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STRATEGY FORMULATION, ALIGNMENT AND IMPLEMENTATION TO ENSURE THAT BEHR IS COMPETITIVE INTERNATIONALLY. A CASE STUDY.

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DECLARATION

I, Donald Samuels hereby declare that:

1. The work in this research paper is my own original work.

2. All sources used or referred to have been documented and recognised.

3. This research paper has not been previously submitted in full or partial fulfilment of the requirements of an equivalent or higher qualification at another recognised Education Institution.

Signed: ……. Date: …….

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ABSTRACT

South Africa's transition to democracy in 1994 has heralded a re-entry into the global economy. This has meant that for the first time in more than 40 years of isolation because of "apartheid" policies, South African companies are facing global competition.

The South African automotive industry has undergone major changes over the past few years. All the assemblers are now either wholly or partially owned by overseas parent companies. Under globalisation, foreign ownership of locally owned suppliers has also been escalating. The Behr strategy and values were examined to determine whether they are consistent with companies operating in the international environment.

The literature study was conducted by using textbooks, periodicals and the internet.

The empirical study was conducted by means of a questionnaire addressed to the Behr executives. The results of this empirical study were then directly correlated to the theoretical aspects. Distinctive competences, market growth and product development strategies were identified and comparisons made with theory.

TABLE OF CONTENTS

Table of Abbreviations

DC	Daimler Chrysler
FDI	Foreign direct investment
GDP	Gross domestic product
GEAR	Growth, employment and redistribution
HVAC	Heater Ventilasation and air conditioning
JV	Joint venture
MIDP	Motor industry development program
MNC	Multi national company
NAAMSA	National Association of Automobile Manufacturers of South Africa
OE	Original equipment
OEM	Original equipment manufacturer
R&D	Research and development
WTO	World Trade organisation

List of tables

List of figures

Figure 5.3 Effectiveness of strategy……...95

Figure 5.4 Organisational structure……96

1. CHAPTER ONE:
Introduction, problem statement and definition of concepts

1.1. INTRODUCTION

This chapter will focus on the presentation of the main problem and sub-problems to be addressed in this paper. It will also include important concepts relevant to the scope of the study as well as the method chosen by the researcher to solve the main problem.

Johnson and Scholes (2002: 105) state that global competition has become a key concept in the majority of companies worldwide. Successful companies are those that focus their efforts strategically. A successful strategy adds value for the targeted customers over a sustained period of time by consistently meeting their needs better than the competitor does. Johnson and Scholes (2002: 105) continue and further state that strategy is also the process of formulating plans, in the marketplace, aimed at gaining a sustainable advantage over the competition.

According to Manzoni (2005:1) there has however been international trade for centuries in certain activities, proving the existence of a so called global market place. The most dramatic change over the last two decades, for business, has been the globalisation of economic activity. The scale of changes according to Manzoni (2005: 2) with world trade having grown by 300 per cent since 1980 has been remarkable. Manzoni (2005: 2) claims that globalisation is not yet universal. Many activities are still strictly local in nature and outside the international economic structure. The direction of change is however clear. The world is more globalised than it was and will become even more global over the coming decades. Globalisation is a dynamic process and in many sectors it has only just begun.

Manzoni (2005: 1) concludes that Companies world-wide have grown in scale and scope but the largest companies have remained predominantly based in the industrialised world. There has been a strong recent surge in development of international investment by these firms. New challenges and opportunities, driven by changes in the global economy, have presented themselves to organisations worldwide.

Global Business Strategy, retrieved 13 September 2005 from http://www.irc.caltech.edu/courses/global_business_strategy.htm states that global competition has become a key concept in the majority of companies. Companies are facing complex challenges induced by a rapidly changing global business environment. These challenges have however created opportunities and have resulted in access to:

- New markets;
- New sources of supply;
- New sources of technical talent, and
- New sources of capital.

Global Business Strategy (2005: 1) concludes that it has become essential for organisations to develop and review their strategic planning processes to successfully realise the opportunities inherent in the new global business arena. Those who do so will prosper.

According to Manning (2001: 9) every company needs a strategy. Strategy is not difficult. It is about listening to customers, asking some pretty simple questions, making some choices and getting people to support your decisions. It is the ultimate responsibility of every business leader. Companies succeed when they get it right and fail when they get it wrong.

A large diversified corporation should according to Slack, Chambers and Johnson (2001: 65) adopt a strategy to best position itself in its global, economic, political and

social environment. Decisions about what types of business the group wants to be in, which parts of the world it wants to operate in and how it allocates resources between the various businesses forms the corporate strategy of the corporation. Each business unit within the corporate group should also put together its own business strategy with its individual mission and objectives supporting the corporate strategy. This is the business or operational strategy which guides the business in relation to its customers, market and competitors. Functional strategies then consider what each function should contribute towards the strategic objectives of the business.

Operational planning and strategic planning are basically intertwined, but it is the latter that should be the driver. Short term plans and systems should be driven by the longer term perspective (Hussey, 1998:9).

Johnson and Scholes (2002:308) state that there is no “best” corporate strategy. The main consideration is the consistency with which the corporate strategy is developed in terms of (a) clarity of rationale of the corporate parent in seeking to add value to the various independent business units; (b) the logic of the corporate portfolio; (c) the nature and the extent of the diversity of the portfolio; (d) the nature of corporate control exercised by the corporate parent.

The final consideration in this strategy process according to Thompson, Gamble and Strickland (2004: 254) is that of the organisational structure alignment. There are a few hard-and-fast rules for organising the work effort to support strategy. Every firm’s organisational chart is partly a product of its particular situation, reflecting prior organisational patterns, varying internal circumstances, executive judgements about reporting relationships, and the politics of who gets which assignments. Every strategy is grounded in its own set of key success factors and value chain activities.

1.2. THE PROBLEM

1.2.1. The Main Problem

There are many challenges facing a company to ensure its survival in an automotive industry characteristised by minor growth. The need to provide cutting edge technologies, unsurpassed quality, excellent customer care and support, competitive pricing as well as ensuring a global presence are the main pre-requisites for success. Survival in today's global marketplace requires firms to be able to quickly exploit opportunities presented to them anywhere in the world. Firms also need to respond to changes in domestic and foreign markets as they arise. This leads to the following problem, which will be addressed by this research:

To assist senior management at Behr in formulating and implementing strategies that will enable the organisation to compete effectively internationally.

1.3. SUB PROBLEMS

In order to develop a research strategy to create a solution to the main problem, the following sub-problems have been identified:

(a) How has the South African automotive market environment changed and how does this affect Behr South Africa?

(b) What are basic components of strategy development for organisations operating internationally in a globalised automotive industry?

(c) What basic components of strategy development do the senior management of Behr South Africa believe will address the changed market environment?

(d) How can the two be integrated to formulate a strategic planning process that addresses the changing market environment?

1.4. DELIMITATION OF RESEARCH

The delimitation of the research serves the purpose of making the research topic manageable from a research point of view.

The omission of certain topics does not imply that there is no need to research them, it merely excludes them from this study.

1.4.1. Management Level

The study will be limited to senior management at Behr South Africa. International strategic management according to Griffin and Pustay (2005: 309) is a comprehensive and ongoing management planning process aimed at formulating and implementing strategies that enable the firm to compete effectively internationally. Thus strategic planning is usually the responsibility of top level executives at corporate headquarters and senior managers in domestic and foreign operating subsidiaries.

1.4.2. Geographic demarcation of operations to be researched

The Behr Group has its international headquarters in Stuttgart, Germany with production facilities in Germany, France, Spain, China, India, Czechoslovakia, North and South America and South Africa. They also have Joint Venture (JV) agreements in a number of these countries. The research of this study will be limited to the South Africa operations. These facilities consist of Behr Climate Control in Port Elizabeth, Behr Engine Cooling with operations in Pretoria and Pinetown and Behr Service in Johannesburg.

1.4.3. Respondents

The researcher will interview the senior management at the Behr South African operations situated in Johannesburg, Pretoria, Pinetown and Port Elizabeth. Their opinions and recommended actions will be established to ensure that Behr is strategically aligned with the changing global requirements of the automobile industry.

1.5. DEFINITION OF KEY TERMS

For the purpose of this study the following meanings are associated with the concepts in the title and the problem statement of the study.

1.5.1. The Behr Group

Behr started in 1905 as a workshop that manufactured automobile radiators. It has since grown into an international network of 25 production plants around the world with a workforce of almost 16 000 employees. The parent company of the global Behr Group is based in Stuttgart, Germany.

Behr is a specialist in vehicle air conditioning systems and engine cooling products. It is one of the world's leading original equipment (OE) suppliers of cooling systems for passenger car and commercial vehicles.

In May 1999 the Behr Group continued its globalisation strategy and acquired what is now the Group Company, Behr South Africa. The focus of this research is on Behr South Africa and its four operating sites within South Africa.

1.5.2. Strategic Planning

Strategic planning is the process of formulating and implementing decisions about an organisation's future direction (Kerzner, 2001: 1012). Kerzner further states that this process is vital to every organisation's survival since it is the process by which an organisation adapts itself to the ever changing environment.

Hellriegel, Jackson and Slocum (1999: 235) state that strategic planning is the process of:

- Analysing the organisation's external and internal environment;
- Developing a mission and vision;
- Formulating overall goals;
- Identifying general strategies to be pursued, and
- Allocating resources to achieve the organisations goals.

1.5.3. Strategy

Johnson and Scholes (2002: 10) state that strategy is 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 fulfil stakeholder expectations. The most basic definition may be "The long-term direction of an organisation". According to Byars (1992: 18) a strategy is the determination and evaluation of alternative options that are available to the organisation to reach its goals and mission. After determining and evaluating the possibilities the best option is selected and implemented. A strategy can, therefore, be regarded as an action plan to achieve organisation goals.

1.5.3.1. Corporate Strategy

Grant (2002: 24) states that corporate strategy defines the scope of the firm in terms of the industries and markets in which it competes. Corporate strategic decisions include decisions about investment in diversification, vertical integration, acquisitions and new ventures, as well as the allocation of resources between the different businesses of the organisation. Corporate strategy is the responsibility of the management team, supported by the corporate strategy staff.

1.5.3.2. Business Strategy

According to Johnson and Scholes (2002: 11), business strategy is about how to compete successfully in a particular market. It concerns how the business can gain advantage over competitors, what new opportunities can be identified, which products should be developed in which markets, and the extent to which these meet customer needs so that the organisational needs are met.

1.5.3.3. Operational Strategy

Johnson and Scholes (2002: 11) state that these strategies are concerned with how the component parts of the organisation effectively deliver the corporate and business level strategies in terms of resources, processes and people. This concurs with Slack, Chambers and Johnston (2001: 65) who describe operations strategy as, “the pattern of strategic decisions and actions which set the role, objectives and activities of the operation”.

1.5.4. Globalisation

Thompson and Strickland (2003: 199) state that any company that aspires to industry leadership in the 21st century must think in terms of global market leadership, not domestic market leadership.

The world economy is globalising at an accelerating pace as countries open up their markets, allowing ambitious, growth minded companies an opportunity to race and stake out a competitive position in the markets of more and more countries.

Globalisation of the world economy is thus a market condition that demands bold offensive strategies to carve out new market positions and defensive strategies to protect positions previously won.

1.5.5. International strategic planning

This process according to Griffin and Pustay (2005: 318) addresses four basic components of strategy development. These components are: distinctive competence, scope of operations, resource planning and deployment, and synergy. This forms the basis of this thesis and are elaborated on, in detail, in this thesis.

1.6. SIGNIFICANCE OF THE RESEARCH

Planning for the future is important for organisations striving to improve their performance in competitive, dynamic markets. For many this task is ignored, relegated to the bottom of the priority list or considered unimportant in the context of the many daily crises (Abratt, Bick & van Rensburg, 2001:3).

National boundaries are becoming less of a constraint on competition and in the automotive industry; a single global market is now a reality. In this global automotive industry, competition for supply contracts is extremely high and hence profit margins are being put under pressure. In order for an organisation to sustain its business, it must remain competitive on a continual basis.

Strategy needs to be translated into action and it needs to work in practice. A key consideration in the strategy process is ensuring that the organisational structure is aligned to enable the organisation to meet its set strategic objectives.
A strategy is only meaningful when it is actually being implemented. Behr has a developed corporate strategy and specific corporate values. This was formulated by the parent company. It forms the basis from which the business and operational strategies of Behr South Africa are developed.

The results from the empirical study coupled with the literature review could be used as a basis for identifying areas for potential improvement of the Behr strategy. By identifying gaps, remedial strategies can be formulated, aimed at closing these gaps and re-aligning the business and operational strategies with the corporate strategies, goals and vision to ensure that Behr remains a competitive player in the global automotive industry.

1.7. A SELECTION OF RELATED LITERATURE

Set out below is a brief summary of related literature that the researcher believes is relevant to the project.

1.7.1. Hellriegel, Jackson and Slocum's view on strategic planning

Strategic planning is a process that is broken into a sequence of eight tasks (Hellreigel, Jackson and Slocum, 1989: 272). Managers may jump back and

forth between tasks or even skip tasks as they develop strategic plans. The tasks are:

- Develop a mission and objectives, providing the overall direction for decision making and action;
- Diagnose environmental threats and opportunities providing a view of the external forces the organisation must contend with;
- Assess the organisational strengths and weaknesses;
- Generate alternative strategies;
- Develop a strategic plan;
- Develop tactical plans which are specific actions to improve current operations;
- Assess the results of the strategic and tactical plans;
- Repeat the planning process.

1.7.2. Morrisey's view on strategy development and implementation

According to Morrisey (1996: 12) the ultimate responsibility for the development and implementation of the total organisation's strategic and tactical (business) plans lies with the Chief Executive Officer (CEO) and the senior management team, which includes major department heads, one or two key staff advisers and whoever will be guiding the planning process.

Morrisey (1996: 104) further claims that there are three primary times to reassess the strategic thinking process:

- Whenever the business is facing a major opportunity or threat or a major change in structure;
- Annually, at the start of the planning cycle, a reassessment of the strategic values, mission, vision and strategy needs to be done;

- At designated times throughout the year, usually once a quarter, to keep the philosophy fresh and compare actions with the strategy.

1.7.3. Morrisey's view on developing a clear strategy

Morrisey (1996: 80) states that developing a clear strategy is important for the following reasons:

- It provides a sound basis for making decisions keeping the business focused in the right direction;
- It helps avoid issues that may tempt the business to move in the wrong direction;
- It re-enforces the corporate mission and vision;
- It gains agreement on direction from all contributing segments of the organisation;
- It provides a clear sense of direction to the important stakeholders.

Morrisey (1996: 81) goes on to say that the strategy hierarchy is conventionally the flow from corporate strategies (intentions concerning the portfolio of businesses) to business strategies (intentions concerning marketing, production and sourcing). Real strategic change is ad hoc and irregular, with some strategies often remaining stable over long periods of time and then suddenly changing all at once.

1.7.4. Johnson and Scholes's view on strategy

Johnson and Scholes (2002: 4) state that strategy is concerned with the long-term direction of an organisation. Strategic decisions are normally about trying to achieve some advantage for the organisation over competitors. Strategic decisions are likely to be concerned with the scope of an organisation's activities. The issue of scope of activity is fundamental to strategy because it concerns the

way in which those responsible for managing the organisation conceive the organisation's boundaries. It has to do with what they want the organisation to be like and to be about. It could include important decisions about product range or geographical coverage.

Strategy can also be seen as the matching of the resources and activities of an organisation to the environment in which it operates. This is sometimes known as the search for strategic fit. Strategic fit can also be seen as building on or stretching an organisation's resources and competencies to capitalise on opportunities in the business environment. Correct positioning of the organisation is important to ensure it meets identified market needs. Strategy can also be seen as the stretching or building of the resources and competences of an organisation to provide competitive advantage and yield new opportunities.

Strategies may also require major resource changes and are likely to effect operational decisions and the values and expectations of those in power.

Strategy is thus thought to be a reflection of the attitudes and beliefs of those who have most influence on the organisation.

1.7.5. Manning's view on strategy

Manning (2001: 19) states that companies are born into a changing world and it keeps changing. The challenge is to extend the time between a firms first breath and its last gasp. The only way to do this is to continually reinvent the organisation so it "fits" the emerging conditions around it. Survival and success depends on innovation. Strategy then has to be about:

- Being alert to change (anticipation);
- Seeking opportunities to offer something different and new (insight);
- Dreaming up new ways of doing it (imagination);
- Doing it consistently and to the highest standards (execution).

A thorough literature review will reveal other factors which should be included. The above is what was found in a brief survey. Key issues have already emerged. Ultimately one will be able to effectively trace the pattern from corporate strategy down to business and unit level strategies. The management and monitoring of quarterly and annual performance will also be expanded upon.

1.8. RESEARCH DESIGN

In this section the methodology to be followed in the research project is described.

1.9. RESEARCH METHODOLOGY

In conducting the research project the following procedures were adopted to solve the main problem and the sub-problems.

1.9.1. Literature study

A literature study was conducted in order to identify the key components of a strategic plan and how the plan counteracts forces affecting the organisation.

1.9.2. Empirical study

The empirical study involved the following:

A mail survey was carried out amongst the identified management levels in the delimited area by means of a detailed questionnaire. This was done to establish whether the Behr strategy effectively identifies the core competencies and structural alignment necessary when dealing with an international strategy.

The measuring instrument used in the study was a comprehensive questionnaire developed by the researcher to obtain the information that was required. The sample comprised the selected management at Behr's operations in South Africa.

Statistical procedures were used in interpreting and analysing the data from the questionnaire and were conducted in consultation with a statistician at the time the questionnaire was compiled.

1.10. PROPOSED PROGRAM OF STUDY

The research has been planned to include the following chapters.

Chapter 1	Introduction, problem statement and definition of concepts.
Chapter 2	Globalisation, the current South African Automotive Industry and introduction of Behr.
Chapter 3	Corporate and international strategy aimed at competitive advantage.
Chapter 4	Design of the empirical study.
Chapter 5	Results of the empirical study and the findings.
Chapter 6	Integration of the findings of the survey with the literature study in order to determine enhancements to the Behr strategy and its globalisation objectives.

1.11. CONCLUSION

The main problem and sub-problems have been identified in this chapter. Key terms were explained and the Behr Group was introduced.

Methods of research have been illustrated. The chapters to follow will detail advances towards globalisation as well as the theories and techniques around corporate and operational strategies. A framework will be developed to assist organisations in operating and maintaining a competitive advantage over their rivals in the global automotive industry.

