<th>Joint venture</th>
<th>Wholly-owned subsidiary</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Networking</td>
<td></td>
<td></td>
<td></td>
<td>13%</td>
</tr>
<tr>
<td>Marketing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Response to queries</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service</td>
<td>50%</td>
<td></td>
<td>13%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Source: Researcher’s own construction
This indicates that, although Finance and Resources represent the most important assets in a small company, the employees play a critical role in the business. A response to the previous question which was considered spoilt indicated that all assets are equally important.

4.3.3 Importance of business location

Question 2.3: Does your venue / business location play an important role in the business? (Yes or No)

This question was posed to test the assumption that, in many instances, successful logistic and transport companies are situated close to their main clients.

The response to this question, as illustrated in Figure 4.8, corresponded with the response to Question 2.1 where the majority of respondents indicated that Fixes Assets was regarded as their least important asset.

Source: Researcher’s own construction

Figure 4.9 indicates that the majority of business leaders believe that business location does not play an important role in their companies. This can be regarded as positive as it allows most small companies, including Kazderich Pro-Trans cc, to compete with other transport companies on
equal footing. The construction and letting of offices and warehouses are extremely expensive and acts as a prohibitive agent to prospective logistics entrepreneurs. Location, therefore, serves as an enabler in small transport companies, thereby facilitating the entry of more entrepreneurs to the market.

4.3.4 The value of the company brand name and size

*Question 2.4:* In your opinion, does your company brand name contribute to your receiving business? (Yes or No)

Based on research, it may be stated that a company brand name is created, based on the following factors:

- its longevity in the industry;
- its size in the market; or
- superior service or product.

A brand name is often used to promote a company as the brand name renders the company easily recognisable and the company, therefore, is perceived by clients as more easily accessible.

This question was asked to determine both if the respondents comply with any of the previously mentioned factors that assist in creating brand names; and if they apply it to improve their business. Due to the size of the market, a brand name can contribute to the success of the business as brand names are usually synonymous with quality and reliability. Although brand names are usually acquired through longevity in the market, the marketing of such a business can also be expensive. New entrants to a market may struggle to compete if its competitors are considered brands.
The respondents, as a percentage of whole (100 per cent), overwhelmingly agreed that their companies’ brand name contribute to their companies’ well-being, as indicated in Figure 4.10. With the majority of the transport companies utilising their brand names for promotional purposes, small companies can only be at a disadvantage and may have to adopt a learn-to-please-and-not-satisfy service provider attitude. Small transport companies will have to create innovative ways to promote their products or services, such as:

- providing a quicker response by means of offering an additional response number if the manager is not available or does not respond immediately;

- putting the customer first and proving this through actions and regularly verbalising thereof; and

- going the extra mile without mentioning it on a regular basis.
Question 2.5: Does the size of your business influence the amount of business you receive? (Yes or No)

It may be stated that bigger transport companies receive more business than they can handle as a result of their size, brand name and past record. Such a company is, therefore, perceived as being an able business. The respondents indicated that the company’s size is used as an implicit promotional aspect. When asked the question whether their company’s size influences the amount of business it receives, more than 80 per cent of the respondents answered affirmatively, as illustrated in Figure 4.11.

Figure 4.11 also indicates that all types of businesses agree that company size does have an impact on the business received. This indicates that businesses that require the services of a transport company would rather approach and utilise bigger companies before engaging with smaller transport companies. This makes it difficult for Kazderich Pro-Trans cc, as an extremely small transport company, to penetrate the market and to create sufficient business that will enable growth.

Figure 4.11: Influence of size of business in receiving more business

Source: Researcher’s own construction
As a transport business, Kazderich Pro-Trans cc will have to be aware of any small opportunities created in the industry and exploit it as building blocks in its growth phase. The identification of such opportunities, as well as the action subsequent thereto, may determine whether the company will survive in the fiercely competitive transport industry.

4.3.5 Retention of clients and employee competency
Perreault and McCarthy explains that “trying to get new customers by taking them from a competitor is usually more costly than retaining current customers” and that companies should seek ways to build long-term relationships with each customer (Perreault & McCarthy, 1996: 40). It may be stated that the process of building relationships cannot be done through equipment, but rather that it requires the interaction of company employees.