2. CHAPTER 2:
Globalisation, the current South African Automotive Industry and introduction of Behr.

2.1. INTRODUCTION

In this chapter the researcher will attempt to explain the term globalisation as well as the developments presently taking place in the South African Automotive Industry. This includes the effects that globalisation has had in terms of foreign ownership of South African automotive assemblers and their supplier base.

The dynamics of the global automotive industry and "world car" concept are covered in this chapter. The Motor Industry Development Program (MIDP), being the catalyst for South Africa's good performance, is also summarised and finally the Behr Group and its global outlook is outlined.

Since South Africa's transition to democracy in 1994, its economy has undergone a major transformation. It included signing up to the World Trade Organisation (WTO) and the consequent extensive phasing down of import tariffs, a commitment to a sound macro-economic policy in the form of the Growth, Employment and Redistribution (GEAR) framework and various other agreements. The automotive industry has become an increasingly important contributor to the countries gross domestic product (GDP), mainly through strong growth in the motor vehicle and component exporting sector. (OECD Global Forum on International investment, retrieved 18 July 2006 from
http://www.oecd.org/document/23/0,2340,en_2649_34893_2405399
_1_1_1_1,00.htm).

South Africa.info reporter, retrieved 29 May 2006 from

http://www.southafrica.info/doing_business/economy/key_sectors/automotive-overview.htm states that vehicle production is the second biggest industry in South Africa's manufacturing sector and one of the fastest growing. Vehicle exports have grown around nine fold since 1994, and now account for nearly seven percent of the countries exports. Overall, the automotive industry, including manufacturing, distributing and servicing of vehicles and components, is the third largest sector in the economy, after mining and financial services and contributes approximately seven percent to GDP.

The South African industry is presently ranked 19th in the world in terms of vehicle production. It is responsible for eighty percent of Africa's vehicle output and produces 0.7% of the world's vehicles (South Africa. Info reporter. SA auto industry rides MIDP wave. Retrieved October, 11, 2004 from http://www.southafrica.info/pls/proc/iac,page.htm).

2.2. GLOBALISATION DRIVERS

White (2004: 102) states that there are four main globalisation drivers which compel an organisation to become global. They are the following:

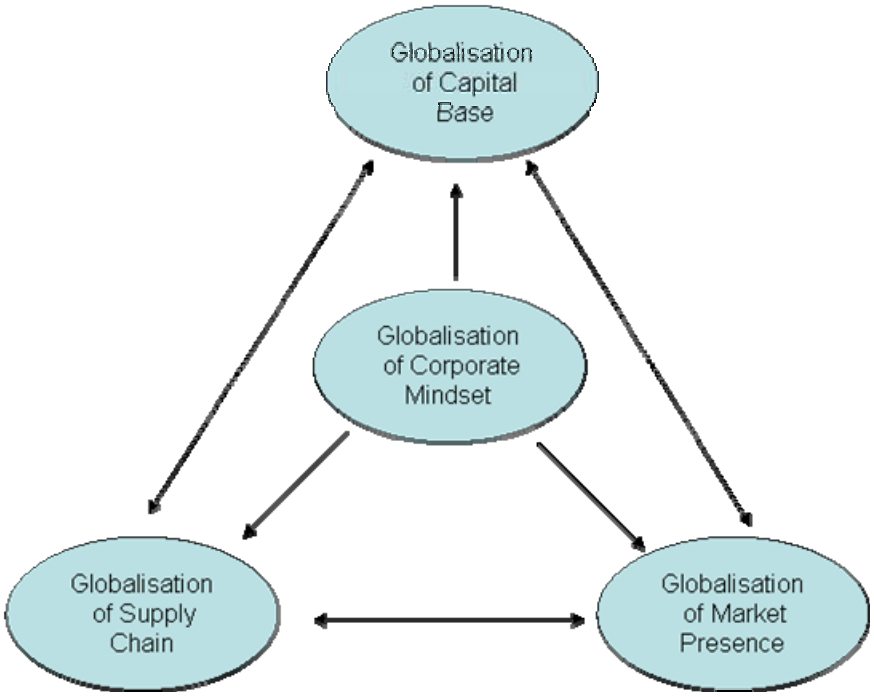
- Lure of interconnected or integrated markets often called global markets;
- The prospect of and pressure for reduced costs, even within domestic markets;
- The persistence of some government policies favouring globalisation;
- Forces making for increased competition.

2.3. THE CHALLENGE OF GLOBALISATION

Globalisation refers to the growing economic interdependence among countries as reflected in increasing cross-border flows of three types of entities: goods and services, capital and know-how (Gupta and Govindarajan, 2004:1).

Gupta and Govindarajan (2004:4) state that the concept of "corporate globality" can be viewed as a four-dimensional construct evident in Figure 2.1 based on the premise that an enterprise can be more or less global along each of four major characteristics: globalisation of market presence, globalisation of supply chain, globalisation of capital base and globalisation of corporate mindset.

Figure 2.1 Assessing Corporate Globality



Source: Gupta and Govindarajan: 2004:4.

Gupta and Govindarajan (2004:5) summarises Figure 2.1 as follows: The first dimension, globalisation of market presence, refers to the extent to which the company is targeting customers in all major markets for its industry across the world.

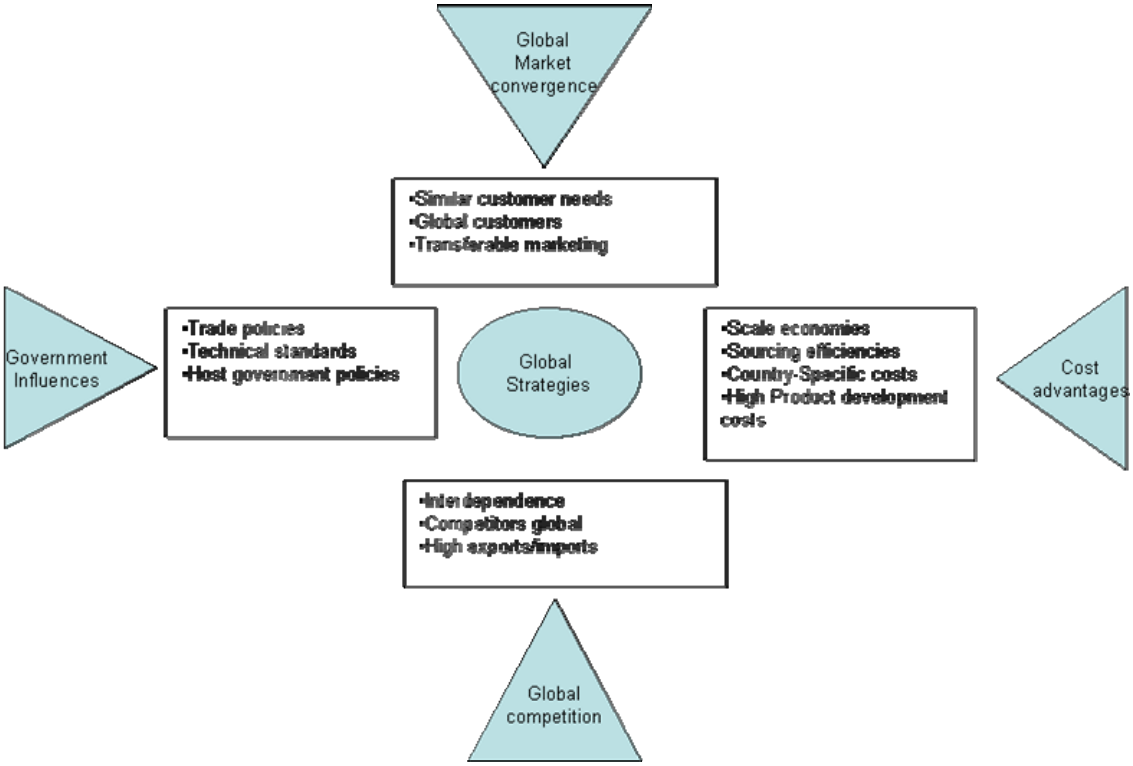
The second dimension, globalisation of supply chain, refers to the extent to which the company is accessing the most optimal locations for the performance of various activities in its supply chain.

The third dimension, globalisation of capital base, refers to the extent to which the company is tapping into the most optimal sources of capital on a world-wide basis.

The fourth dimension, globalisation of corporate mindset, refers to the extent to which the corporation as a collectivity reflects an understanding of diversity across cultures and markets coupled with an ability to integrate across the diversity. The state of the enterprise's corporate mindset depends on the mindsets of the individuals who lead the enterprise as well as the organisation that determines how these individuals interact, what information is collected, how it is processed, and how decisions are made.

2.3.1. Forces increasing globalisation of some industries and markets

Figure 2.2 Drivers of globalisation



Source: Johnson and Scholes (2002:104)

Below are some forces which contribute to globalisation of certain industries and markets:

- There is an increasing convergence of markets worldwide for a variety of reasons according to Johnson and Scholes (2002: 103). As markets globalise, those operating in such markets become global customers and search for suppliers who can operate on a global basis;
- In industries in which large volume and standardised production is needed for optimum economies of scale, cost advantages could be generated by the global operations. Central sourcing efficiencies from lowest-cost supplier across the world could also achieve further cost savings. Country-specific

costs such as labour or exchange rates also encourage business to search globally for lower costs;

- Activities and policies of governments also drive the globalisation of industry. Host governments may actively seek to encourage global operators to base themselves in their countries;
- Global competition is encouraging globalisation. A business competing globally tends to place globalisation pressure on competitors, especially if customers are operating on a global basis.

2.4. THE DRIVING FORCES OF GLOBALISATION

Gupta and Govindarajan (2004:6) state that globalisation occurs because specific managers in specific countries make decisions that result in increased cross-border flows of capital, goods or know-how. Globalisation is becoming increasingly feasible as well as desirable.

The following are reasons for desirability:

- An ever-increasing number of countries are embracing the free-market ideology;
- Technology advances ensure reduced costs of air transportation, telecommunications and computers;
- The economic centre of gravity is shifting from the developed to the developing countries;
- Economic liberalisation brings access to much larger markets through cross-border trade but is also brings more intense competition.

Every company must adapt to the changes in its environment which are inevitable. There are however choices. Firms can choose whether to be a first mover or a laggard in anticipating change and turning it to competitive advantage. Secondly firms have the ability to shape the direction as well as the pace of environmental

changes in ways beneficial to itself. Corporate strategy will embrace these concepts.

2.5. IMPERATIVES DRIVING GLOBAL EXPANSION

Gupta and Govindarajan (2004:16) state that there are five imperatives that drive any firm to pursue global expansion. The intensity of these factors can be expected to differ across firms and even within the same firm over time. The five imperatives are:

- The growth imperative. Developed country markets are quite mature thus the growth imperative generally requires companies to look at emerging markets for fresh opportunities;
- The efficiency imperative. A company with a global presence will have the potential to create a cost advantage over a domestic player in that industry;
- The knowledge imperative. Features of product and processes need adaptation to suit the local environment. This adaptation requires the creation of local know-how. In many cases, local product or process innovations emerge as world-leading innovations and thus have the potential to generate global advantage;
- Globalisation of customers. When the customer of a domestic company starts to globalise, the firm must keep pace with them. These customers may strongly prefer world-wide consistency and co-ordination in the sourcing of products and services. This is definitely the case and core of this thesis where Daimler Chrysler required Behr to set up its operations in countries where they were producing vehicles. Behr was thus required to set up operations outside of Germany;
- Globalisation of competitors. If competitors start to globalise and the firm does not then either a first mover advantage is gained thus capturing market growth or cross subsidy and attack of the home market results.

2.6. PROFITING FROM GLOBAL EXPANSION

Hill (2003: 409) suggests that expanding globally allows firms to increase profitability in ways not available to purely domestic firms. Firms that operate internationally enjoy the following benefits:

- Realisation of location economies by dispersing individual value creation activities to locations around the globe where they can be performed efficiently and effectively;
- Realise greater cost economies by operating in an expanded global market, thereby reducing the costs of value creation;
- Earn a greater return from the firm's distinctive skill or core competencies. This is done by leveraging the skills and applying them to the new geographic markets;
- Earn a greater return by leveraging valuable skills developed in foreign markets and transferring them to the other entities within the firms global operations network.

2.7. DEVELOPMENT OF THE SOUTH AFRICAN INDUSTRY

There are eight producers of light vehicles in South Africa. Heavy protection has resulted in proliferation to the extent that most manufacturers build a variety of models and in some cases more than one make in a single assembly plant. All assemblers are now wholly or partly owned by overseas parent companies (Table 2.1).

The component industry consists of approximately 350 firms and produces a full range of components for the domestic and export markets. Under globalisation, foreign ownership has been increasing as locally owned original equipment suppliers

producing under license have been bought out by foreign multinationals or have themselves entered into joint ventures (JV's) (Table 2.2).

Behr which is the subject of this thesis is an example of a foreign firm buying out a locally owned firm. Behr was required by one of its major customers, Daimler Chrysler (DC), to be situated close to their production facility in South Africa. Behr was faced with several strategic options it could have used in entering the country. The range of options varied from simply exporting, negotiating licensing agreements, franchising, entering into joint venture agreements or setting up a green field operation. Behr however chose the acquisition option. Behr has global design and sourcing responsibility for the C-Class Mercedes and was required to support DC production and meet specific local content targets of the DC locations, worldwide, thus acquisition was its best entry mode into the South African market.

Table 2.1 The Changing ownership structure of the South African Automotive assembly industry.

South African based Assembler	Ownership 1990	Ownership 1998	Ownership February 2004	Ownershipm 1990 – 2004
Toyota SA	100% local (listed on Johannesburg Stock Exchange)	Local : 72.2% (JSE Listed)	Toyota Japan 75%, Wesco (SA) 25%	South African to MNC dominated partnership
Volkswagen SA	Volkswagen AG 100%	Volkswagen AG 100%	Volkswagen AG 100%	MNC – no change
BMW SA	BMW AG 100%	BMW AG 100%	BMW AG 100%	MNC – no change
Daimler Chrysler SA	Daimler Chrysler (Mercedes Benz) 50%, Locals 50%	Daimler Chrysler (Mercedes Benz) 100%	Daimler Chrysler (Mercedes Benz) 100%	Joint venture to MNC
Ford Motor Company of Southern Africa (formerly Samcor)	100% Local (Anglo American)	Anglo American 45%, Ford 45%, Employees trust 10%	Ford 100%	South African to MNC
Nissan SA (Formerly Auto makers)	87% local (Nissan), Diesel Japan 4.3%, Mitsui and co Japan 8.7%	Sankorp (Local) 37%, Nissan (Japan) 50%, Nissan Diesel 4,3%, Mitsui 8.7%	Nissan (Japan) 87%, Nissan Diesel 4,3%, Mitsui 8,7%	Primarily SA to MNC
General Motors SA (Formerly Delta Motor Corporation)	100% local management	51% Local Managers, General Motors 49%	General Motors 100%	South African to MNC

Source: NPI Research Report 26 February 2004.

Table 2.2 Ownership structure of South African OEM Suppliers

Category	1999	2001	2003
Wholly owned subsidiaries of MNC onto component manufacturers	26.0	31.7	37.5
Joint ventures between SA companies and MNC automotive component manufacturers	18.5	26	32.5
SA companies with technology agreements with MNC automotive component manufacturers	29.8	24.3	20.0
SA companies with SA technologies	25.8	18	10
Total	100.0	100.0	100.0

Source: Learning, upgrading, and innovation in the South African Automotive Industry. Paper prepared for workshop on understanding PDI – assisted economic development TIK Centre, University of Oslo, May 2003.

2.7.1. South African Vehicle Production and Sales Data: 1995-2005

The vehicle manufacturing industry in South Africa does not report production data – only retail and export sales. The National Association of Automobile Manufacturers of South Africa (NAAMSA) uses sales of domestically produced vehicles and export sales as a guide to estimate the South African vehicle production. Table 2.3 summarises domestic production, exports and imports from 1995 – 2005 (forecast 2006 to 2007) in respect of cars, light commercial vehicles, medium and heavy trucks and buses.

Table 2.3 Industry vehicle sales, export and import data, 1995 – 2007

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Sales of domestically produced vehicles	372 678	373 699	341 747	284 437	265 508	288 219	297 856	279 135	294 674	344 545	404 000	425 000	441 000
Exports	15 764	11 553	19 569	25 896	59 716	68 031	108 293	125 306	126 661	110 507	145 500	180 500	202 500
Total domestic production	388 442	385 252	361 316	310 333	325 222	356 250	406 149	404 441	421 335	455 052	549 500	605 500	646 500
Exports as percentage of domestic production	4,1%	3,0%	5,4%	8,3%	18,4%	19,1%	26,6%	31,0%	30,1%	24,3%	26,5%	2299,8%	31,8%
Imports (NAAMSA & Non NAAMSA)	27 289	47 377	57 528	67 073	60 269	66 413	84 673	84 049	87 926	136 975	166 200	175 200	183 300
Total local market (including imports)	399 967	421 076	399 275	351 510	325 775	354 632	382 529	363 184	382 600	481 520	570 200	600 200	624 300
Imports as percentage of local market	6,8%	11,3%	14,4%	19,1%	18,5%	18,7%	22,1%	23,1%	23, 0%	28,4%	29,1%	29,2%	,4%

Source: NAAMSA (Note: domestically produced vehicles include cars, light, medium and heavy commercials.)

During 2003 total industry production reached its second highest annual level since the early 1980's. In 2004 and 2005 South African vehicle production exceeded all expectations to reach new records. This trend is forecast to continue.

Global automotive production expanded by 5,8 percent to reach 64,2 million units in 2004 (2003: 60,6 million vehicles). South Africa's automotive production, including vehicles produced for export, during 2004 improved by 8 percent to reach 455 052 vehicles. This represents 0,7 percent of world production. It further increased in 2005 to 549 500 vehicles, an increase of 20,75 percent.

Barnes and Lorentzen (2003:3), state that there is presently a global production over capacity. The driving forces behind change or restructuring in the industry is as a result of the growing over capacity. Most of the developed world's markets are relatively stagnant with only marginal levels of growth being experienced. The net result of the pressures facing the OEM's is massive change in the automotive components industry. The world's leading automotive component firms are consolidating their positions by acquiring their smaller competitors, whilst also moving towards source design and modular production.

2.8. DYNAMICS WITHIN THE GLOBAL AUTOMOTIVE INDUSTRY

Vehicle assemblers co-design new car models in co-operation with so-called 1st tier suppliers who deliver complete systems or modules, rather than individual components. Outsourcing and long-term co-operation have now tended to replace the high degree of vertical integration and arm's length contracts that were previously the backbone of the industry. An investment into relationships with key suppliers and a swing to system sourcing is the latest trend in the industry (Barnes, J. and Lorentzen, J. Learning, Upgrading and Innovation in the South African Automotive Industry. Retrieved November, 30, 2004 from http://ep.lib.cbs.kd/download/ISBN/x656379005.pdf).