The questionnaire addressed this issue by posing the following questions:

Question 2.6: Do you retain clients through:
- price adjustment
- improved service
- other

Question 2.7: Does the competency level of your employees influence the success of your business? (Yes or No)

These questions were posed to determine if a positive correlation exists between the retention of clients and the competency level of employees. The following graphs (Figures 4.12 and 4.13) indicate that the respondents all agreed that clients are retained through the service provided by the company and that competent employees influence the success of their companies.
It is obvious from Figures 4.12 and 4.13 that improved service and competent employees retain customers and that other methods for retaining
customers are not as successful. It may, therefore, be stated that Kazderich Pro-Trans cc has to follow suit by constantly improving service and employing competent staff as this appears to be the minimum requirement to retain clients.

The retention of clients is important to a company’s well-being, but the retention of competent employees is equally critical as the attitude, behaviour, skills and work rate heavily influences the success of the company. This factor was addressed by including it as a question in the survey.

Question 2.8: What is your human resource turnover per annum?
• 0% - 6%
• 7% - 15%
• 15% - 25%
• More than above

Unstructured interviews were conducted with respondents during the survey and the most frequently asked question dealt with the previously-mentioned factor. Response to this question, from all the respondents, were that companies retain competent employees through both incentives and exploiting the employees’ need factor. Buellens et al (2002: 180) describe needs as physiological or psychological deficiencies that arouse behaviour.

The respondents further indicated that the transport industry in the Nelson Mandela metropole is growing and that employees are motivated to stay as they implicitly expect to grow with the company. The expectancy theory, as described by Buellens et al (2002: 211), holds that people are motivated by expectancy to behave in ways that produce desired combinations of expected outcomes.

Figure 4.14 illustrates that the majority of the companies surveyed hardly lose any competent employees, whilst more than half of the companies lose less than six per cent of their employees per annum.
The retention of competent staff, as shown in Figure 4.14, is an excellent indication that the employment of competent staff is critical to the success of the business. Part of Kazderich Pro-Trans cc’s strategy should be to find, employ and retain competent staff.

4.3.6 Use of peers and small companies

*Question 2.9: Does your business share excess work with its peers? (When you receive more work than you can handle) (Yes or No)*

This question was included to ascertain whether companies share their work load as this may represent a way in which Kazderich Pro-Trans cc can both access work and simultaneously start developing networks. The results, as shown in Figure 4.15, indicate that an overwhelming majority of the companies share their work with their peers, whilst a slightly bigger percentage makes use of small companies. This can be regarded as an encouraging trend by small transport companies as it provides start-up companies a point of entry to the market, hence the next question was included.
Question 2.10: Does your business make use of small transport business? (Yes or No and include percentage if Yes)

Figure 4.15: Companies making use of peers

Source: Researcher’s own construction

Figure 4.16: Companies making use of small businesses

Source: Researcher’s own construction

Figures 4.15 and 4.16 serve as confirmation that bigger companies accept more work than they are able to handle, thereby prompting such bigger-sized companies to share their workload. If this is truly the case, Kazderich Pro-Trans cc can exceed its own expectations if it works intelligently with the clients it services. The opportunities this present should be used to reinforce developing a network with the primary client, whilst creating and establishing relationships with secondary clients, without becoming
estranged from the primary client. Exploring these possibilities can only be advantageous to Kazderich Pro-Trans cc.

4.3.7 Considering the BEE affiliation

Question 2.11: Does/would your business affiliations to a BEE partner positively influence your business? (Yes or No)

Based on the regular articles published on BEE deals, the most obvious advantage of being affiliated to BEE entities or organisations comprise the discounted or free shares awarded to individuals. This has prompted the researcher to engage the respondents on this subject and to gauge their feelings on being affiliated to a BEE compliance company. The results are shown in Figure 4.17.

Figure 4.17: Positive influence of BEE affiliation

Source: Researcher’s own construction

Based on the respondents’ response, it may be asserted that the greater majority of companies are of the opinion that an affiliation to a BEE company will not add value to their respective companies. This is based on the reason that business owners might ultimately lose the company, while
expected to maintain a relationship with the BEE partner. Maintaining a relationship with the BEE company is generally regarded as costly as most of the BEE transport companies in the Nelson Mandela metropole are small and have little, or no established networks in the city. It is this factor that resulted in these companies openly stating, during unstructured interviews, that they do not expect BEE companies to add value to their businesses.

It may be assumed that, if the approach of the surveyed companies to BEE affiliation was slightly different, the prospect of developing and growing faster than anticipated would have been in Kazderich Pro-Trans cc’s sight. The negative perceptions of BEE affiliation should, however, not deter the company from reaching its goals and should rather serve to increase its determination to succeed.

4.4 CONCLUSION
Chapter Four reported and analysed the results of the survey questionnaire, as well as opinions thereto.

What can be concluded from this chapter is that, even though the mixture of responses can be interpreted as being favorable to small companies making a success of their business, the few negative results can be weighted heavily. Negative results pertaining to finance, size and assets, relative to small transport companies, can be overcome through the careful management of the company’s (Kazderich Pro-Trans cc) own assets.

It was also made clear that innovative marketing will assist the company in creating networks as nearly all companies share work. Analysis of the responses indicates that small companies achieve success faster if they network with other transport businesses, as established companies (clients of the transport companies) in the Nelson Mandela metropole prefer dealing with established, big transport companies who have brand names.

On the other hand, it has become abundantly clear that service delivery is the most important factor in gaining and retaining clients. Kazderich Pro-Trans cc has to depend on this; must be innovative in its service delivery;
and please their clients, rather than only satisfying their needs. Being aware of the clients’ needs is not sufficient to retain them. Kazderich Pro-Trans cc has to determine their clients’ unique needs and exploit it.

Even though clients use trucks to transport their products to their own clients and satellite warehouses, it is the service provider who must determine what packing style and strapping the client prefers and which would add value to the product and only incur the costs associated with the added transport service.

The greatest obstacle to a small company becoming successful is the little leverage such a company has in the market. The market is implicitly controlled by big businesses, while the smaller companies have to contend with the leftover business.

The results of the questions analysed in Chapter Four will be used to assist in creating a long-term strategy for Kazderich Pro-Trans cc. This will be entertained in Chapter Five and the literature reviewed will be used to establish and confirm that the strategy is realistic and conforms to needs of Kazderich Pro-Trans cc.
5.1 INTRODUCTION
Chapter Four provided an analysis of the results obtained from the questionnaire, as well as a discussion on the impact thereof on developing and implementing a strategy for Kazderich Pro-Trans cc. The analysis indicated that Kazderich Pro-Trans cc will have to make the same effort as its competitors to succeed in the transport industry. The analysis provided guidelines toward developing a realistic and applicable strategy through identification of both the strengths of the company’s peers, as well as potential opportunities.

Chapter Five will make recommendations and define the strategy that will assist Kazderich Pro-Trans cc in determining its own future. The chapter will further suggest what the company’s vision, goals and mission statement should be. The literature reviewed will be applied to guide and confirm statements and recommendations and to provide direction based on the analysis completed in Chapter Four. The analysis from Chapter Four will be used as a reference point and benchmark, thereby enabling Kazderich Pro-Trans cc to evaluate and monitor its progress regularly. This will allow the company’s management to alter or maintain its progress toward achieving its ultimate goal of being successful.

5.2 THE VISION
Manning (2001: 69) believes that leadership is about providing direction. He argues that where there is confusion about direction, resources is wasted. Hellriegel et al (2001: 77) defines vision as an expression of an organisation’s fundamental aspirations and purpose which usually appeals to members’ hearts and minds. Bean (1993: 121) regards the vision statement as the bluest slice of the blue sky where the challenge, simply stated, is “What is your long-range vision for this enterprise?” (Bean, 1993: 121).
As a shareholder of Kazderich Pro-Trans cc, and someone who has an intimate knowledge of the company, the researcher has realised through this study that Kazderich Pro-Trans cc’s unstated vision is:

*To be a recognised role player in the transport industry market, in the Nelson Mandela metropole.*

Adopting this vision, and sharing it amongst its employees and shareholders, will result in the vision becoming dynamic and acting as a motivating factor.

5.3 THE MISSION STATEMENT

Dean (1993: 128) describes the mission statement as the logical bridge between the company’s current position and where it hopes to be in the future. It may be assumed that Dean is attempting to point out to the developer of the mission statement that the statement must consist of logical elements that indicate the reason why the business was established.

Johnson and Scholes (2002: 239) believe that a mission statement is a generalised statement of the overriding purpose of an organisation. They argue that mission statements usually attempt to address some of the following issues:

- a vision that is likely to persist for a significant period;
- to provide clarity on the main intentions and aspirations of an organisation and, therefore, the desired future state or aspirations of the organisation;
- describing the organisation’s main activities and the position it wishes to attain in its industry; and
- providing a statement of the key values of the organisation, particularly regarding attitudes towards stakeholder groups.
Incorporating all the afore-mentioned issues will enable the researcher to formulate a statement that all stakeholders can identify with. Hellriegel et al (2001: 77) concur, asserting that a mission statement only has meaning if it serves as a unifying and driving force for guiding strategic decisions and achieving the organisation’s long term goals.