The component industry has been forced to consolidate to acquire the global reach and financial depth necessary for survival in an industry suffering from over capacity. Automotive research and development (R&D) is now essentially performed by fewer, very large and powerful firms. Behr GmbH is one such firm. Automotive manufacturers, in an attempt to reduce costs, have begun to build a larger model variety onto fewer vehicle platforms. The idea of a "world car" is meant to compensate rising development costs and shorter model turnover cycles on the one hand with larger model runs on the other. Locally adapted versions of essentially the same models are available worldwide. Select car plants, in developing or transition economies, are manufacturing top-of-the-range models for export to high

income countries (Barnes, J. and Lorentzen, J. Learning, Upgrading and Innovation in the South African Automotive Industry. Retrieved November, 30, 2004 from http://ep.lib.cbs.kd/download/ISBN/x656379005.pdf).

2.9. BENEFITS OF THE "WORLD CAR" CONCEPT

Two key strategies adopted by vehicle manufacturers are "follow design" (several countries share the same vehicle design) and "follow sourcing" (the same manufacturer's supply parts in different locations). The above guarantees standardisation of vehicle and components throughout the world.

The structure, organisational configuration and strategic orientation of the car industry largely excludes involvement of upper-tier manufacturers from developing countries in the design and supply to the global supply chain. Currently it makes most sense for a vehicle manufacturer, with an investment in a developing country, to rely on tried, tested and trusted relationships with preferred suppliers to set up production close to wherever their customer goes. Consequently firms in developing countries may lose out on design and engineering requirements in global contracts (Barnes, J. and Lorentzen, J. Learning, Upgrading and Innovation in the South African Automotive Industry. Retrieved November, 30, 2004 from http://ep.lib.cbs.kd/download/ISBN/x656379005.pdf).

2.10. MOTOR INDUSTRY DEVELOPMENT PROGRAM

The catalyst for the good performance of South African automotive industry is the government's Motor Industry Development Programme (MIDP).

The programme was introduced in 1995 and has subsequently been extended to 2012. It was aimed at making the South African automotive sector internationally competitive through a phased global integration, increasing the volume and scale of production, expanding exports and modernising and upgrading the industry (South

Africa. Info reporter. SA auto industry rides MIDP wave. Retrieved October, 11, 2004 from http://www.southafrica.info/pls/proc/iac,page.htm).

The MIDP has boosted exports by enabling automotive manufacturers to include total export values as part of their local content total. They are then allowed to import the same value of goods duty-free into South Africa. This has allowed them to concentrate on manufacturing vehicles or components for export and importing others into South Africa.

The competitive advantages of the local industry are as follows:

- World beating cost ability on short or low-volume production runs;
- Competitive tooling costs;
- High degree of manufacturing flexibility;
- Good access to southern hemisphere and African markets;
- Right-hand drive (RHD) production facilities;
- First-world production facilities, coupled with direct access to raw materials and cheap electricity;
- Stable transport and telecommunications infrastructure;
- Free trade agreements with various countries (South Africa.info reporter. SA auto industry rides MIDP wave. Retrieved October, 11, 2004 from http://www.southafrica.info/pls/procs/ioc,page.htm).

2.11. THE BEHR GROUP

2.11.1. Systems partner for the international automobile industry.

“Top performer in vehicle air conditioning and engine cooling”. On the strength of this claim Behr have become a globally sought-after partner of the automobile industry. They are a systems supplier for environment-friendly vehicle air

conditioning and engine cooling and rank among the leading original equipment suppliers in the passenger and utility vehicle sector where they are presently number one in Europe. Behr technology ensures enhanced safety and comfort in around 30 percent of the vehicles fitted with air conditioning in Europe. Every fourth new vehicle in Europe is equipped with a Behr cooling system. Behr is consistently strengthening their position in the North and South American markets, in Asia, China, Japan and South Africa (Behr Group website. Retrieved May, 20, 2005 from http://www.behrgroup.com).

2.11.2. New Key expertise for tomorrow's supplier

More automotive manufacturers are reducing the depth of their value added and intensifying outsourcing, placing a greater demand on suppliers. The range of requirements is wide although the key success factor is consistent, namely integration. This encompasses, firstly the integration of components to form modules ready for vehicle assembly and secondly, the co-ordination and supervision of sub-suppliers through an effective supplier management system. Intensified cooperation with other suppliers on the basis of joint development projects or JV's requires a new form of competence: the integration of cooperation partners. Behr sees these challenges as an opportunity to gain increased market share (Behr Group website. Retrieved May, 20, 2005 from http://www.behrgroup.com).

2.11.3. Component specialist to module supplier and systems developer

Heat exchanger components such as radiators, condensers and evaporators have been Behr's core business for decades. In the eighties, Behr also began to supply modules, i.e. pre-assembled components. Complete air-conditioning and cooling modules comprising heat exchangers with the appropriate flow management and control technology have now been introduced (Behr Group website. Retrieved May, 20, 2005 from http://www.behrgroup.com).

2.11.4. Modularising the whole vehicle: front-end and cockpit

Behr have been working intensively on a new level of integration: the development of large modules. Together with Hella, for example, Behr have entered the production of complete vehicle front-ends. Behr's cooling module is integrated with lighting, bumpers and the assembly framework. According to the same principle, Behr is also developing the so-called Thermo-Structure Module (TSM ®) as a cockpit module. These new developments offer its customers advantages regarding reduction in costs, space and weight as well as new ways of simplifying assembly and logistic (Behr Group website. Retrieved May, 20, 2005 from http://www.behrgroup.com).

2.11.5. Physical integration: total systems

Many automobile manufacturers are concentrating more heavily on their core capabilities when it comes to vehicle development. Behr sees this trend as an opportunity to prove its ability to develop functionally integrated systems. The complete heating, ventilation and air-conditioning (HVAC) system comprises cabin air ventilation, refrigeration and heating circuits, operating and control elements. The complete engine-cooling system includes the cooling air, coolant, lubricants, charge air, exhaust gas and control elements. Validation of the total systems performance requires the introduction of new simulation software and the establishment of new testing facilities. A prerequisite for the development of such systems is sophisticated project management. The benefits of all the above measures to customers are the technical synergies within the total system, which lead to improved efficiency and cost reduction (Behr Group website. Retrieved May, 20, 2005 from http://www.behrgroup.com).

2.11.6. Integration requires service-orientation

Overall responsibility for modules and systems demands strong service-orientation on the part of the supplier company. It is responsible for the efficient and purposeful processing of the whole value-added chain. Behr initially carries out overall development in close cooperation with the customer. Purchasing responsibility is undertaken for components not originating from its own plants, as is the coordination of all sub-suppliers. Pre-assembled modules are then delivered to the automobile production lines ready for installation. Behr's service responsibility does not stop there: Behr takes on overall responsibility for meeting cost targets and technical design specifications jointly with its customers (Behr Group website. Retrieved May, 20, 2005 from http://www.behrgroup.com).

2.12. CONCLUSION

This chapter dealt with the South African automotive industry and how it has been subjected to rapid structural change as a result of policies, which have liberalised imports but also encouraged exports. The MIDP has been a catalyst to the good performance of the South African industry.

It was further determined that:

> The component industry has been forced to consolidate to acquire the global reach and financial depth necessary for survival in an industry suffering from over capacity;
>
> Outsourcing by vehicle assemblers and long term co-operation have tended to replace the high vertical integration and arm's length contracts that were previously the backbone of the industry.

The changing ownership of the South African automotive assemblers and suppliers was also examined. Globalisation of the automotive industry has forced these

changes. Finally Behr, as a tier one supplier to the automotive industry, was introduced as a globally sought-after partner in this competitive and challenging industry.

3. CHAPTER THREE:
Corporate and international Strategy aimed at Competitive advantage

3.1. INTRODUCTION

Strategy formulation, as defined by Buffa and Sarin (1987.13) is a process by which an organisation determines how it will compete in its industry.

This chapter will aim at outlining the concept of corporate strategy which encompasses the strategic management of organisations with multiple business units. Johnson and Scholes, (2002:11) defines corporate strategy as concerned with the overall purpose and scope of an organisation and how value will be added to the different parts (business units) of the organisation. Being clear about corporate level strategy is important as, it is the basis of the other strategic decisions.

Strategic analysis is concerned with understanding the relationship between the different forces affecting the organisation and its choice of strategies (Johnson and Scholes, 1999:96). The environment could present severe constraints or yield potential opportunities, all of which need to be understood. A firm may have particular competencies on which they can build or which need developing. Expectations and objectives of stakeholders may influence the organisation or its culture and thus play a deciding role in determining the strategy.

Griffin and Pustay (2005:318) state that after determining the overall international strategic philosophy of their firm, managers who engage in international strategic planning then need to address the four basic components of strategy development. These four components thus become the focus of this chapter and ultimately of the entire treatises. The four components are: distinctive competence, scope of

operations, resource deployment and synergy. This will be expanded upon as the basis for the thesis later in the chapter.

This chapter will also discuss international strategies and the challenges facing global companies. Hellriegel and Slocum (1989:119) state that a global business competes against a number of other multinationals in the world market. Such firms view the entire world as single entity. Within the worldwide arena, one multinational pitches its product and market position against another's. These firms may centralise or decentralise various aspects of plant operations as they respond to the local market needs while maintaining efficiency in their global system.

Structural drivers of change according to Johnson and Scholes (2002: 103) are forces which are likely to affect the situation of an industry, sector or market. The combined effect of some of the factors is what is likely to affect the structure of an industry, sector or market. Forces which increase the globalisation of some industries and markets were explained in Figure 2.2 on page 24.

Hellriegel and Slocum (1989: 119) further state that a global strategy stresses operating with consistency, standardisation and low relative cost. Subsidiaries in various countries are highly interdependent in terms of strategy and operations with top managers focusing on mutual co-ordination and support of the firms world wide activities.

White (2004: 552) lists the following as the main characteristics of a world (global) enterprise:

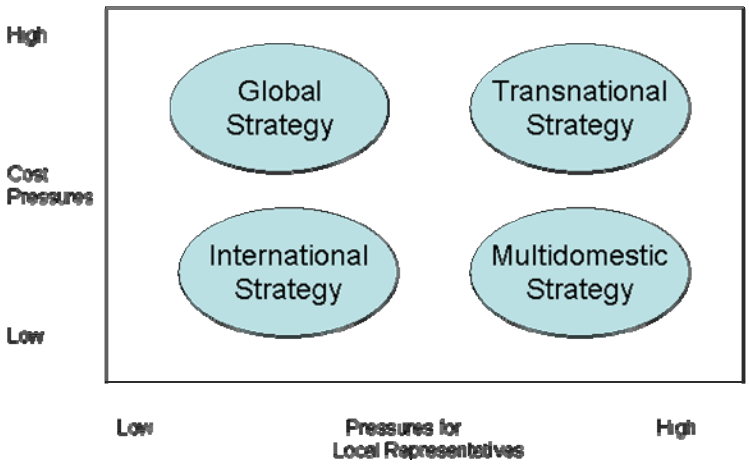
- The headquarters could be in one country which may not be the country of origin but chosen for reasons of convenience or efficiency;
- May have production or service facilities all over the world but with no particular concentration of facilities in any one country;
- Turnover and assets will be widely distributed. There will be an elaborate logistical system, involving a complex international value-adding chain;

- Likely to have a presence in all major markets as well as the fastest growing developing economies such as China, Brazil, India and South Africa, if only to pre-empt the domination by competitors;
- General foreign direct investment (FDI) flows and have FDI stock across the world;
- Most of the profits will be generated outside the original home economy;
- Likely to have a distinctive corporate culture, suited for its global presence to offset the natural home country bias;
- It will hold a considerable portfolio of intellectual property rights which is the reason for its existence as a global enterprise.

3.2. STRATEGIC CHOICES

Hill (2003: 422) states that firms use four basic strategies to enter and compete in the international environment. The strategies are as follows: an international, multi-domestic, global or transnational strategy. Figure 3.1 below illustrates when each of the strategies is most appropriate.

Figure 3.1: Four Basic strategies



Source: (Hill, 2003: 422)

Segal-Horn and Faulkner (1999: 122) state that the term multinational should be the umbrella term to describe all company forms that trade internationally, and have a presence in a number of countries.

3.2.1. International Strategy

Hill (2003: 422) states that firms pursuing this strategy try to create value by transferring valuable skills and products to foreign markets where these are lacking.

These firms according to Hill (2003: 422) offer a differentiated product, developed at home to the new markets overseas. Product development (R & D) tends to be centralised at home. They tend to establish manufacturing and marketing functions in each major country in which they do business. An international strategy makes sense if a firm has a valuable core competence lacking in a foreign market and when the firm faces relatively weak pressures of local responsiveness and cost reductions.

3.2.2. Multidomestic strategy

Hill (2003: 423) states firms pursuing this strategy orientate themselves towards achieving maximum local responsiveness. These firms extensively customise both their product offering and marketing strategy to match different conditions.

They also tend to establish a complete set of value creation activities including production, marketing and R and D in each major national market in which they do business. This strategy is suited to conditions which require high pressure of local responsiveness and low pressures for cost reductions.

Segal-Horn et al (1999: 122) state the key characteristics are of a portfolio of independent subsidiaries, one per country. Such firms adopt country-centered strategies, and there is relatively little international co-ordination. In the rapidly

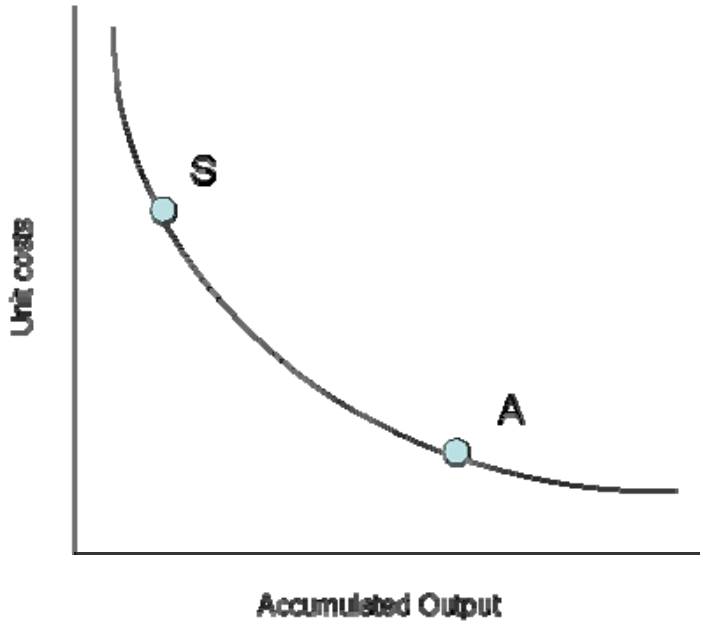
globalising world, traditional multidomestic firms are becoming rarer, since producing on a global scale and getting local acceptance for a global product is becoming a more powerful competitive stance.

3.2.3. Global strategy

Hill (2003: 423) states firms pursuing this strategy focus on increasing profitability. This is achieved by pursuing a low cost strategy. Production, marketing and R and D activities are concentrated in a few favourable locations.

Global firms tend to prefer to market a standardised product worldwide thus reaping the maximum benefits from the economies of scale underlying the experience curve. The experience curve refers according to Hill (2003: 411) to the systematic reductions in production costs that have been observed to occur over the life of a product.

Figure 3.2 The experience curve



Source: Hill (2003: 412)

Firm A has a clear cost advantage over Firm B because it is further down the experience curve. Global markets are larger than domestic markets, a firm serving a global market has more chance of moving quickly down the experience curve and establishing a low cost position.

This strategy makes most sense where there are strong pressures for cost reductions with minimal local responsiveness demands. These conditions prevail in many industrial goods industries, rather than in the consumer goods markets where local responsiveness would be at a high.

Segal-Horn et al (1999: 122) state that the classical global organisation model was one of the earliest international corporate forms that developed, after it became apparent that scale and scope economies were key to international competitiveness in many industries.

3.2.4. Transnational strategy

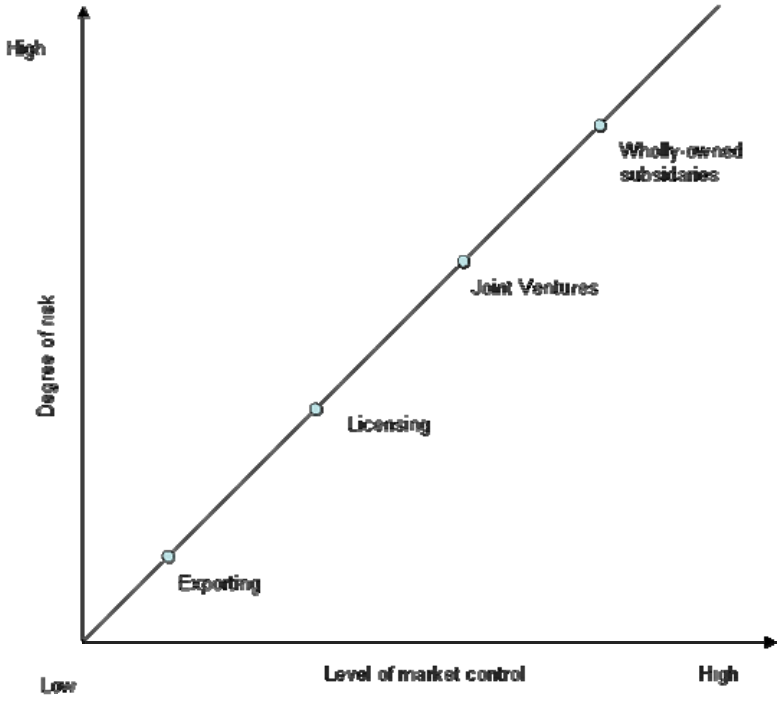
Hill (2003: 424) suggests firms pursuing this strategy need to exploit experience - based cost economies as well as location economies (optimal location for the particular activity, anywhere in the world). The firms must transfer core competencies within the firm while at the same time pay attention to pressures of local responsiveness.

A transnational strategy makes sense when a firm faces high cost reduction and local responsiveness pressures and where there are significant opportunities for leveraging valuable skills within the multinational's global network of operations. The skills and product offerings should not be all one way, from home firm to foreign subsidiary as in the case of the international strategy. The flow should be multidirectional creating a process of global learning. These firms are trying to simultaneously create value.