Based on the analysis in Chapter Four, it is obvious that managers regard Finances and Resources more important than Human Resources, even though the service provided is regarded as the most important method employed to increase business. With this in mind, the researcher believes that the following represents an appropriate mission statement for Kazderich Pro-Trans cc:

*People are our most valuable asset. Through our employees’ commitment we believe that we will add value to our clients’ products through collecting the products or goods on time, securing it and delivering it on time, every time, in the same condition as when collecting it.*

In developing the mission statement the length, applicability and simplicity thereof was considered. The mission statement states in logical order the importance of the company’s employees; the purpose of the company; and the role the employees have to play in maintaining and growing it. This mission statement conforms to the notion that the mission is the organisation’s purpose or reason for existing (Hellriegel et al, 2001: 77).

### 5.4 THE GOALS

Ackerman et al (2005: 79) describe a goal as something that is "good in its own right". They further state that it is normal to aspire to more than one goal and that goals could be interconnected, each goal supported by the others and, in turn, supporting other goals.

Hellriegel et al (2001: 78) define an organisation’s goals as that to which it is committed to achieve. Goals may be expressed quantitatively or qualitatively. It may be stated that goals must:
be regarded as a potent source of motivation for the company’s preservation, growth and maximisation;

tencompass all the needs of the company; and

integrate all the elements (specific, measurable, achievable, realistic and time-specific) that make it easy to implement.

With all the above-mentioned in mind, the following goals were formulated for Kazderich Pro-Trans cc:

- **Ensure that all stakeholders understand the purpose and vision of the company by means of advertising on the truck (immediate).**

- **Use proven selection principles to employ competent and flexible employees that will improve the image of the company through their willingness to employ innovation toward complying with clients’ needs (continuous).**

- **Enable employees through training and re-emphasising their roles in the company through continuous communication (continuous).**

- **Provide clients with improvement ideas that ultimately add value to service (when the situation requires).**

- **Create business through our business practices and service provision, for example being punctual and using neat equipment (continuous).**

- **Diversify in the transport business, for example by acquiring more value-adding assets that could be employed for delivery of bulk building material (within three years).**

- **Add value to the clients’ businesses, employees’ lives and shareholders’ equity through identifying their unique needs and, if possible, acting on it (On a continuous base from 14th January 2009).**
• Address the implicit need for the company to penetrate the market by becoming a cost leader in the market (within three years).

The last point was included in the goals as, whilst difficult to maintain, penetrating the market is essential to the success of Kazderich Pro-Transport. It is understood that this may be a dangerous strategy to employ; however, it is considered an achievable strategy due to both the size, and minimum overhead costs of the company. Johnson and Scholes (2002: 333) argue that cost leaders must exploit all sources of cost advantage. The needs of the company were incorporated in the formulation of the goals and it was realised that employees will play a critical role in growing and sustaining the company.

5.5 IMPLEMENTATION

“Today it is widely accepted that entrepreneurship contributes to development, with a positive on society, creating employment, economic expansion, a larger tax base and more consumer well being” (Dana, 2007: 5).

Ackerman et al (2005: 196) believe that strategy-making, in itself, forms part of continuous improvement in an organisation and that it can form an important part of organisational learning and team building. Manning (2001: 86) states that organisations are “open systems: information travels in and out of them and within them”. The more open the company, the more likely it is to survive in a constantly evolving world. Manning further believes that, by blocking the flow of information, it becomes impossible to see either the problems or opportunities or to respond to them fast and well (Manning, 2001: 86). This may be viewed as the most important aspect of implementing the goals of a strategy as a continuous flow of mostly positive information will result in a change of attitudes and other behavioural skills. Bourgeois (1996: 703) recommends that the company should:

• initiate those changes that require the least amount of change;
• choose the changes that are the least systematic;
• institute changes where clearly identifiable champions exist; and
• get some early visible wins.
It may be stated that the size of Kazderich Pro-Trans cc allowed the researcher, a shareholder of the company, to develop the strategy. Kazderich Pro-Trans cc has two shareholders, two permanent employees and three temporary employees. The researcher continuously communicated, in an unstructured manner, the newly-devised goals to the other shareholder and the permanent employees, thereby resulting in their buy-in to, and constructive engagement in this aspect.

It may further be stated that, as the developer of the strategy and main driving force behind the implementation thereof, certain aspects of the Commander Approach (Bourgeois, 1996: 707) was followed. Bourgeois (1996: 707) defines this approach as one where the Chief Executive Officer concentrates on formulating the strategy, giving little thought to how the plan will be carried out. S/he then passes it along to those who are instructed “to make it happen” (Bourgeois, 1996: 707).

Based on both the literature reviewed and the strategy developed to improve business for Kazderich Pro-Trans cc, it is believed that changes must happen incrementally. The best point of departure, as part of the strategy, would be to supply employees with uniforms, thereby motivating them to improve their service to the clients. Continuous mentoring conversations will produce a flow of information, thereby resulting in the early identification of opportunities and problems, as well as the appropriate actions that may be applied thereto. Supporting and enabling employees by rendering them accountable, with the necessary authority to effect changes under controlled circumstances, will ensure that the strategy is applied consistently.

The owners of Kazderich Pro-Trans cc, a service provider, must control the direction of the strategy by engaging clients and developing control plans to gauge the success of the implementation of the strategy.

5.6 CONTROL OF THE STRATEGIC PLAN
Bean (1993: 234) asserts that the potential for strategic success is achieved in direct proportion to the degree to which both strategic planning
and operational implementation are performed well. Bean further believes that regular tracking and review is important for several reasons:

- reviewing the plan not often enough will result in loss of focus;
- reviewing the plan too often will be excessive as it is a long-term plan;
- ensuring that people responsible for certain actions have enough time to make progress toward completing their respective tasks or duties; and
- the best time for reviewing the plans is when the results of the business operations are available (Bean, 1993: 234).

Achieving success must be measurable and the company must be able to track business progress by means of different methods, including feedback from clients. Such feedback can be obtained either through interviews when the manager visits the clients or by developing a form that the client can complete monthly.

Success can be managed by monitoring those activities that result in increased business. Colour coding, as illustrated in Figure 5.1, is used to indicate progress toward successful implementation of the strategy. Figure 5.1 is an adaptation of an illustration that defines the interaction between critical success factors, reasons for success, resources and competencies (Johnson & Scholes, 2002: 158). The purpose of this illustration is to define the dynamics of success. The first level comprises identifying the critical success factors as contained in the strategy, while the second level contains the changed processes (way of doing things) that will be derived from the resources and competencies. The monitoring chart can be provided without coloured blocks as these can be coloured in as the actions or competences are achieved.
It is important to monitor, record and understand the flexibility the business is undergoing. Understanding these business cycle factors will prepare the managers for future negative cycles the industry might undergo.

5.7 FINAL CONCLUSION AND RECOMMENDATIONS

In conducting the survey it was discovered that there were no noticeable BEE goods transporters in the industry, other than a relatively large company which has a brand name in the Nelson Mandela metropole. This, together with other factors analysed in Chapter Four, leads to the conclusion that Kazderich Pro-Trans cc could penetrate the transport industry market in the Nelson Mandela metropole.
The analysis further revealed that companies share workloads, leading to the conclusion that the market is not yet saturated. Whilst this should be regarded as encouraging, the company's projected climb to success could be slower than anticipated. The developed strategy is in line with that of the company's current competitors who utilise improved service provision to increase business and clientele.

The company will have to use cost, and being a cost leader, as its main means of initially penetrating the market. This may, however, not be sustainable in the long term. Kazderich Pro-Trans cc will have to improve the client process by making use of every opportunity to display its improved service, punctuality and potential ideas. This will serve to improve the company's visibility. It is common knowledge that word of mouth advertising is more effective than any other marketing method. The cost factor can be gradually eliminated, once the company has established itself as a great company that delivers.

Implementing the strategy is important to Kazderich Pro-Trans cc as its preservation depends on it. The sustainability of the business will follow naturally and prudent financial management will allow the company to achieve the longevity that will make finance, or access thereto easier.

Emphasis was placed on the vision, mission and goals to reinforce that these must embrace the needs of the company on its way to success. These factors must be regarded as guidelines and not as cast in stone. The flexible leadership of Kazderich Pro-Trans cc will ultimately engineer the company's success through focusing on business, while never losing sight of what happens in the market place.

Planning and implementing a strategy is not more important than the monitoring and controlling thereof. Whilst monitoring and regulation of the implementation of a strategy may be considered equal partners in the success of any company, it must be kept in mind that the flow of information is equally important. Additionally, reminders of where the business is
going, compared to where it is now, must always be conveyed to all stakeholders.