Segal-Horn et al (1999: 125) state that transnational organisations seek to overcome the weaknesses of more traditional models by moving beyond the global integration/local responsiveness trade-off implicit in the traditional models. To be globally competitive now requires both. All Multi-National companies according to Segal-Horn et al (1999: 125) must now be locally responsive whilst achieving optimal global scale and scope efficiencies.

3.3. MARKET ENTRY STRATEGIES

Figure 3.3: Trade off's in the market entry decision



Source: Hough and Neuland, 2000: 266.

Hough and Newland (2000: 266) state that the complexity of the market entry decision becomes clear if it is accepted that, with each entry mode, there are advantages and disadvantages. It is influenced by factors such as trade barriers, transport costs, political risks, economic risks and firm strategy. Each entry mode is also associated with varying degrees of control over operations, and varying degree degrees of risk (refer Figure 3.3).

The various market entry modes are:

- Exporting – simplest and least expensive way for a firm to sell its products overseas and exporting them;
- Turnkey projects – contractors design, construct and commission new operations. They even train staff for the project. The key to the project is handed over on a specific date;
- Licensing – Licensor grants the rights to intangible property to another (licensee) for a specific period of time in exchange for a royalty fee;
- Franchising – Longer term commitment than licensing. Intangible property such as a trademark is sold and franchisee gets consent from purchaser and has to abide by strict rules on how to conduct business;
- Joint Ventures – Collaboration between companies who share ownership in an operation with the shareholding ratio varying depending on the specific circumstances, and;
- Wholly-owned subsidiaries – 100% shareholding of specific operation.

3.4. BASIC COMPONENTS OF STRATEGY DEVELOPMENT

The four basic components of strategy development identified by Griffin and Pustay (2005: 318) are namely: distinctive competence, scope of operations, resource deployment and synergy and will now be expanded upon.

3.4.1. Distinctive competence

According to Griffin and Pustay (2005: 319) distinctive competence is the first component of international strategy and answers the question "what do we do exceptionally well, especially as compared to our competitors?" A firm's distinctive competence may be cutting-edge technology, efficient distribution networks, superior organisational practices, or well-respected brand names. This distinctive

competence is thought by many experts to be a necessary condition for a firm to compete successfully outside its home market without a distinctive competence. A foreign firm will have difficulty competing with local firms that are presumed to know the local markets better.

Griffin and Pustay (2005: 319) continue and state that this distinctive competence represents an important resource to the firm. A company often wishes to exploit this advantage by expanding its operations into as many markets as its resources allow. The internationalisation strategy adopted by a company reflects, to a large extent, the interplay between its distinctive competence and the business opportunities available in the different countries.

3.4.2. Identifying Resource strengths and Competitive capabilities.

Thompson, Gamble and Strickland (2004: 81) state that a strength is something a company is good at doing or an attribute that enhances its competitiveness. A strength can take any of several forms:

- A skill or important expertise – low cost manufacturing capabilities, strong e-commerce expertise, technological know-how, skills in improving production processes, consistent defect-free product and excellent customer service. Excellent mass merchandising skills or unique advertising and promotional skills;
- Valuable physical assets – state-of-the-art plant and equipment, good physical locations, worldwide distribution facilities, or ownership of valuable natural resources;
- Valuable human assets – an experienced and capable workforce. Talented personnel in key areas, cutting-edge knowledge and intellectual capital coupled with a wealth of experience and management know-how built up over time;

- Valuable organisational assets – proven quality control systems, technology patents, mineral rights, strong sales team, sizable cash resources and marketable securities. Strong balance sheet and credit ratings giving the company the edge in access to additional financial capital;
- Valuable intangible assets – powerful and well known brand name, reputation as technology leader with strong buyer loyalty and goodwill;
- Competitive capabilities – product innovation capabilities, short development time, strong dealer networks, cutting edge supply chain management and quick response to shifts in the market;
- An achievement or attribute that puts the company in a position of market advantage – low overall costs relative to competitors, market share leadership, superior product, wider product line that rivals, wide geographic coverage, known brand name, super e-commerce capabilities;
- Competitively valuable alliances or co-operative ventures – fruitful partnerships with suppliers reducing costs or enhancing product quality and performance.

3.4.3. Competencies and competitive capabilities

Thompson, Gamble and Strickland (2004: 82) state that company competencies can range from merely a competence in performing an activity to a core competence or finally a distinctive competence. They are explained as follows:

- **Competence**

Thompson, Gamble and Strickland (2004: 82) states that this is something an organisation is good at doing. It is nearly always a product of experience.

- **Core competence**

This is a proficiently performed internal activity that is central to a company's strategy and competitiveness. Most often according to Thompson, Gamble

and Strickland (2004: 83), a core competence is knowledge-based, residing in people and in a company's intellectual capital and is not in its assets on the balance sheet. Ellis and Williams (1995: 24) defines core competence as a bundle of consistent skills and technologies that integrate a variety of individual skills, but is not a physical asset. They allow the company to provide particular benefits to its customers through its product/service offer.

- **Distinctive competence**

This according to Thompson, Gamble and Strickland (2004: 83) represents competitively superior resource strength. A core competence becomes a basis for competitive advantage only when it rises to the level of a distinctive competence.

The importance of distinctive competence to strategy-making is firstly the competitively valuable capability it gives the company, secondly the potential that it could be the cornerstone of strategy and finally the competitive edge it could produce in the marketplace.

It is always easier to build competitive advantage when a firm has a distinctive competence the market requires and rival companies do not have the competencies, resources or time to copy.

3.4.4. Competitive power of a resource strength

It is not enough to simply compile a list of a company's resource strengths and competitive capabilities. Thompson, Gamble and Strickland (2004: 84) states that the competitive power of a company's strength in the marketplace can be measured by how many of the following four tests it can pass:

- Is the resource strength hard to copy?
- Is the resource strength durable – does it have staying power?

- Are the resources really competitively superior?
- Can the resource strength be trumped by different resource strengths and competitive capabilities of rivals?

According to Hellriegal, Jackson and Slocum (2005: 195) a diagnosis of strengths and weaknesses enables managers to identify an organisation's core competencies and to determine which needs improvement. This diagnosis includes the organisation's market share, ability to adapt and innovate, human resource skills, technological capabilities, financial resources, managerial depth and key personnel retention.

3.5. STRATEGY DEVELOPMENT

Deresky (2003: 231) states that most companies develop their strategy around key strengths, or core competencies.

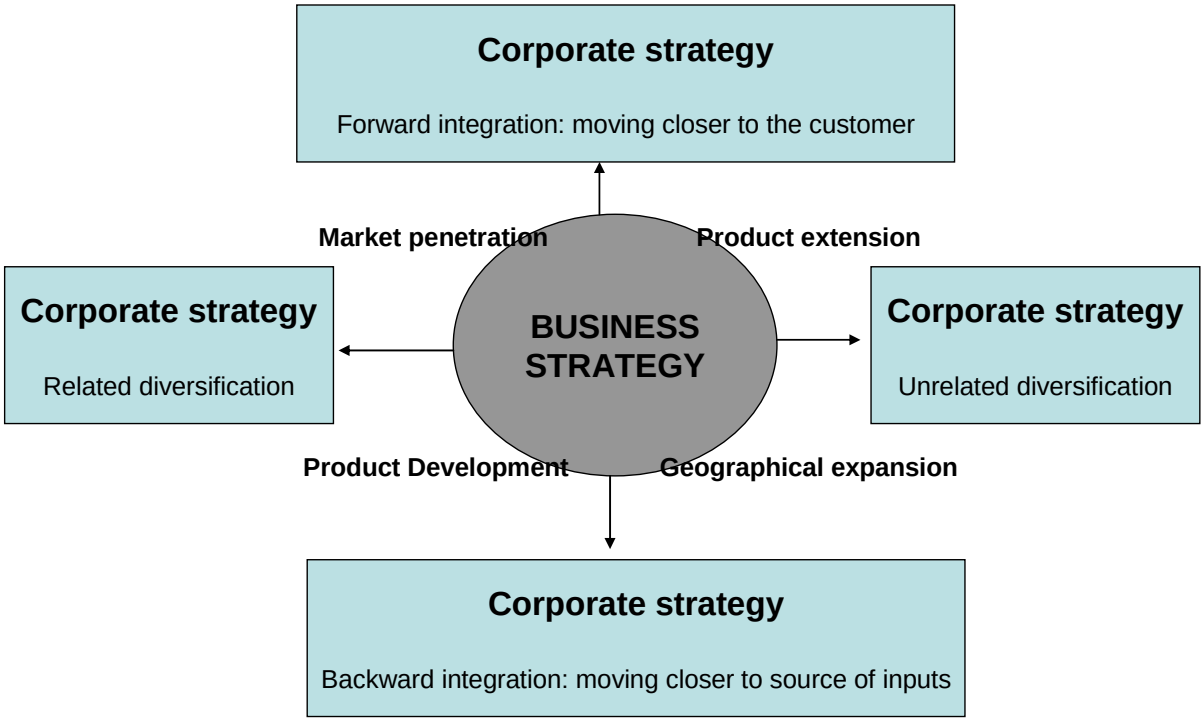
Hellriegal, Jackson and Slocum (2005: 196) identify three basic growth strategies. These are a market penetration strategy, a market development strategy and a product development strategy.

Ellis et al (1995: 26) identify four business strategy options namely, market penetration, product expansion, product development and geographical expansion. This refers to the overall strategic thrust at business level and forms the central element of figure 3.4.

- Market penetration involves seeking growth in current markets with current products or services. This could be achieved by (1) encouraging greater use of the product or service, (2) attracting competitor's customers, (3) buying a competitor;
- Product expansion involves derivatives of existing products being developed and sold into the same market;

- Market development or geographical expansion involves seeking new markets for current goods or services. This could be achieved by (1) entering new geographic markets, (2) entering target markets, (3) expanding uses for current products;
- Product development involves developing new or improved goods or services for current markets. This is achieved by (1) improving features, (2) increasing quality in terms of reliability, speed, efficiency and duration.

Figure 3.4 Strategic options



Source: Ellis and Williams (1995: 25)

Business strategy according to Ellis and Williams (1995: 27) becomes international when a company seeks to serve product markets other than the indigenous local or national market. It will thus operate across national borders. Similarly corporate strategy will have an international dimension in that the overall scope of the organisation's activities are international or influenced by international competition.

Competitive advantage is thus according to Ellis et al (1995: 28) product/market specific. Options relating to scope, namely vertical integration and diversification cannot be considered a business strategy. They are not concerned with how and individual business may improve its competitive advantage within a product-market, but with how the corporation as a whole adds value to its business portfolio.

Johnson and Scholes (2002: 362) offer certain strategic options (refer Figure 3.5) in terms of long term product growth as well as competencies. Their strategies range from protecting and building an organisation's position with its existing products and competencies through to diversification requiring changes to products, competencies and entering or creating new market opportunities which take the organisation into arenas in which it is currently not a credible player.

Figure 3.5: Strategy development directions

Markets	Products: Existing	Products: New
Existing	A **PROTECT/BUILD** •Consolidation •Market penetration	B **PRODUCT DEVELOPMENT** •On existing competences •With new competences •Beyond current expectations
New	C **MARKET DEVELOPMENT** •New segments •New Territories •New uses •With new competences •Beyond current expectations	D **DIVERSIFICATION** •On existing competences •With new competences •Beyond current expectations

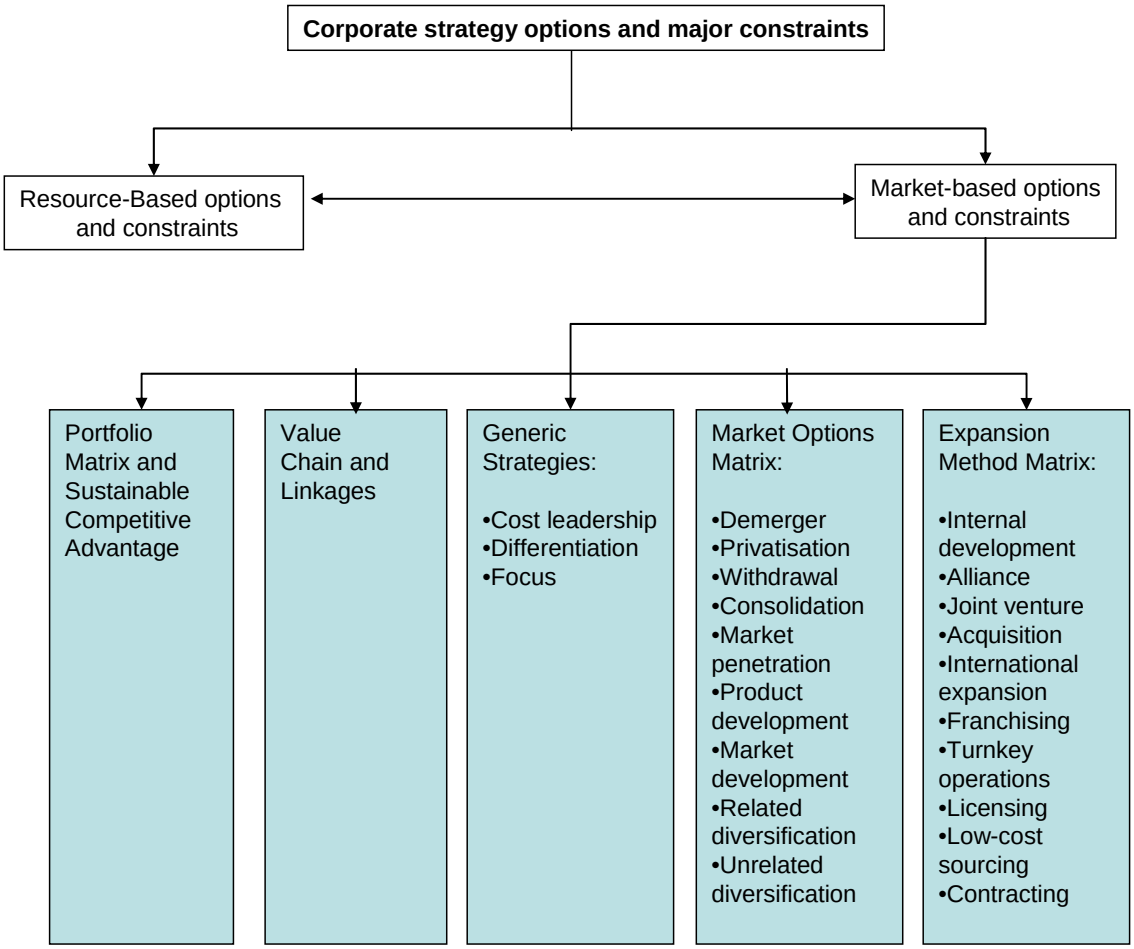
Source: Johnson and Scholes (2002: 362)

- Protect and build on current position covers how an organisation's resources and competencies should be adapted and developed to maintain the competitive position of the organisation. Johnson and Scholes (2002: 365) elaborate and state consolidation may require reshaping by either withdrawing or downsizing some activities. Product or services have a finite life cycle. Their intrinsic value changes over time and resource deployment may need reviewing. Market penetration according to Johnson and Scholes (2002: 367) covers gains in market share. Factors that need to be considered include the nature of the market in terms of growth or decline, resource issues either driving or preventing success or finally the complacency of market leaders allowing competitors to close the gap.
- Product development is where organisations deliver modified or new products to existing markets. This could be achieved with either existing competencies or may require the development according to Johnson and Scholes (2002: 369) of new competencies.
- Market development is where existing products are offered in new markets. In reality market development according to Johnson and Scholes (2002: 371) usually requires some degree of product development as well as competence development.
- Diversification is a strategy according to Johnson and Scholes (2002: 373) which takes organisations away from their current markets or products or competencies. This may occur if the business environment changes presenting either threat or presenting new opportunities, resources or competencies are available and can be exploited or shareholder expectations can drive diversification.

The quest for a competitive advantage sees company's crafting a strategy that is well suited both to the industry and competitive conditions as well as to its own resources, competencies and competitive circumstances.

3.5.1. Market based strategy options

Figure 3.6: Market based strategy options



Source: Lynch (1997: 484)

Figure 3.6 illustrates both resource-based and market-based strategic options available to an organisation. The expansion matrix was summarized in 3.3 Market entry strategies. The market options matrix was summarized in 3.5 Strategy development. Value chain and the portfolio matrix have not been expanded upon. Generic strategies refer Figure 3.6 according to Lynch (1997: 494) are a means of generating basic strategy options in an organisation. They are based on seeking

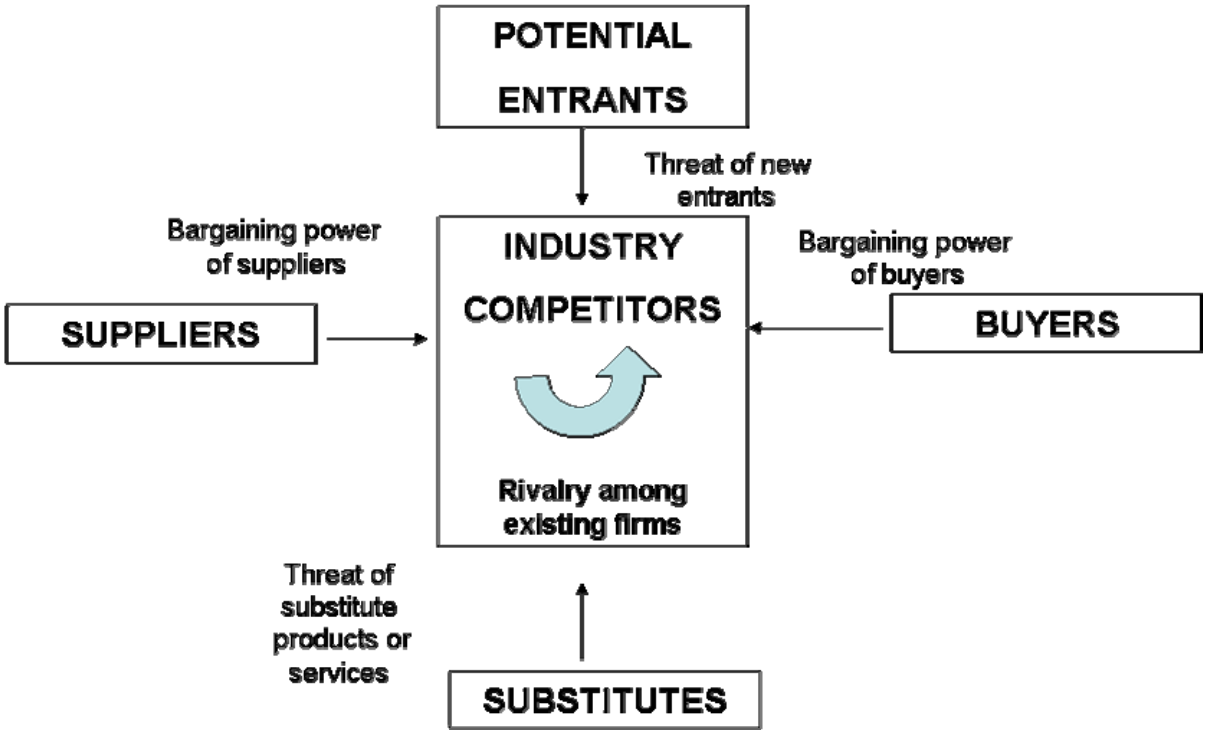
competitive advantage in the market place. There are three main generic options namely: cost leadership, differentiation and focus. There have been numerous criticisms of the approach based on both logic and empirical evidence of actual industry practice. The comments may have validity but generic strategies still represent a useful starting point in developing strategy options.

The essence of formulating competitive strategy is relating a company to its environment. Although the relevant environment is very broad, encompassing social as well as economic forces, the key aspect according to Porter (2004: 3) of a firm's environment is the industry or industries in which it competes. Industry structure has a strong influence in determining the competitive rules of the game as well as the strategies potentially available to the firm. The goal according to Porter (2004: 4) of competitive strategy for a business is to find a position in the industry where the company can best defend itself against the competitive forces or influence them in its favour.

The five competitive forces are namely: entry into market, threats of substitutes, bargaining powers of buyers, bargaining power of suppliers and rivalry among current competitors jointly determining the intensity of the industry competition and profitability.

Once the forces affecting competition in an industry and their underlying causes have been diagnosed, the firm is then in a position to identify its strengths and weaknesses relative to the industry. From a strategic viewpoint the critical strengths and weaknesses are benchmarked and a competitive strategy taking either offensive or defensive action to defend the position of the firm in terms of the five competitive forces is put in place.

Figure: 3.7 Forces driving Industry competition



Source: Porter (2004: 4)

According to Porter (2004: 7) understanding industry structure must be the starting point for strategic analysis. Characteristics of the economics and technology of an industry shape the competitive strategy. A number of economic and technical characteristics of an industry are critical to the strength of each competitive force. The forces per Figure 3.7 above are briefly described below:

- **Threat of entry**

  New entrants bring in new capacity; desire to gain market share and often substantial resources. The threat depends on the barriers to entry which are present. High barriers result in sharp retaliation of entrenched competitors resulting in a low threat of entry. There are six major sources of barriers to entry namely; economies of scale, product differentiation, capital requirements, switching costs of buyer, access to distribution channels, cost disadvantages independent of scale or size and government policy;

- Intensity of rivalry amongst existing competitors. This occurs according to Porter (2004: 17) when there are numerous or equally balanced competitors, slow industry growth, high fixed or storage costs, lack of differentiation or switching costs as product is perceived as a commodity or near commodity, capacity augmented in large increments, diverse competitors, with diverse strategies and finally high strategic stakes and exit barriers;
- Pressure from substitute products. This according to Porter (2004: 23) tends to place a ceiling on prices;
- Bargaining power of buyers. They tend to force down prices, bargain for higher quality and play competitors against each other;
- Bargaining power of suppliers. Suppliers can exert power over participants in an industry by threatening to raise prices or reduce quality.

Porter (2004: 35) continues and states that in coping with the five competitive forces, there are three potentially successful generic strategic approaches to outperforming other firms in an industry and like Lynch identifies: overall costs leadership, differentiation and focus.

Thompson, Gamble and Strickland (2004: 111) unlike Lynch and Porter have expanded into five distinct competitive strategy approaches. These strategies are the following: Low cost provider strategy, broad differentiation strategy, best-cost provider strategy, focused (or market niche) strategy based on lower cost and finally a focused (or market niche) strategy based on differentiation.

These will now briefly be discussed before moving to the second component of strategy namely scope of operations.

- Low cost provider strategy. Thompson, Gamble and Strickland (2004: 112) offer two ways to accomplish this;

- Out manage rivals in the efficiency with which value chain activities are performed and in controlling the factors that drive the costs of value chain activities. The nine major cost drivers are:

    - Economies or diseconomies of scale;
    - Experience and learning curve effects;
    - Cost of key resource inputs (union versus non union labour, bargaining power of suppliers, locational variables supply chain expertise);
    - Links with other activities in the company or industry value chain;
    - Sharing with other organisational or business units within firm;
    - Vertical integration versus outsourcing;
    - Timing associated with first mover activity;
    - Percentage capacity utlisation;
    - Strategic choices and operating decisions.

- Revamp the firms overall value chain to eliminate or bypass some cost producing activities. This can be achieved by looking at the following:

    - Simplifying product design;
    - Stripping away unnecessary extras;
    - Shifting to simpler less capital intensive, streamlined, viable technology processes;
    - Bypassing high cost raw materials or component parts;
    - Relocating facilities;
    - Dropping the “something for everybody” approach. Prune slow-selling items.

- Differentiation strategy. Thompson, Gamble and Strickland (2004: 123) states that successful differentiation allows the firm to:

- Command a premium price for the product.
- Increase unit sales (because additional buyers are won over by the differentiating features).
- Gains buyer loyalty to its brand (buyers become strongly attracted to the differentiating features and bonds with company products).
- Best-cost provider strategies. This according to Thompson, Gamble and Strickland (2004: 126) aims at giving customers more value for their money. To become a best-cost provider, a company must have resources and capabilities to achieve excellent quality, excellent appealing features, match product to performance and provide good to excellent customer service all at a lower cost than their rivals.
- Focused low-cost strategy. This according to Thompson, Gamble and Strickland (2004: 127). Is a strategy based on low cost aimed at securing a competitive advantage buy serving buyers in a target market niche at a lower cost and lower price than rivals.
- Focused differentiation strategy. This finally according to Thompson, Gamble and Strickland (2004: 128) offer niche members a product they perceive as specific to their own unique tastes and preferences.

This concludes the first component of strategy namely perceived value and competitiveness.

3.6. SCOPE OF OPERATIONS

This according to Pustay (2005: 319) is the second component of international strategy and answers the question “Where are we going to conduct business?”. If a firm possesses a distinctive competence only in certain regions or in specific product lines, then its scope of operations will focus on only those areas where the firm enjoys the distinctive competence. Strategic planning thus results in some international businesses choosing to compete in only a few markets, some to compete in many and others (such as Disney) vary their operations across different types of business operations in which they are involved.

3.6.1. Choice of strategic markets

Gupta and Govindarajan (2004 : 19) state that rather than muddling through opportunities as they emerge, effective globalisers engage instead in directed opportunism (opportunism guided by a systematic and logical framework).

Two factors should always be considered namely: the strategic importance of the market and the firm's ability to exploit that market.

This is the second component of international strategy and not much more will be said about this component. This thesis covers mostly aspects in the first and third component of international strategy namely competences and organisational structure and staff deployment.

3.7. RESOURCE DEPLOYMENT AND ORGANISATIONAL STRUCTURE

Griffin and Pustay (2005: 320) defines this as the third component of an international strategy. It answers the question "given that we are going to compete in these markets, how will we structure and allocate our resources to them." Resource deployment might be specific along product lines, geographical lines or both. This part of strategic planning determines the relative priorities for a firm's limited resources.

Lynch (1997: 704) states that the organisation's structure is essentially developed to deliver its mission and objectives. Many organisations have existing structures and the primary task of organisational design is usually not to invent a totally new organisation but to adapt the existing one. Simplicity in design should guide structure proposals as the structure needs to be understood and operational after it has been agreed.

3.7.1. Determinants of organisational design

Lynch (1997: 704) identifies nine primary determinants of organisational design.

- **Age.** Older organisations tend to be more formal. Structure needs to reflect the age of an organisation and the degree to which managers and employees have grown to rely on formal relationships in terms of reporting and job definition.

- **Size.** As organisations grow, there is usually an increasing need for formal methods of communication and greater co-ordination, suggesting that more formal structures are required.

- **Environment.** Rapid changes in any of the five forces (as previously defined) will force a structure that is capable of responding quickly.

- **Centralisation / decentralisation decisions.** Most organisations have a choice over how much they wish to control centrally. Four main areas present themselves and offer solutions to the above dilemma. They are the following:

    - Nature of the business – economies of scale will probably need to be centralised.
    - Style of the chief executive – the dominant leader will probably centralise.
    - Need for local responsiveness.
    - Need for local service delivery.

- **Overall work to be undertaken.** Value-chain linkages across the organisation will clearly need to be co-ordinated and controlled. Divisional or

matrix structures may be needed especially where organisations have grown and become more diverse.

- **Technical content of work.** In standardisation massed production, the work to be undertaken usually controls the workers and their actions. The more this occurs the more necessary it will be to have standardisation and bureaucratic procedures and structures. They could lead according to Mintzberg to greater specialisation however Japanese production methods have shown that flexibility may be highly desirable. The structure will thus have to reflect the precise technical task of the product or service of the organisation.

- **Different tasks in different parts of the organisation.** Strong integration between the various objectives of different parts of the organisation may require specific structures to be built to overcome any difficulties.

- **Culture.** This has a major influence on organisational design. The degree the organisation accepts change, its ambitions and its desire for experimentation are all elements to be considered here.

- **Leadership.** The style, background and beliefs of the leader could have an important impact on the organisational design.

3.7.2. Types or organisational structure

Lynch (1997: 707) identifies six basic types of organisational structures that could serve to implement the chosen strategy.

They are the following:

- Small organisation structure (limited resources undertaking a variety of tasks);
- Functional organisational structure (functional areas group together);
- Multi-divisional structure (sub division of activities dealing with diversity of products or geographical locations);
- Holding company structure (various business entities reporting to a central holding company);
- Matrix organisational structure (dual decision making structure);
- Innovative organisation structure (organisation designed structure to best suit its specific requirements).

Johnson and Scholes (2002: 422) however expands on Lynch and comes up with the following structures:

- Simple structures (usually adopted by very small firms with little division of duty);
- Functional structure (based on the primary functions undertaken by the organisation);
- Multi-divisional structure (separate divisions based on product, service or geographical region);
- Holding company structure (investment company with shareholding in a variety of separate businesses);
- Matrix structure (combination structure which could be a combination of product and geographical divisions or functional and divisional structures working in tandem);
- Team-based structure (cross functional teams);
- Project based structure (teams created to undertake specific work then dissolved);
- Intermediate structure (temporary structure used as a phase in overall major restructuring process).

Griffin and Pustay (2005: 392) defines organisation design (sometimes called organisational structure) as the overall pattern of structural components and configurations used to manage the total organisation. Through its design the firm does four things namely:

- Allocated organisational resources;
- Assigns tasks to its employees;
- Informs employees of its rules, procedures and expectations;
- Collects and transmits information necessary for problem solving, decision making and effective organisational control.

Griffin and Pustay (2005: 394) offers seven forms of organisational designs that could be adopted by Multi National Companies (MNC's). They are the following:

- Global product design – this is the most common design adopted by MNC's. This assigns worldwide responsibility for specific products or product groups to separate operating divisions within a firm. Focus on a single product or product group enables division managers to gain expertise in all aspects of the product. It also facilitates efficiencies in production, shifting production to another factory as global demand or conditions fluctuate. Flexibility in introducing, promoting and distributing the products. Lastly it forces managers to think globally. Disadvantages include the potential duplication of functional skills, own regional knowledge about culture, legal and political environments.

- **Global area design**

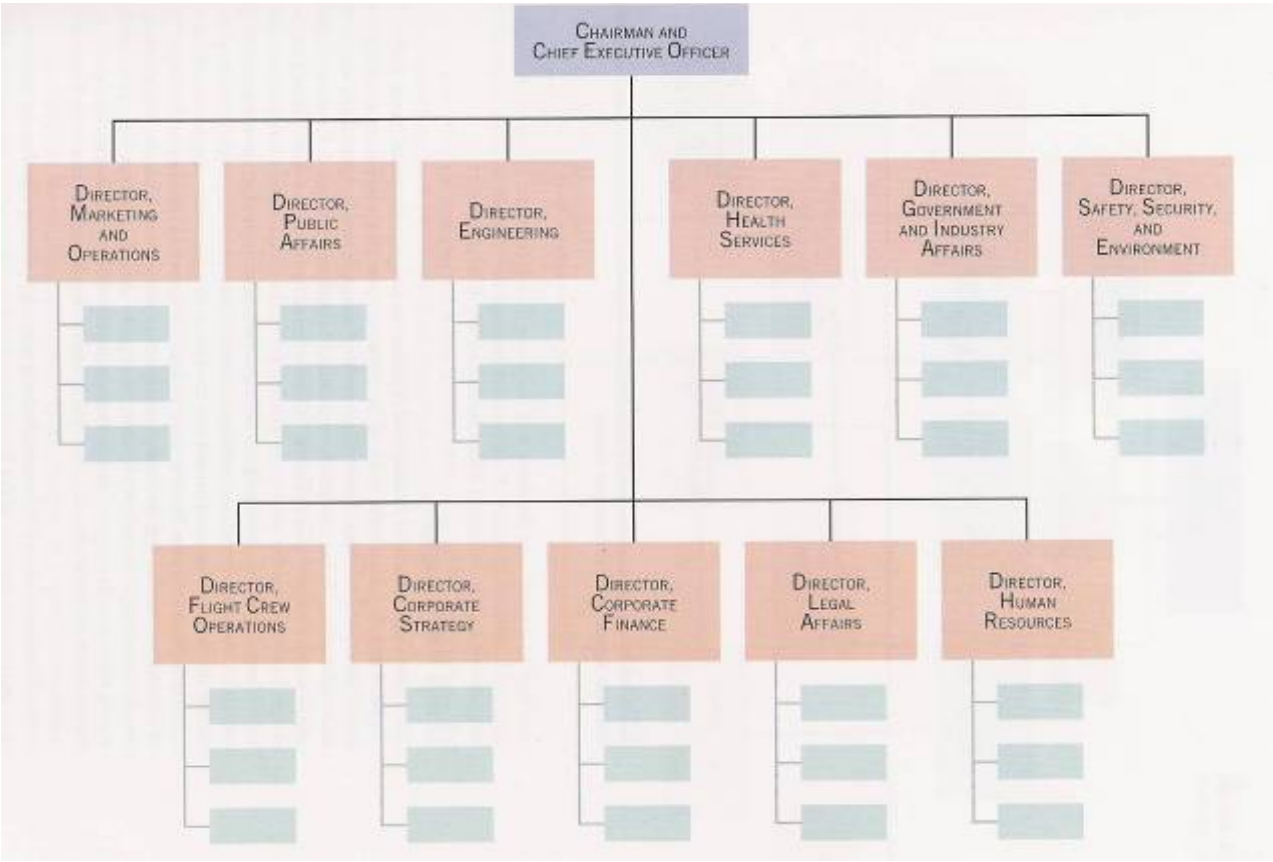
This design organises the firm's activities according to Griffin and Pustay (2004: 386) around specific areas or regions in the world. This is useful for a firm whose strategy is marketing-driven rather than predicted on manufacturing efficiencies or technological innovation or a firm with a brand-named product. Disadvantages of this structure include cost-effectiveness, duplicated resources, expensive co-

ordination of areas, difficulty in product planning and slow adoption of technology changes in all areas.

- **Global functional design**

This design according to Griffin and Pustay (2004: 398) calls for a firm to create departments or divisions having worldwide responsibility for the common organistional functions – finance, operations, marketing, research and development and human resource management. It is used by MNC's with a narrow or similar product line. Easy transfer of expertise, centralised control over functional operations focusing attention on key function of the firm. This design does not work for more complex firms, co-ordination between divisions becomes a challenge and duplication of resources could occur. Refer Figure 3.8 for an understanding of this common organisational matrix.

Figure: 3.8 Global functional design



Source: Griffin and Pustay (2004: 399)

- **Global customer design**

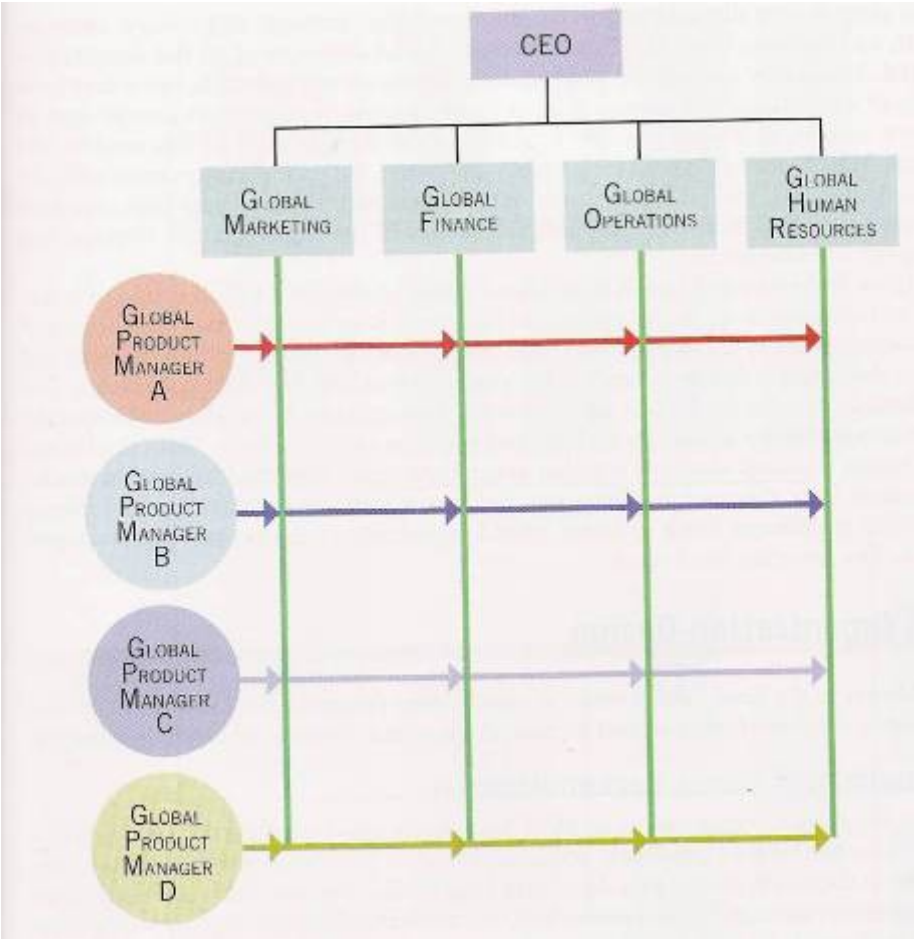
This design according to Griffin and Pustay (2004: 398) is used when a firm serves different customers or customer groups, each with specific needs calling for specific expertise or attention. The approach allows the firm to meet the specific needs of each customer segment and track how well the firm's products or services are doing amongst those segments. Duplication of resources and co-ordination between divisions again could be considered negatives.

- **Global matrix design**

This design according to Griffin and Pustay (2004: 400) is the most complex form of international organisational design. It is the result of superimposing one form of organisational design on top of an existing, different form.

In Figure 3.9 a global product design (shown down side) is superimposed on a global functional design (shown across top). Advantages of this design are that functional and product expertise of the firm are brought together to develop new products or respond to new challenges in the global marketplace. Organisational flexibility is important but co-ordination and communication amongst different divisions occurs. It is limited where firms have few products, puts people accountable to more than one manager and tends to promote compromise decisions with so many managers being involved.

Figure: 3.9 Global Matrix Design



Source: Griffin and Pustay (2004: 401)

- **Hybrid design**

Griffin and Pustay (2004: 402) states that most firms create a hybrid design that best suits their purpose. Most MNC's are likely to blend elements of all the designs into a single design that best suits their firm's specific needs, as dictated by its size, strategy, technology, environment and culture.

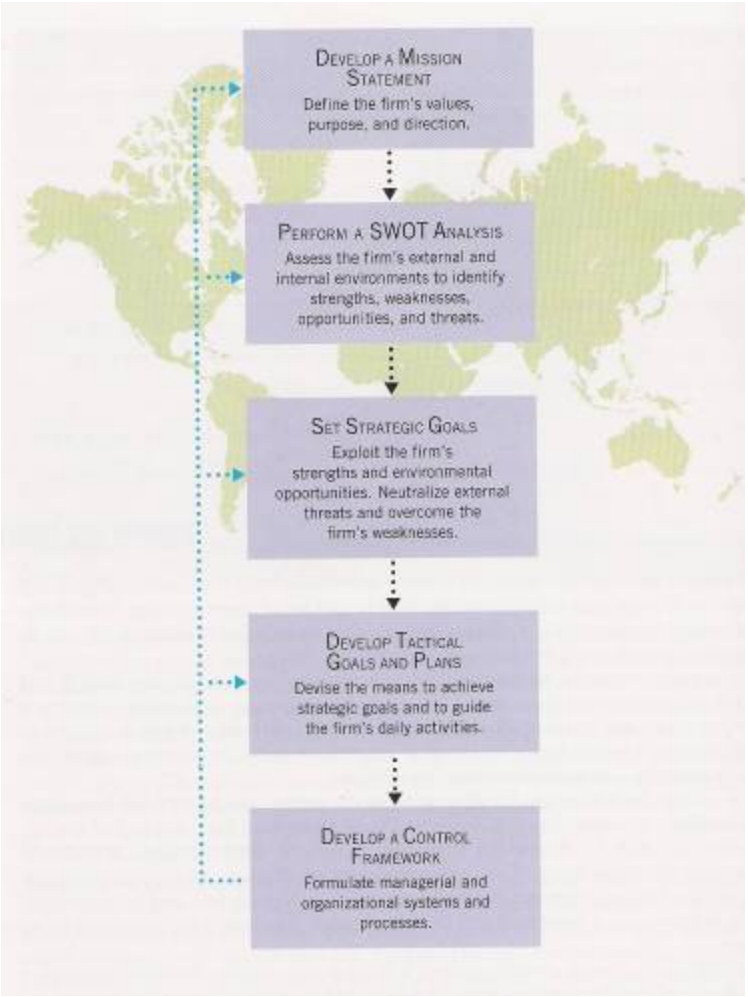
3.8. SYNERGY

The final component of international strategy according to Griffin and Pustay (2004: 321) is that of synergy. It answers the question “How can different elements of our businesses benefit each other?” The goal of synergy is to create a situation where the whole is greater that the sum of the individual parts.

Developing international strategies is not a one-dimensional process. International strategic management comprises of two broad strategies namely: strategy formulisation and strategy implementation. Simply put it is deciding what to do and actually doing it. In strategy formulisation, the firm establishes its goals and the strategic plan that will lead to the achievement of the goals. In international strategy formulation, managers develop, refine and agree on which markets to enter (or exit) and how best to compete. In strategy implementation, the firm develops the tactics for achieving the formulated international strategies. It is usually achieved via the organisations design, the work of the employees and its control over systems and processes.

A set of general steps that managers usually follow in developing strategy is summarised in Figure 3.10 below.

Figure:3.10 Steps in international strategy formulation



Source: Griffin and Pustay (2004: 322)

International strategy formulation per Figure 3.10 is identified as the process of creating a firms international strategy. In international strategy formulation, a firm according to Griffin and Pustay follows three general steps. These steps are the following:

- Develop a mission statement that specifies its values, purpose and directions;
- Thoroughly analyse its strengths and weaknesses as well as opportunities and threats that exist in the environment;

- Finally set strategic goals, outlined tactical goals and plans and develop a control framework.

3.9. CONCLUSION

International strategy according to Griffin and Pustay (2004: 329) is a comprehensive and ongoing management planning process aimed at formulating and implementing strategies that enable an organisation to compete effectively in different markets.

This chapter covered the four strategic options available to organisations participating in international business namely: home replication strategy, multi-domestic, global or transnational strategy. Market entry strategies were also identified and discussed.

Four basic components of strategy development were identified with distinctive competence and resource deployment and organisational realignment considered the most important.

Four basic growth strategies were also identified namely market penetration, product expansion, product development and geographical expansion. Strategy development directions were discussed and finally the generic strategies for competitive advantage were identified.

The major challenge for any organisation is choosing the correct combination of competitive and growth strategies using core competencies in the correct market place, with the best organisational structure to support the process.

4. CHAPTER FOUR:
Design of the empirical study.

4.1. INTRODUCTION

This Chapter will describe the methodology used to extract information which will assist to determine which of the basic components of strategy development the senior management of Behr South Africa believe will address the changed market environment (refer 1.3c).

Chapter two and Chapter three explored the concept of globalisation, the changing environment in which the South African Automotive Industry finds itself in and identified components for strategy development. This addressed the first and second sub-problems namely:

- how has the South African automotive market environment changed and how does it affect Behr South Africa?
- what are the basic components of strategy development for organisations operating internationally in a globalised automotive industry?

This Chapter and the next Chapter will endeavor to confirm by means of a case study whether Behr has implemented such strategic components.

The main problem identified in Chapter one was to assist senior management at Behr in formulating and implementing an international strategy that considers the basic components of strategy development namely distinctive competence, scope of operations, resource deployment and organisational structure and lastly synergy. This process will evaluate whether Behr has considered the above mentioned strategic options to enable it to compete effectively in the competitive global marketplace.

Behr South Africa is the subject of a case study and the feasibility and acceptance of the strategic planning components will be examined. The case study will attempt, by means of a questionnaire, to provide information on Behr. Chapter five will report on the outcomes of the investigations.

4.2. OVERVIEW OF QUALITATIVE RESEARCH

Research methods can be classified according to Myers (2006:2) in various ways, however the most common distinction is between qualitative and quantitative research methods.

Quantitative research methods were originally developed in the natural sciences to study natural phenomena. Examples include the survey method, laboratory experiments, formal methods (econometrics) and numerical methods such as mathematical modeling.

Qualitative research methods were developed in the social sciences to study social and cultural phenomena. Examples include action research, case study research and ethnography. Qualitative data sources include observation, participant observation (fieldwork), interviews and questionnaires, documents and texts and the researcher's impressions and reactions.

Myers (2006: 2) further states that the motivation for doing qualitative research, as opposed to quantitative research, comes from the observation that, if there is one thing that distinguishes humans from the natural world, it is human's ability to talk. Qualitative research methods are designed to help researchers understand people and the social and cultural contexts within which they live. Myers (2006: 5) concludes that case study research is the most frequently used qualitative research method. Case study research is not merely either a data collection tactic or design feature, but represents a comprehensive research strategy.

4.3. RESEARCH DESIGN

Leedy and Ormrod (2001: 4) define research as the systematic process of collecting and analysing information (data) in order to increase understanding of the phenomenon being investigated. The focus is on formal research, intended to enhance the understanding of the phenomenon and communicate the findings to a larger scientific community.

Yin (1989: 14) suggests that a choice between case studies and other empirical methods may rationally be made against three conditions:

(a) The type of research question being posed;
(b) The extent of control a researcher has over actual behavioral events; and
(c) The degree of focus on a contemporary as apposed to historical event.

The first condition boils down to the simple “who, what, where, when, why and how” questions of most research assignments. Case studies suit the more interesting “how” and “why” questions, which are explanatory rather than exploratory or descriptive. Other methods (eg: formal experiments, historical accounts) are also employed to investigate this type of question. The second and third conditions provide necessary discrimination. Historical accounts are best used where there is no scope for control over or insight into contemporary events. Experiments require an ability to control and manipulate events in a direct, precise and systematic fashion rarely accomplished beyond the laboratory.

The Case Study as a Research Method, retrieved 31 October 2006 from http://www.gslis.utexas.edu/~ssoy/usesusers/1391d1b.htm proposes six steps that should be used for conducting successful case study research. They are as follows:

- Determine and define the research questions;
- Select the cases and determine data gathering and analysis techniques;
- Prepare to collect the data;
- Collect data in the field;
- Evaluate and analyse the data;
- Prepare a report.

Case study research generally answers one or more questions which begin with "how" and "why". A literature review will assist with formulating the specific questions. According to the above internet extract case studies are considered complex because they generally involve multiple sources of data, may include multiple cases within a study and produce large amounts of data for analysis. The case study method could be used to build on theory, produce new theory, dispute or challenge theory, to explain a situation, to provide a basis to apply solutions to situations, to explore, or describe an object of phenomenon. The advantage of case study methodology is its ability to real-life, contemporary, human situations and its public accessibility through written reports. Case study results relate directly to everyday experiences and facilities an understanding of complex real-life situations.

Bachor (2000; 3) suggests that the onus is on the researcher to conduct a case study in such a way that the result can easily be communicated to the reader. There are several implications that follow this namely:

- The reader must be able to determine from the evidence presented the nature of the argument, why and how conclusions were drawn;
- The reader must be able to determine, without a doubt, the evidential nature of the case. The evidence must be convincing.

Bachor (2000: 5) lastly states that evidence collection and interpretation needs to be evaluated. The following should be borne in mind:

- How the evidence was collected – what sources of evidence were employed and what rules applied;
- How will the evidence be verified and confirmed;
- How has the evidence been interpreted and conclusions and judgments reached or made.

The researcher needs to unfold their perspective and clarify how the evidence was interpreted so that the reader can determine if the case study, as published, has integrity.

Hussey and Hussey (1997: 161) state that questionnaires are a list of structured questions with a view to eliciting reliable responses from a chosen sample with the aim of finding out what a selected group of participants do, feel or think.

4.4. THE FOUR PURPOSES OF QUESTIONNAIRES

A questionnaire is the document used when interviewing people and provides a form onto which respondent's answers are recorded (Hague, 1994:1). According to Hague (1994: 1) a questionnaire fulfils four purposes:

- Primarily, the questionnaire draws accurate, consistent information form a respondent;
- Secondly, it provides a structure to the interview so that is flows smoothly and orderly and the same questions are asked to each respondent in exactly the same manner;
- Thirdly, it provides a standard format on which facts, comments and opinions are recorded;
- Lastly, it facilitates data processing.

4.5. GUIDELINES TO BE CONSIDERED IN DEVELOPING A QUESTIONNAIRE.

Leedy and Ormrod (2001: 202) state that there are twelve (12) guidelines of developing a questionnaire that encourages people to be co-operative and yield responses that can be used and interpreted. The points are:

- Keep it short;
- Use simple clear, unambiguous language;
- Check for unwarranted assumptions implicit in the questions;
- Word questions in ways that you do not give clues about preferred or desirable responses;
- Determine in advance how responses will be coded;
- Keep respondent's task simple;
- Provide clear instructions;
- Give a rationale for any items whose purpose may be unclear;
- Make the questionnaire attractive and professional looking;
- Conduct a pilot test;
- Scrutinise the almost final product carefully to make sure it addresses the specific desired needs.

Every question according to Leady and Ormrod (2001: 204) needs to be essential to addressing the research problem under discussion.

4.6. LAYOUT OF A QUESTIONNAIRE

A questionnaire is a working document. It presents the questions as well as the place and space to record the answers. To enable it to work, thought needs to be given to ensure that the layout of the questions and the questionnaire as a whole is correct. Hague (1994: 83) suggests that the following points should be considered when designing the layout of a questionnaire:

- **Formalities of every questionnaire**

Questionnaire should have a title that enables it to be readily identified and provision should be made for recording the name and the address of the respondent, the date of the interview and the name of the interviewer, if required;

- **Making a suitable layout for all**

There should be sufficient space for the interviewer to record the answers and this is especially important in the case of open-ended questions;

- **Layout for data processing**

A questionnaire which is part of a large sample will require data processing and it will be necessary to consider how to record these answers;

- **Subject flow**

Good flow means moving in a logical sequence from one subject to another, from broad to narrow issues and from open ended to prompted questions;

- **Completing the questionnaire**

Questionnaires should be ended in a courteous and professional manner. It is therefore appropriate to state the promise of confidentiality.

4.7. WORDING OF QUESTIONS

Zikmund (1994: 397) provides the following two definitions for two manners of questioning:

- Open ended questions asking for respondents own word. It elicits an opinion. Disadvantage is that it is perceived as time consuming;
- Fixed alternative gives respondent a choice of selecting most appropriate response and is the more preferred form of questioning.

Thomas (1996: 121) states the questions should not lead respondents who not have clear views of their own on a particular issue. Specific terms should be used in preference to abstract ones, ensuring a clear understanding of a question by the respondent. Questions should be easy for the respondent to answer for example “indicate yes or no”.

4.8. VALIDITY AND RELIABILITY OF MEASUREMENT

Leedy and Ormrod (2001: 31) state that the terms “validity” and “reliability” are two words repeatedly encountered in research methodology and are often used in connection with measurement. The validity and reliability of the measurement instruments influence the extent to which meaningful conclusions can be drawn from the phenomenon being studied. It is therefore important that the study should meet the conditions of validity and reliability. A brief overview of the concepts follows below together with their relevance to the study.

4.8.1. Validity

Validity of a measurement instrument according to Leedy and Ormrod (2001: 31) is the extent to which the instrument measures what it is supposed to measure. Two basic questions need to be asked according to Leedy et al (2001: 103) when considering validity:

- Does the study have sufficient controls to ensure that the conclusions drawn are truly warranted by the data?
- Can one use what has been observed to make generalisations about the world beyond the specific situation?

The answers to the above two questions will address both internal and external validity. Internal validity deals with the extent to which its design and the data it yields allows the researcher to draw accurate conclusions about cause and affect

and other relationships within the data. External validity covers the extent to which the results apply to situations beyond the study itself. In other words, the extent to which the conclusions drawn can be generated to other contexts.

Leedy and Ormrod (2001: 98): identify four forms of validity, each important in different situations:

- Face validity: Relies on subjective judgment and is not in itself a terribly convincing evidence type. It is useful for ensuring the co-operation of participants in a research project;
- Content validity: This is the extent to which a measurement instrument is a representative sample of the content area (domain) being measured;
- Criterion validity: Is the extent to which the results of assessment instrument correlates with another, presumable related measure;
- Construct validity: The extent to which an instrument measure a characteristic that cannot be directly observed but needs to be inferred from patterns in peoples behavior (thus called construct).

In this study, face validity, content validity, criterion validity and construct validity were used.

4.8.2. Reliability

According to Leedy and Ormrod (2001: 99), reliability refers to the consistency with which measuring instruments perform. As with validity, there are several types of reliability. These are:

- Interrater reliability: This relates to the extent to which the results of two or more independent analysts concur;
- Internal consistency reliability: Is the extent to which all the items within a single instrument yield similar results;

- Equivalent forms reliability: The extent to which two different versions of the same instrument yield similar results;
- Test-retest reliability: Is the extent to which the same instrument yields the same result on two different occasions.

In essence, the above demonstrates that apart from delivering accurate results, the measuring instrument needs to delivery similar results consistently.

4.9. ANALYSIS

The results of the questionnaires and the data will be reported comprehensively in the following chapter. The data will then be analysed on the basis of the frequency of the various respondents. The results of this analysis will then be compared to the sub-problems being investigated. These results will then be compared with the hypothesis that is being tested before drawing final conclusions and making corresponding recommendations.

4.10. QUANTITATIVE ANALYSIS OF SECTION C OF THE QUESTIONNAIRE

Question 8 and question 9 of the questionnaire, dealing with strategic development and competitive strategies were analysed statistically using Microsoft Excel 2000.

4.10.1. Definition of statistical terms

Key statistical variables or main measures of central location according to Wegner (2001: 54) include arithmetic mean (arithmetic average), mode and median. Measures of dispersion include standard deviation and finally shape of a distribution is referred to as a measure of skewness. A definition of each is shown below.

- Mean: This is the arithmetic average. It is the sum of the observed values in the distribution divided by the number of observations;
- Mode: This is the most frequently occurring value;
- Median: This is the mid point of a distribution which has been arranged in size order;
- Standard deviation: This is the statistical measure which expresses the average deviation about the mean. It is the square root of the variance (variance from mean);
- Skewness: This is a measure of a distribution's deviation from symmetry. When a distribution is approximately zero there is symmetry.

4.11. PILOT STUDY

Prior to conducting the pilot study, the questionnaire was examined by a senior lecturer at Nelson Mandela Metropolitan University, Business Management School, who is also the promoter of this dissertation. The necessary changes were made to the questionnaire prior to it being circulated.

4.12. CIRCULATION OF QUESTIONNAIRE

The questionnaire was circulated to all twenty senior managers at Behr South Africa. The importance of the study and the need for accurate results were explained. A tight deadline was set for the completion of the survey with respondents motivated by the fact that they would have access to the findings.

4.13. CONCLUSION

The theoretical aspects of the empirical study design reveal the choice for this study to be the survey questionnaire. Nineteen respondents (all the Senior Managers) at Behr formed the target group of this thesis. The actual compilation of the questionnaire is discussed in Chapter Five.

5. CHAPTER 5:
Results of empirical study and findings

5.1. INTRODUCTION

In this chapter, the researcher will summarise the findings from the empirical study. Replies from the circulated questionnaire will be summarised to enable the researcher to eventually compare this with the literature review. This will be completed in Chapter six.

5.2. ANALYSIS OF QUESTIONNAIRE

Section A – Organisation and Personal Information.

In section A of the questionnaire the respondents were asked to give personal and organisational information. This section gives a profile of the respondents as well as their demographics. The respondents were instructed to choose the appropriate option available to answer each question. This information is classed as an independent variable and could be used to facilitate comparisons with the dependent variable which are the questions in the other two sections of the questionnaire.

Table 5.1 **Questionnaire analysis**

Date of distribution	Questionnaires sent	Responses received	Response rate (%)
15 November	19	15	78.95

Source: Results of questionnaires returned

The final response rate per Table 5.1 was 78.95 percent. All but four executives returned their questionnaire. This reply percentage represents an excellent response rate and conclusions drawn from this sample would form a representative result.

The next section deals with the actual demographical aspects of the results of the empirical study.

Results of the demographic data in Section A of the questionnaire

Table 5.2 Gender

Gender	Respondents	Percentage
Male	14	93,33%
Female	1	6,67%
Total	15	100%

Source: Results of questionnaires returned

Table 5.2 shows that the profile of 15 respondents includes only one female executive.

Table 5.3 Respondents by education level

Education Level	Respondents	Percentage
Matric	15	100%
University degree/diploma	5	33,3%
Post graduate	9	60,0%
Other (T4)	1	6,7%
Total	15	100%

Source: Results of questionnaires returned

Table 5.3 indicates that all the respondents have completed their matric. 33.3 percent have university degrees or diplomas, 60 percent have post graduate qualifications with one respondent having a trade (T4) certification. All the respondents thus have post matric qualifications.

Table 5.4 Respondents by Behr site

Behr Site	Respondents	Percentage
Port Elizabeth	3	20,0%
Pretoria	2	13,3%
Johannesburg	1	6,7%
Durban/Pinetown	9	60,0%
Total	15	100 %

Source: Results of questionnaires returned

Table 5.4 indicates the number of respondents per Behr South Africa site.

Table 5.5 Respondents by Department

Department	Respondents	Percentage
Sales/Customer site	1	6,7%
Quality/Manufacturing	4	26,6%
Engineering	1	6,7%
Human Resources	2	13,3%
Finance and General management	6	40,0%
Purchasing	1	6,7%
Total	15	100%

Source: Results of questionnaires returned

Table 5.5 shows that the majority of respondents are from Finance/General Management (40 percent) with the next largest being from Quality/Manufacturing (26,6 percent).

Table 5.6 Respondents by size of site

Size of Site	Respondents	Percentage
0 – 50 employees	-	-
51 – 100 employees	-	-
101 – 200 employees	1	6,7%
201 – 350 employees	5	33,3%
351 – 600 employees	-	-
601 and above	9	60,0%
Total	15	100%

Source: Results of questionnaires returned

Table 5.6 shows that most respondents are at a site with more than 600 employees. This is consistent with the respondents from the Durban site where the staff number exceeds 600. The one respondent is consistent with the respondent from Johannesburg and that leaves respondents from Port Elizabeth and Pretoria having between 201 – 350 employees on their sites.

Table 5.7 Respondents by year's service

Numbers of years service at Behr	Respondents	Percentage
Less than one year	1	6,7%
One to three years	0	0
Three to five years	1	6,7%
Five to ten years	3	20,0%
More than ten years	10	66,6%
Total	15	100%

Source: Results of questionnaires returned

Table 5.7 indicates that 66,6 percent of the respondents have more than 10 years service at Behr. Three other respondents have between five and ten years (20,0 percent). Thus 86,6 percent of the respondents have more than five years service with Behr. This could either be an advantage or disadvantage. On the positive side the respondents have been at Behr a significant time and should know the automotive industry very well. On the negative side these same respondents may be resistant to major changes and could thus hinder the strategic process of Behr.

Table 5.8 Respondents by age

Age	Respondents	Percentage
Younger than thirty	0	0
Thirty one to thirty five	2	13,3%
Thirty six to forty	1	6,6%
Forty one to forty five	4	26,7%
Forty six to fifty	4	26,7%
Older than fifty	4	26,7%
Total	15	100%

Source: Results of questionnaires returned

Table 5.8 indicates an equal split of twelve of the fifteen respondents between the ages forty one to fifty. There are four in the forty one to forty five bracket, four in the forty six to fifty bracket and four respondents older than fifty. Thus eighty percent of the respondents are over forty. Once again this could have both positive and negative connotations as firstly the age profile may indicate too old a management team. Conversely this could be once again construed as a positive as the team is mature and unlikely to make irrational strategic decisions.

5.3. RESULTS OF THE GLOBAL ENVIRONMENT DATA IN SECTION B OF THE QUESTIONNAIRE

The responses to questions dealing with the global environment are addressed in this section.

Table 5.9 Company operating entity

Type of entity	Respondents	Percentage
Wholly owned multinational	15	100%
Joint Venture	0	0
License Agreement	0	0
South African owned	0	0
Other	0	0
Total	15	100%

Source: Results of questionnaires returned

Table 5.9 indicates that all the respondents identified that Behr is a wholly owned multinational company.

Table 5.10 Global business activity

	Yes	No
Presence of global business activities	100%	0%

Source: Results of questionnaires returned

Table 5.10 indicates that all the respondents believe that Behr is involved in global business activities either in terms of sales or purchasing activities.

Table 5.11 Pest analysis

	Yes	No
Pest analysis performed	80%	20%

Source: Results of questionnaires returned

Table 5.11 indicates that 80 percent of respondents believe that Behr performs a PEST analysis of the environment. Three respondents indicated that no PEST analysis is performed of the industry environment in order to develop a competitive advantage over rivals. There seems no correlation between the two respondents who had negative replies to both questions. One is an engineer with more than ten years service in the forty to forty five age bracket and the other is a sales executive with five to ten years service in the thirty one to thirty five age bracket. The third respondent who indicated a negative response is a manufacturing executive with more than ten years service in the age bracket above fifty.

Table 5.12 Analysis of industry environment

	Yes	No
Industry environment analysis performed	86,7%	13,3%

Source: Results of questionnaires returned

Table 5.12 indicates that 86,7 percent of respondents believe that an analysis of the industry environment is undertaken in an attempt to gain a competitive advantage over rivals. Refer to the explanation to table 5.11 above for an elaboration on the two respondents who had a negative response.

Table 5.13 Porters five forces and their influence on your organisation

	Not at all	Small extent	Large extent	Completely	Total
Bargaining power of suppliers (supplier ability to raise prices and influence quality)	0	33,3%	66,7%	0	100%
Bargaining power of customers (customers force down prices, obtain better quality and increase rivalry amongst sellers)	0	6,7%	73,3%	20,0%	100%
Threats of new industry entrants (new firms entering and competing in same market)	0	46,7%	53,3%	0	100%
Threats of product substitutes (reduced demand for a particular “class” of product as customers switch to an alternative	6,7%	40,0%	46,6%	6,7%	100%
Extent of competitor rivalry (regular and extensive monitoring of competitors)	0	26,6%	66,7%	6,7%	100%

Source: Results of questionnaires returned

Table 5.13 indicates firstly that in terms of the bargaining power of suppliers 33 percent believe they influence the organisation to a small extent with 66 percent believing that they could have a large influence on the organisation.

In terms of bargaining powers of customers 73,3 percent of respondents believe they have a large influence with 20 percent stating they completely influence the organisation. Only one person or 6,7 percent believe they have a small influence on the organisation. This person strangely is in general management at a franchising organisation supplying product to customers, usually at a premium price.

In terms of the threats of new entrants into the industry 46,7 percent of the respondents believe this will have a small impact with 53,3 percent believing it could have a large impact on the organisation.

In terms of product substitution 40,0 percent of the respondents believe it will have little impact on the organisation with 46,6 percent stating it could have a large impact on the organisation. Two respondents indicated it would either have no or a complete impact on the organisation. The one respondent who indicated no effect is from general management/finance with one engineer indicating a complete impact on the organisation.

Finally in terms of competitor rivalry 26,6 percent of the respondents indicated a small impact with 66,7 percent indicating a large impact on the organisation. One purchasing respondent indicated it would completely influence the organisation.

Table 5.14 Global competitiveness of your organisation

	Not at all	Small extent	Large extent	Completely	Total
Has global competition influenced your organisation in competing for larger market share?	0	13,3%	73,4%	13,3%	100%
Have global competitors influenced your organisation in altering business strategies?	0	20,0%	73,4%	6,6%	100%
Has your organisation been forced to increase productivity to remain competitive?	0	0	80,0%	20,0%	100%
Does your organisation monitor world markets in search of new opportunities?	6,6%	33,3%	46,8%	13,3%	100%

Source: Results of questionnaires returned

Table 5.14 indicates that 74,4 percent of respondents indicate that global competition has influenced their organisation. 13,3 percent indicated either a small or complete influence.

In terms of global competitors influencing the organisation 73,4 percent indicated that there was a large influence with 20 percent indicating a small influence. Only one manufacturing executive or 6,6 percent indicating a complete influence.

In terms of increasing productivity to remain competitive 80 percent of respondents indicated that this was a large influence with 20 percent indicating that it was completely necessary.

In terms of monitoring world markets in search of new opportunities 46,8 percent of respondents believed this to be necessary to be a large extent, 33,3 percent to a small extent and 13,3 percent deemed it essential or completely necessary. Only one manufacturing executive deemed it not at all necessary.

5.4. RESULTS OF THE STRATEGY DATA IN SECTION C OF THE QUESTIONNAIRE.

The responses to questions dealing with strategy are finally addressed in this section.

Table 5.15 Vision and Values

	Yes	No
Presence of vision and defined corporate values	100%	0%

Source: Results of questionnaires returned

Table 5.15 indicates that 100 percent of the respondents agreed that their organisation, Behr, has a clear vision and defined values.

Table 5.16 Performance targets

	Yes	No
Identified performance targets	100%	0%

Source: Results of questionnaires returned

Table 5.16 indicates that 100 percent of the respondents agree that their organisation has set defined performance targets.

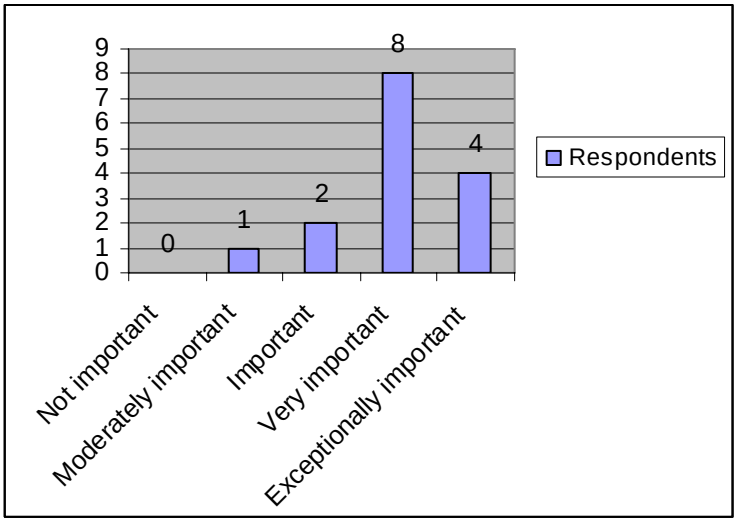
Table 5.17 Organisational structure

	Yes	No
Defined organisational structure	100%	0%

Source: Results of questionnaires returned

Table 5.17 indicates that all the respondents agree that their organisation has a defined structure.

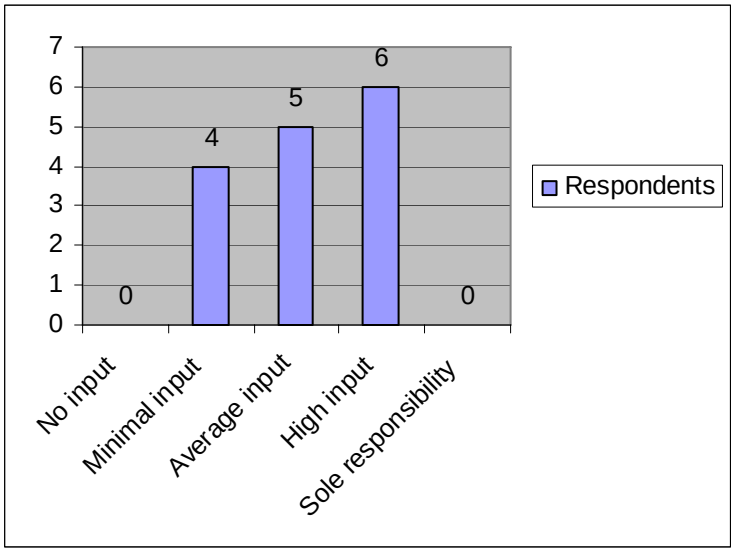
Figure 5.1 Importance of strategy planning



Source: Results of questionnaires returned

In figure 5.1, 53,3 percent of respondents state that it is very important with 26,6 percent stating it exceptionally important to have strategy planning at a manufacturing organisation. 6,6 percent and 13,3 percent feel it moderately or important for strategy planning to occur. A manufacturing executive was the respondent who felt it only moderately important.

Figure 5.2 Input into strategy formulation



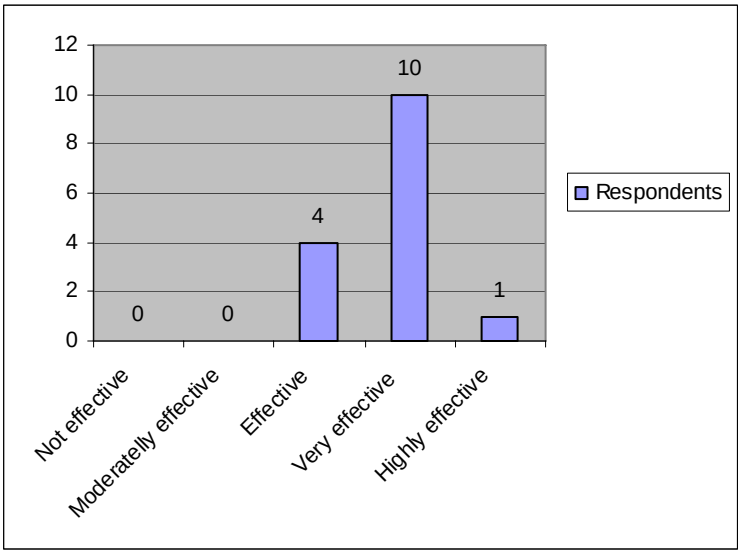
Source: Results of questionnaires returned

In figure 5.2, 26,7 percent of respondents feel they have had minimal input with 33,3 percent feeling they have had average input into the developments and formulation of strategy within their organisation. Only six or 40 percent of respondents feel they have had high impact into the formulation of strategy.

In further analyzing the four respondents who claimed minimal input into the strategy process it was found that:

- Two respondents are over 50 years old;
- Two respondents are among the newest executives at Behr.

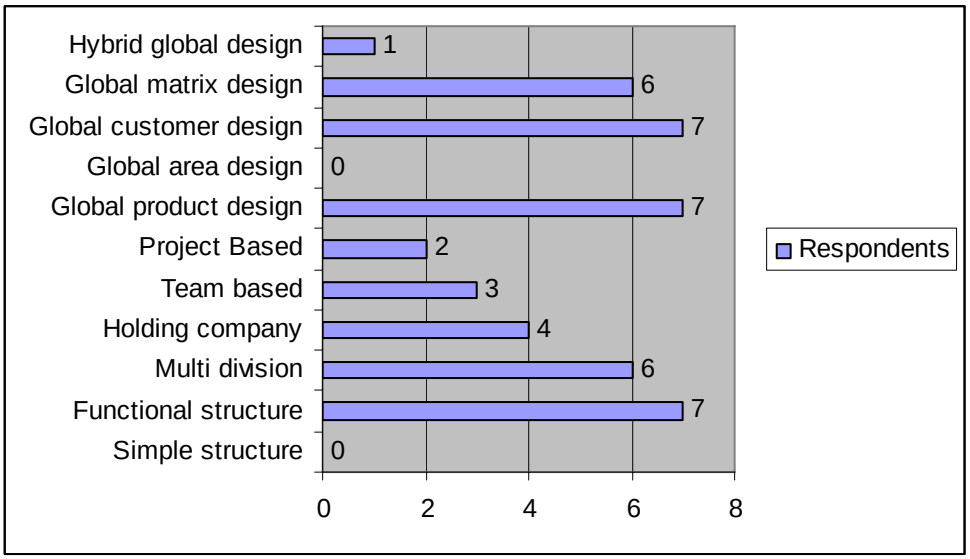
Figure 5.3 Effectiveness of strategy



Source: Results of questionnaires returned

In figure 5.3, 66,7 percent of respondents considered the strategy very effective with 26,7 percent claiming it was effective. One respondent or 6,6 percent felt the strategy deployed was highly effective. This respondent was from the human resources department.

Figure 5.4 Organisational structure



Source: Results of questionnaires returned

In figure 5.4 the respondents were asked to choose three organisational structures which best describe their organisation. The three structures emerging from the responses at 15.6 percent or seven votes each are:

- Functional structure;
- Global product design matrix;
- Global customer design matrix.

Multi division and matrix structures are the next structures with 13,3 percent or six votes each.

Table 5.18 Strategic development directions

	Mean or average	**Mode (most frequently occurring value)**	**Median (value dividing dataset into two parts)**	**Standard deviation (square root of variance)**	**Skewness ***
Consolidate	7,4	8	8	1.724	N (0.046)
Market Penetration	8,0	9	9	1.852	N (0.935)
Product development	7,13	10	7	2.997	N (0.828)
Market development	6,13	10	7	3.270	N (0.278)
Diversification	4,47	4	4	2.386	p 0.339

Source: Results of questionnaires returned

Table 5.18 shows that in terms of the strategic directions, diversification had the only positive co-efficient of skewness. This indicates that there was unanimous agreement by the respondents that diversification is not very important in their organisation (the mean score was 4,47, the mode 4 and the median 4 thus on a scale of 1 to 10 with 1 being unimportant and 10 very important, a score of 4 was considered a low importance). If mode and median is considered (the most frequently occurring value together with the value dividing the dataset) then the market penetration should be considered the most important development direction for the respondent's organisation.

In terms of replies per table 5.19 the number of replies above 7 on the scale of 1 to 10, with 1 being unimportant is summarised as follows:

- Market penetration scored 10 replies above 7 (and thus can be considered the most popular strategic development direction by the respondents and is consistent with the above analysis in terms of mode and median);
- Consolidation had 8 replies above 7;
- Product development had 7 replies above 7;
- Market development had 6 replies above 7;
- Diversification only 2 replies above 7 (this is consistent with the findings of the statistical analysis being a low important strategy development direction).

Table 5.19 Strategic development directions

Strategy compared to Importance	**+ 10**	**9**	**8**	**7**	**6**	**5**	**4**	**3**	**2**	**1 -**	**Total**
Consolidate	2	2	4	2	2	3	0	0	0	0	15
Market Penetration	3	5	2	2	1	1	1	0	0	0	15
Product development	5	2	0	2	3	0	1	0	1	1	15
Market development	4	0	2	2	0	2	2	0	1	2	15
Diversification	0	1	1	1	2	1	4	2	1	2	15

Source: Results of questionnaires returned

Table 5.20 Generic competitive strategies

	Mean or average	Mode (most frequently occurring value)	Median (value dividing dataset into two parts)	Standard deviation (square root of variance)	Skewness *
Low cost provider strategy	5.733	4	5	2.738	P 0.491
Broad differentiation strategy	4.067	3	4	2.344	P 0.407
Best cost provider	7.667	8	8	2.289	N (0.764)
Focused (market niche) strategy based on lower costs	5.867	6	6	2.326	N (0.286)
Focused (market niche) strategy based on differentiation	5.497	7	6	2.800	N (0.263)

Source: Results of questionnaires returned

Table 5.20 shows that out of the majority of responses for generic competitive strategies low cost provider strategy followed by broad differentiation strategy emerge as the most positive strategies in terms of skewness. This can be interpreted as the two strategies with the most agreement in terms of their unimportance. In terms of low cost provider strategy 10 of the 15 respondents rated this strategy below a 7 thus tending towards unimportant. 12 of the 15 respondents rated broad differentiation below a 7 thus also tending towards unimportant. If mode and median is considered (the most frequently occurring value together with the

value dividing the dataset) then best cost provider strategy should be considered the most important competitive strategy for the respondent's organisation.

In terms of replies per table 5.21 the number of replies above 7, on the scale of 1 to 10, with one being unimportant and 10 very important, is summarised as follows:

- Best cost provider strategy has 11 replies above 7 (and thus can be considered the most popular competitive strategy identified by the respondents and is consistent with the above analysis in terms of mode and median);
- Low cost provider strategy has 5 replies above 7 but this has already been eliminated as a preference due to positive co-efficient skewness towards unimportance;
- Focused (market niche) strategy based on lower costs has 4 replies above 7;
- Focused (market niche) strategy based on differentiation has 3 replies above 7 and;
- Broad differentiation strategy has only 2 replies above 7.

Table 5.21 Strategic development directions

Strategy compared to Importance	+ 10	9	8	7	6	5	4	3	2	1 -	Total
Low cost provider strategy	2	2	1	0	1	2	4	2	1	0	15
Broad differentiation strategy	0	0	2	1	1	1	3	4	-	3	15
Best cost provider strategy	6	0	5	1	1	1	1	0	0	0	15
Focused (market niche) strategy based on lower costs	1	-	3	2	4	1	1	1	2	0	15
Focused (market niche) strategy based on differentiation	1	1	1	4	1	2	1	1	1	2	15

Source: Results of questionnaires returned

Table 5.22 Defined organisational values

	Yes	No
Presence of defined organisation values.	100%	0%

Source: Results of questionnaires returned

100 percent of respondents agree that their organisation has defined values.

These values are summarised as follows:

- Innovative;
- Reliable;
- People orientated;
- Co-operative ;
- Results focused.

The final question requested a listing of core competencies that respondents believed would give their organisation a competitive advantage in the market place. They are summarised as follow:

- Good product range with diversity;
- Strong brand name and reputation;
- Technological leader in the automotive world;
- Good product development capabilities;
- Good quality products at competitive prices;
- Stable products and processes;
- Offer good customer service;
- Global partner in the automotive world;
- Strong local material base, cheap labour and are flexible in terms of supply.

5.5. CONCLUSION

The objective of this chapter was to interpret the results of the empirical study. The questionnaire results were analysed in three sections namely demographic data, global environment data and strategic data. The conclusions that can be drawn from the empirical study show that there is a substantial support for the factors contained in the theoretical study. In the following chapter, the theoretical model for strategy will be confirmed, recommendations made and conclusions drawn.

6. CHAPTER 6:
Integration of the findings of the survey with the literature study in order to determine enhancements to the Behr strategy and its global objectives.

6.1. INTRODUCTION

In Chapter Five, the results from the questionnaire were analysed and discussed and presented in graphical format where possible. This chapter deals with the correlation of the questions asked and answered with the theoretical study compiled in Chapters 2 and 3. This chapter will deal with the overall views of the respondents in relation to the main and sub-problems identified in this study.

6.2. REASON FOR THE RESEARCH

6.2.1. The main problem

The main reason was to assist senior management at Behr in formulating and implementing strategies that will enable the organisation to compete effectively internationally.

6.2.2. The sub-problems

The following sub-problems were identified in chapter one and researched:

- How has the South African automotive market environment changed and how does this affect Behr South Africa?
- What are the basic components of strategy development for organisations operating internationally in a globalised automotive industry?

- What basic components of strategy development does the senior management of Behr South Africa believe will address the changed market environment?

The first sub-problem was the focus of chapter two with the second sub-problem being the focus of chapter three.

In terms of the sub-problems an extensive literature research was undertaken by the author. A questionnaire was developed and circulated to the senior management of Behr South Africa. The aim of the questionnaire in Section B was to gain an understanding of what senior management perceived was going on in the South African automotive market environment. They were also asked to identify in Section C, the basic strategic components and structure they felt necessary for organisations operating internationally.

6.3. SUMMARY OF THE FINDINGS FROM THE LITERATURE STUDY AND EMPIRICAL QUESTIONNAIRE SURVEY.

6.3.1. The literature study findings.

The following emerged from the literature study in terms of the first sub-problem identified in Chapter one and referred to above, namely how has the South African automotive market environment changed and how does it affect Behr South Africa?

- Certain forces are contributing to the globalisation of certain industries and markets. There is an increasing convergence of markets worldwide. As markets globalise, those operating in such markets become global customers and search for suppliers who can operate globally;
- In industries in which large volume and standardised production is needed for optimum economies of scale, cost advantages could be generated by global operations. Business is forced to search for globally lower costs;

- Global competition has encouraged globalisation especially if customers are operating on a global basis.

The South African Automotive Industry has seen ownership changes in both the producers as well as component suppliers. Under globalisation foreign ownership has been increasing either in terms of joint venture licensing arrangements or foreign ownership.

Two key strategies have been adopted by vehicle manufacturers namely “follow design” (several countries share the same vehicle design) and “follow sourcing” (the same manufacturer supplies parts in different locations).

Respondents on answering Section B of the questionnaire confirmed the following in terms of the first sub-problem dealing with change in the South African automotive market environment:

- In Table 5.9 all the respondents recognised Behr, as a wholly-owned multinational company, supplying to both the South African as well as world market;
- In Table 5.10 100 percent of the respondents recognised that Behr was involved in global business activities either in terms of sales or purchasing activities;
- In Table 5.11 and 5.12 at least 80 percent of respondents confirmed that Behr was doing a regular PEST analysis, scanning the environment as well as an industry analysis, in order to gain a competitive advantage over rivals;
- Table 5.13 identifies Porters five forces and their influence on Behr. The analysis of this table indicates that significant respondents indicate the forces have a large impact on the organisation;
- Finally in terms of global competitiveness in Table 5.14 most respondents indicate a large influence of global competitiveness on the organisation. The four specific questions and the respondent replies are summarised below:

Table 6.1 Global competitiveness

	Not at all or small extent	Large extent of completely	Total
Has global competition influence your organisation in competing for a larger market share?	13,3%	86,7%	100%
Have global competitors influenced your organisation in altering business strategies?	20%	80%	100%
Has your organisation been forced to increase productivity to remain competitive?	0	100%	100%
Does your organisation monitor world markets in search of new opportunities?	39,9%	60,1%	100%

Source: Results of questionnaires returned

In the author's opinion, this sub-problem can thus be summarised by concluding that the respondents recognised that Behr is a global supplier, become a wholly owned multinational and fully integrated into the South African and global market environment.

The following emerged from the literature study in terms of the second sub-problem namely what are the basic components of strategy development for organisations operating internationally in a globalised automotive industry?

- Four basic strategies choices emerged for firms competing in the international environment namely international strategy, multidomestic strategy, global strategy and transnational strategy;
- Various market entry strategies could be adopted when entering new markets and these include exporting, turnkey projects, licensing agreements, franchising, joint ventures or wholly owned operations;
- The basic components of strategy development were identified as distinctive competence, scope of operations, resource deployment and synergy;
- Growth strategies were identified as consolidation, market penetration, product expansion, product development and geographical expansion;
- Competitive strategies were identified as low cost provider strategy, broad differentiation strategy, best cost provider strategy, focused strategy based on lower cost or differentiation;
- Organisational designs were reviewed;
- International strategy formulation was summarised from mission statement to the control framework for measuring performance.

Respondents on answering Section C of the questionnaire confirmed the following in terms of the second sub-problem dealing with basic components of strategy and organisational structure:

- 100 percent of respondents stated that Behr has a vision and defined corporate values as indicated in Table 5.15;

- 100 percent of respondents identified that Behr has a defined organisational structure;
- 73,3 percent of respondents indicated that it is important or very important to have strategic planning per Figure 5.1;
- There was a split in terms of input into the strategic planning with 26,7 percent of respondents, being the senior management team, feeling that they had minimal input into the strategy formulation however 73,3 percent felt, per Figure 5.2 that they had average to high input into this planning process;
- All respondents believed that Behr strategy to be effective, very or highly effective per Figure 5.3;
- In terms of organisational structure the three structures that emerged from responses per Figure 5.4 were functional structure, global product designs matrix and global customer design matrix. This in itself confirms that the senior management believe Behr is operating in a global economy;
- In terms of strategic development the strategy that emerged favourite was that of market penetration (Refer Table 5.18 and 5.19);
- In terms of competitive strategies the best cost provider strategy emerged favourite from the results of the questionnaire (refer Table 5.20 and Table 5.21);
- All respondents identified the Behr organisational values as well as identifying core competencies of the organisation.

The author acknowledges that the respondents are in agreement in terms of strategic directions and organisational structure and their impact for Behr. The challenges facing Behr have been anticipated by the senior management of Behr.

6.4. COMPARISON WITH MAIN PROBLEM

The purpose of this study (refer to 1.2) was to assist senior management at Behr in formulating and implementing strategies that will enable their organisation to compete effectively internationally.

Two main strategies have emerged from an analysis of the respondents returned questionnaires. An organisational structure to support the global strategies also emerged.

6.5. RECOMMENDATIONS

Since South Africa's transition to democracy in 1994, its economy has undergone a major transformation. Its integration into the global industry is a much researched topic. There are opportunities available to organisations to exploit this situation. The approach of this treatise has been to show what opportunities are available and which Behr should adopt.

The second component explored dealt with strategy and organisational structure. Responses were analysed previously.

Behr should bring the findings of this investigation to the attention of their senior management. In the opinion of the author the management would be capable of implementing actions to support the two strategic directions uncovered in this treatises. The demographics of the management team was analysed in Section A of the questionnaire where in summary the following was noted in terms of the senior management:

- All have post-matric qualifications;
- 86,6 percent have five or more years service and should know the industry;
- 80,1 percent are above forty years old and should not make irrational strategic decisions;

6.6. CONCLUSION

According to Johnson and Scholes (1999: 384) there are three main success criteria when evaluating strategies:

- Suitability and whether this strategy addresses the particular circumstances in which an organisation is operating;
- Acceptability of the expected outcomes and whether they are in line with the expectations;
- Feasibility and whether the strategy could actually work in practice.

Johnson and Scholes (1999: 420) also point out that the way in which organisations configure its structures can either hinder or help strategies.

The author concludes that the senior management team should be made aware of the distinctive/core competencies identified in the empirical study. The identified competencies can be summarised as follows:

- Supply of high quality products at competitive prices;
- Good reputation and brand name;
- Diversified product range;
- Technological leader in the global automotive world;
- Global partner to the automotive world;
- Strong local material base, cheap labour and flexible supply capabilities.

Behr will need to embrace this competency which form the first and most important component of international strategy and answers the question “what do we do exceptionally well?”

If the senior management team aligns their strategy taking the above into consideration (together with a supporting organisational structure) they could go a

long way towards achieving the growth and competitive strategies as identified in this treatise.

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ANNEXURE A

14 November 2006

Research Questionnaire: International Strategy

Dear Colleague

I am currently compiling my thesis on the appropriate formulation of an international strategy that will enhance the abilities of Behr South Africa to compete in the changed global market.

The title of my thesis is as follows:

Formulation and implementation of strategies enabling Behr to compete effectively internationally.

The research is in partial fulfillment of the requirements of a Master's Degree in Business Administration.

In order for me to do this, I respectfully request you to complete the attached questionnaire at your earliest convenience. The questionnaire will take approximately 10 minutes of your time.

All information received is strictly confidential and will be used for research purposes only.

Your participation would make an invaluable contribution to the successful completion of my thesis.

Thanking you

Don Samuels

ANNEXURE B

BEHR SOUTH AFRICA

Questionnaire

Kindly complete the following questionnaire

The questionnaire is divided into the following three sections:

Section A:	ORGANISATION AND PERSONAL INFORMATION
Section B:	GLOBAL ENVIRONMENT INFLUENCES
Section C:	STRATEGY

Annexure B

International Strategy formulation and implementation

Information gathered is for research purposes only and no individual or organisation will be compromised in any way.

Please fill in the necessary data and place an (x) in the appropriate block.

Section A: Personal and organisational data

1 Name

2 Behr SA Site

Port Elizabeth	Durban	Pretoria	Johannesburg

3 Department of person being interviewed

Sales/Customer Centre	Quality and manufacturing	Engineering	HR	Finance and controlling an Management	Purchasing

4 Indicate number of employees at your site

0 – 50	51 – 100	100 – 200	201 – 350	350 – 600	600 and above

5 Indicate the number of year's service at Behr?

< 1 year	1 – 3 years	3 – 5 years	5 – 10 years	10 years and above

6 Indicate your age?

<31	31 – 35	36 – 40	41 – 45	46 – 50	> 50

Section B: Global environmental influences

1. Indicate under which of the attached entities is your company operating

Wholly owned multinational	Joint venture	License agreement	South African owned	Any other

2. Does your organisation have any global business activity, either in terms of sales or purchases? **Yes** ☐ **No** ☐

3. Does your company perform a PEST analysis (Political, Economic, Socio-cultural, technical, environmental and legal) of the environment? Macro-environmental risks facing an organisation. **Yes** ☐ **No** ☐

4. Does your company analyse the industry environment to attempt to develop a competitive advantage over rivals? **Yes** ☐ **No** ☐

5. Competitive advantage analysis is often undertaken using Porter's Five Forces model which identifies the five basic forces that can have an impact on the organisations.

Which of Partner's Five Forces influence your organisation?

Forces	Not at all	Small extent	Large extent	Completely
Bargaining power of suppliers (suppliers ability to raise prices and reduce quality)				
Bargaining power of customers (customers force down prices, obtain better quality and increase rivalry amongst sellers)				
Threats of new industry entrants (new firms competing in same industry)				
Threats of product substitutes (reduce demand for a particular "class" of product as customers switch to an alternative)				
Extent of competitor rivalry (regular and extensive monitoring of competitors)				

6. Is your organisation globally competitive? **Yes** ☐ **No** ☐

Questions	Not at all	Small extent	Large extent	Completely
7. Has global competition influenced your organisation in				

competing for larger market share?				
8. Have global competitors influenced your organisations in altering business strategies?				
9. Has your organisation been forced to increase productivity to remain competitive?				
10. Does your organisation monitor world markets in search of new opportunities?				

<u>Section C:</u> Strategy

1. Does your organisation have a clear vision and defined values?

   Yes ☐ **No** ☐

2. Does your organisation have set defined performance targets?

   Yes ☐ **No** ☐

3. Does your organisation have a defined organisational structure?

   Yes ☐ **No** ☐

4. How important do you regard strategy planning at a manufacturing organisation?

   Not important ☐
   Moderately important ☐
   Important ☐
   Very important ☐
   Exceptionally important ☐

5. What input did you have in the development/ formulation/ process of strategy formulation within Behr SA?

No input ☐
Minimal input ☐
Average input ☐
High input ☐
Sole responsibility ☐

6. Do you consider the strategy deployed within Behr to be effect and appropriate?

Not effective ☐
Moderately effective ☐
Effective ☐
Very effective ☐
Highly effective ☐

7. Which organisational structure best describes that followed by your organisation? Mark 3 (three) appropriate structures with an "x" that can apply to your organisation?

Simple Structure/matrix ☐
(No formal structure for a small organisation)
Functional structure/matrix ☐
(Based primarily on activities taking place)
Multi divisional structure/matrix ☐
(Build up on separate division on basis of product/service and area)
Holding Company structure/matrix ☐
(Business operate independently reporting to Holding Company)
Team based structure/matrix ☐
(Attempts to combine both horizontal and vertical co-ordination though structuring people into cross functional teams)

Project based structure/matrix ☐

(Structure for a particular project only then they are dissolved)

Global Product design matrix ☐

(Designed to cover specific product or product groups)

Global Area design matrix ☐

(Designed to cover specific areas or regions)

Global Customer design matrix ☐

(Designed to service specific customers or customer groups)

Global Matrix design ☐

(Combination matrix superimposing one organisational form onto another.

Hybrid Global design matrix ☐

(Affirm specific matrix to suit an individual (organisation))

8. Which strategic development directions are adopted by your organisation? Indicate the importance to your organisation. **1 = unimportant – 10 = Very important.**

Protect and build current position	
• Consolidate (strengthen position in current market with current products).	
• Market presentation (gaining market share).	
Product development (new or modified products to existing markets).	
Market development (existing products are offered in new markets).	
Diversification (new products or competencies in new markets).	

9. Which generic competitive strategies does your organisation adopt? Indicate the importance to your organisation. Indicate the importance to your organisation, . **1 = Unimportant – 10 = Very important.**

Low cost provider strategy (lowest cost).	
Broad differentiation strategy (appealing to broad buyer spectrum).	
Best cost provider strategy (good value for money, excellent quality, good features and lower price compared to rivals).	
Focused (market niche) strategy based on lower costs (lower cost) and lower price than rivals).	
Focused (market niche) strategy based on differentiation (customized product to satisfy specific customer requirement).	

10. List your organisational values?

11. General Comments on strategy process at your organisation?

Thank you for completing the questionnaire. I once again thank you for your participation. I would like to reassure you that all information is strictly confidential and will be used for research purposes.