This study lends itself to further research. The slow emergence of BEE transport companies lends itself to a more comprehensive study of implementing strategies, with guidelines provided toward improving successful implementation. Aspects for potential investigation include the functions of a manager in the transport industry; and the role of marketing in providing assistance to successful businesses. Other possible areas that could be researched include the changed management in the transport industry, as well as how to make finance less of a critical factor in starting a transport company. Last, but not least, creative systems of incentives and motivations could be investigated as the transport industry is the first to feel the change in the economy due to companies reducing their transport costs first, and by doing so, squeezing the smaller businesses out of the market.
REFERENCES


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Schnetler


www.rcn.org.uk
http://wps.ablongman.com/ab_mcmillan_edresearch.
Dear Respondent

This questionnaire is part of a research study conducted by David Burgins (Student No. 20144657) a MBA candidate at the Nelson Mandela Metropolitan University “to develop a long term strategy for a small transport business”.

Your contribution will be extremely valuable in the development of a realistic and practical strategy and through your co-operation this goal can be achieved. This information will be treated with the necessary confidentiality you require and will not be shared with your competitors.

You are hereby also urged to answer all questions as honestly and realistically as possible.

Section A pertains to biographical information and Section B pertains to questions that might assist in the development of long term strategy. Should you have any queries or require any assistance please feel free to contact me at the below - mentioned contact numbers.

Please return questionnaire on or before the 1st August 2008 to Fax No. 0866 288 060 or e-mail to davidbu@absamail.co.za. If you so wish, you can refrain from using your name and business.

Thanking you in advance.

David C. Burgins

041 360 1567
082 781 3459
davidbu@absamail.co.za
### Section One

1. **What is the name of your company?**

2. **Ownership of your company**
   - Wholly owned subsidiary
   - Joint ventures
   - Closed Corporation
   - Other

3. **How many employees do you have in your organization?**
   - 1 - 20
   - 20 - 50
   - 50-100
   - 100-200
   - 200 +

4. **What is the BEE component of the company?**
   - 80% -100%
   - 50% - 80%
   - 25% - 50%
   - 0% - 25%

5. **Is transporting goods your core business function?**
   - Yes
   - No

6. **What is your position in the company?**
## Section 2

### 2.1 Please indicate which of the following is more important in your business. (What do you regard as core and threshold to operate and cause you to have an advantage?)

<table>
<thead>
<tr>
<th>Resources (Trucks, forklifts, other equipment)</th>
<th>Fixed capital (Buildings)</th>
<th>Human Resources (people)</th>
<th>Financial Strength (cash flow)</th>
</tr>
</thead>
</table>

Indicate most important with 1 and least important with 4

### 2.2 What is your most successful way of doing business? (How do your business increase turnover?)

<table>
<thead>
<tr>
<th>Networking (working through people you know.)</th>
<th>Marketing (advertising)</th>
<th>Response to queries (quick and effective)</th>
<th>Service (word of mouth)</th>
</tr>
</thead>
</table>

Indicate most important with 1 and least important with 4

### 2.3 Does your venue / business location play an important role in the business?

- Yes
- No

Please tick in the appropriate box

### 2.4 In your opinion, does your company brand name contributes to your receiving business?

- Yes
- No

Please tick in the appropriate box

### 2.5 Does the size of your business influence the amount of business you receive?

- Yes
- No

Please tick in the appropriate box

### 2.6 Do you retain clients through:

- Price adjustment?
- Improve service?
- Other

Please tick in the appropriate box

### 2.7 Does the competency level of your employees influence the success of your business?

- Yes
- No

Please tick in the appropriate box

### 2.8 What is your human resource turnover per annum?

- 0% - 6%
- 7% - 15%
<table>
<thead>
<tr>
<th>2.9 Does your business share excess work with its peers. (When you receive more work than you can handle.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Please tick in the appropriate box</td>
</tr>
<tr>
<td>Yes</td>
</tr>
<tr>
<td>No</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2.10 Does your business make use of small transport business.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Please indicate in percentage amount.</td>
</tr>
<tr>
<td>Yes</td>
</tr>
<tr>
<td>No</td>
</tr>
<tr>
<td>Percentage if yes</td>
</tr>
<tr>
<td>N/A</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2.11 Does/would your business affiliation to a BEE partner positively influence your business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Please tick in the appropriate box</td>
</tr>
<tr>
<td>Yes</td>
</tr>
<tr>
<td>No</td>
</tr>
</tbody>
</table>

Comments: