

CHAPTER 1

INTRODUCTION

1.1 Introduction

Globalisation in the world economy is inevitable and all business operations have to adopt a global vision and find ways to remain competitive on a global scale. Globalisation is an explosive process involving the movement of capital and integration of the financial and stock markets. In the last decade of the 20th century the idea of globalisation has extended to include the spheres of politics, history, geography and culture (Arystanbekova, 2005).

Globalisation has forced many local South African manufacturers to strategise and implement operations strategies, whether locally or internationally to remain competitive against foreign competitors. From a humble beginning back in the late 1950's, four companies Darble, Stilleto, Southern Cross and Hayho represented the lawn mower industry in South Africa, manufacturing a total of 10000 units per annum which has drastically increased their manufacturing output to between 85000 and 110000 units annually for the last three years. It is remarkable that of the four manufactures mentioned, three of them still operate today as brand leaders within their market segments. The industry has experienced changes, considering that 90% of the buying power was concentrated from the late 50s up until the 80s by furniture and service dealers. The situation has changed; from the 80's onwards there has been a gradual shift to the current situation where mass retailers dominate the buying power.

The South African market is characterised by the demand for powerful electric lawn mowers manufactured specifically to suit the local conditions and most importantly designed to cut a special kind of grass which is actually a weed called "Kikuyu" predominantly used for lawns in South Africa. Petrol lawnmower revenue locally makes up a small percentage of the local market revenue, but in terms of the global market especially the United States the focal point is petrol lawn mower production. Petrol lawn mowers have not succeeded in South Africa

primarily because they don't last as long as electric lawn mowers and the rand dollar exchange rate influencing the price of purchasing and maintaining the lawn mower. Local lawn mower manufactures have successfully developed powerful electric lawn mowers that suit local conditions with the help of "Tool and Die" makers, Engineers and Government Institutions such as the South African Bureau of Standards.

The question is raised how it is possible that in the current globally competitive environment, South African lawn mower manufacturers are dominating the local lawn mower market. Competitiveness of national companies is a factor that could deter foreign companies from entering local markets but there are several other factors that also have to be considered. In terms of production and product development local lawn mower manufactures have successfully moved with the times changing from an aluminium pressed chassis that did not suit local conditions, to a pressed steel chassis which facilitated ease of repair and strength that cannot be matched by an aluminium chassis. As the local manufactures experienced economies of scale in production they were also faced with increases in costs relating to plastic and copper which are vital elements in terms of electric lawn mower production. Technological developments haven't seen drastic changes affecting electric lawn mower production.

Foreign competitors wishing to invest in a foreign market must consider the overall attractiveness of the country and balance the costs and risks associated with dealing with the country concerned (Hill, 2003). A number of important factors have to be addressed that include the size of the market (in terms of demographics), present wealth (purchasing power) of consumers in the market and likely future wealth of consumers. There has been an increase in economic activity and it is accepted that globalisation offers the potential to raise economic growth rates, but companies and economies in developing countries will be exposed to intense competitive pressure (Fleury, 1999).

1.2 Background to the Phenomenon

The phenomenon in this research addresses the successfulness of South African lawn mower manufactures in a competitive globalised market.

Various factors contribute to the success of an industry. Lawn mower manufactures in South Africa are unique in the sense that a limited number of local manufacturers have survived the competitive forces of globalisation. This research will uncover the factors that have contributed to the success.

1.3 Purpose of the Research

This research investigates the perceived competitiveness of the South African lawn mower manufactures within a global economy. The primary objective is to establish the reasons relating to the competitive strength of the local lawn mower manufactures and how they attribute to the local manufactures dominating the local market.

Research Questions Include:

- Does the supporting economic and competitive character of the local industry together present a strong local competitive situation?
- Have business strategies adopted by the local lawn mower manufactures been successful in building long term competitive industry strength?
- How did the local lawn mower manufacturing industry develop distinct signs of competitive strength which facilitated their survival in a global economy?

1.4 Problem Statement

To identify the factors that contributed to the competitive strength of the local lawn mower manufacturing companies, which facilitated their local market domination, within a globally competitive economy.

Sub Problems Include:

- To investigate whether the local lawn mower manufacturing industry has developed dominant economic features that is associated with the competitiveness in the industry.
- To assess whether the perceived competitive character of the local lawnmower market is strong and forms an essential component of the competitiveness strength of the local industry.
- To explore whether the competitive strength of the local lawn mower manufacturing companies can be related to perceived competitive moves and market approaches crafted to achieve sustainable advantage.
- To investigate whether the competitive strength of the local lawn mower manufacturing companies can be related to their perceived responses to changes underway in the industry.
- To investigate whether local lawn mower manufacturing companies have gained competitive strength, because they have developed distinctive manufacturing core competencies.
- To explore whether the competitive strength of the local lawn mower manufactures has been gained in a global economy because core capabilities are perceived to be an important strategic factor.
- To assess whether local lawn mower manufactures perceive their functional departments to have achieved competitive strength.

- To assess whether the local manufactures dominate the local market because of their competitive strength determined by Firm Specific Advantages (FSAs) and the local market being seen as unattractive in the global environment.

1.5 Importance of Researching the Phenomenon

Understanding the factors that facilitate this particular industry maintaining its competitive dominance against foreign competitors may have valuable lessons for other local manufacturers.

Generally local companies have followed traditional methods to remain competitive which can have a negative impact, but as the situation resides the local lawn mower manufacturers continue to dominate the market. Through learning from operational strategies adopted by local lawn mower manufacturers other local companies will be able to deal with global competitiveness more effectively or develop the knowledge and skills to understand what factors make local markets less attractive for foreign competitors to attack.

Understanding the success factors applied by the local lawn mower manufacturers could help prevent many of the negative impacts that take place with foreign competitors that actually successfully gain local market share. For example companies have to relocate their local operations overseas in an effort to utilise a cheaper foreign labor supply, this has adverse affects on the local job market where jobs are lost because local manufacturers are forced to try to bring costs down (Fleury, 1999).

With the strong Rand, foreign competitors find it advantageous to supply the local South African market and try to gain local market share by offering similar or better products than what the local manufacturers have to offer, which results in increased competition which could have negative implications such as possible job losses and loss of local currency earned in the foreign market.

1.6 Delimitations of the Research in Relation to the Scope of Product

- This research only focuses on lawn mower manufacturers and excludes other manufacturing concerns.
- Furniture retailers who sell lawn mowers will not be included in the research, Furniture retailers form part of the group of companies listed under the JD Group. Due to the small number of lawn mowers sold through their operations (2.5 % of the total market) these retailers are excluded in this research.
- One of the four lawn mower manufacturers will not be included in this research, namely “Tandem”, because currently they are changing their strategic focus away from producing lawnmowers. Tandem represents only 7.5 % of the total annual lawn mower units sold in the market, and this exclusion should not have a major effect on the findings.
- Research will be conducted on local lawn mower manufactures whose products are locally manufactured and where important components with specific reference to electric motors are sourced overseas.
- The researcher will not investigate other categories of products. The focus of the study will be specifically on electric and petrol lawn mowers.

1.7 Delimitations of the Research in Relation to the Scope of Knowledge

- The researcher will not attempt to establish the benefits and costs related to manufacturing concerns adopting or not adopting similar strategies as applied by the local lawn mower manufacturing companies.
- The researcher will not investigate other possible analysis models that can be used in assessing the competitive character of the local industry.

The focus will be on applying Porters Five Forces Model (Thompson & Strickland, 2003).

- The researcher will only consider the sources of competitiveness as documented in the research report. The focus of this research will be on analysing the level of competitiveness based on specific business strategic options that management can adopt as listed within the literature study.
- The researcher will not attempt to distinguish the differences between the different facets of competitiveness that may exist across regional and multi countries (Thompson & Strickland, 2003).
- The researcher will not attempt to measure the radius over which competitiveness extends i.e. the competitiveness between the various functional departments.
- Benchmarking data and competitor analysis is recommended to provide a basis for judging the strengths and capabilities of rivals (Thompson & Strickland, 2003). In this research national and international benchmarking data will not be used.
- To be competitively successful, one must know the rules that shape whether a company will be competitively and financially successful. In the research only perceived competitiveness success measures will be researched (Thompson & Strickland, 2003).

1.8 Assumptions

For the purpose of this research, performing industry and competitive analysis will involve obtaining information from manufacturing and retailing companies to support the conclusions reached. In order to carry out the analysis, it was assumed that all the manufactures and retailers hold neither the strongest nor weakest weighting in terms of their responses.

In profiling the industry, the scope of competitive rivalry can extend to include a local, regional, national, international and global focus (Thompson & Strickland, 2003). It will be assumed that the respondents articulate their responses in relation to local being similar to national, which includes activities taking place within the boundaries of the Republic of South Africa.

In the study the researcher will attempt to identify the industry key measures of competitiveness, Thompson & Strickland (2003) report that companies that devote their energies into achieving these industry measures will perform better than their rivals and will achieve competitive advantage. For the purpose of the research the researcher will assume that the manufactures have equal competitive advantage. In this research, dominant economic industry features will be analysed in terms of accessing competitiveness. For the purpose of the study it will be assumed that specific economic dominant features will be the same for all the respondents, these include the position of the company in the business cycle and the clustering of the industry participants.

Competitive advantage is the result of the company being able to bring its capabilities and its opportunities into balance. For the purpose of the research it will assumed that the opportunities are balanced to the capabilities being researched (Long & Vickers-Koch, 1995).

1.9 Outline of the Research Report

This research investigated the perceived competitiveness of the South African lawn mower manufactures within a global economy. Chapter 2 reviews the relevant literature with regards to competitiveness in the local industry including a review of the competitive culture in the local industry, the chapter closes with review on global competitiveness. Chapter 3 explains the research methodology followed, while Chapter 4 covers the research results and Chapter 5 discusses the findings and conclusions reached, and Chapter 6 makes recommendations for further research.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

In attempting to understand the numerous causes related to the phenomenon the researcher has focused on selected, applicable factors that can relate to South African lawn mower manufactures dominating the local market with a special focus on competitiveness. The first step is to develop an understanding of the local industry and how it functions; each industry has its own economic and competitive characteristics including profit prospects. Competitive analysis concepts and techniques will indicate important industry traits, level of competitiveness, market positions, rival competitors strategies, competitive success factors and profit opportunities in relation to the industry. The analysis proves valuable because a companies business is examined in terms of the wider environment (Hill, 2003). Competitive analysis is used to assessing the overall competitiveness of the industry after considering the areas which include industry economic features, degree of competition, strength of competitive forces, important signs of industry competitiveness and industry competitive positioning in a global economy.

2.2 Local Industry Competitiveness Analysis

Thompson & Strickland (2003) state that value chain analysis, strategic cost analysis and benchmarking are necessary to determine a company's competitiveness but they are not sufficient factors. A broader assessment has to take place in analysing a company's competitive position. An important element that forms part of the competitiveness strength assessment is to identify the industries most telling measures of competitive strength. In competitiveness strength assessments the industries most competitiveness strength measures and key success factors are used in rating against rivals.

A number of possible competitiveness signs can be evident but each industry has their own selective key measures that will help in the assessment of a competitively strong or weak industry. Competitiveness signs include:

- Important resource strengths, core competencies, and competitive capabilities.
- A distinctive competence in a competitively important value chain activity.
- Strong market share (or a leading market share)
- A pace setting or distinctive strategy that is hard for rivals to copy or match.
- A better known brand-name and reputation than rivals.
- Growing customer base and customer loyalty.
- Strongly differentiated products.
- Cost advantages.
- A creative, entrepreneurially alert management.
- Situated in a strategic group.

2.3 Local Industry Economic Character

Prior to understanding important industry economic factors it is vital to first get a working definition of the word “industry”. The word “Industry” relates to “a group of firms whose products have so many of the same attributes that they compete for the same buyers” (Thompson & Strickland, 2003: 57). Interestingly, competitive analysis begins with learning about the industries dominant economic features. The industry’s economic profile is important because the information ties back to the business and functional strategies applied by various companies. Thompson & Strickland (2003) refer to the following factors that need to be considered in terms of a profiling the dominant economic industry features:

- Market size
- Scope of competitive rivalry (local regional, national, international, or global)

- Market growth rate and position in the business life (early development, rapid growth and take off, early maturity, maturity, saturation and stagnation, decline)
- Number of relative rivals and their relative sizes, is the industry fragmented into many small companies or concentrated and dominated by a few large companies
- The number of buyers and their relative sizes
- Whether and what extent industry rivals have integrated backward and/or forward.
- The types of distribution channels used to access consumers.
- The pace of technological change in both production process innovation and new product introductions
- Whether the products and services of rival firms are highly differentiated, weekly differentiated or essentially identical.
- Whether companies can realize economies of scale in purchasing, manufacturing, transportation, marketing or advertising.
- Whether key industry participants are clustered in a particular location, the worlds best known cluster locations.
- Whether certain industry activities are characterized by strong learning and experience effects such that unit costs decline as cumulative output grows.
- Whether high rates of capacity utilisation are crucial to achieving low cost production efficiency.
- Capital requirements and the ease of entry and exit.
- Whether industry profitability is above or below par.

Once the economic features have been profiled the economic character of the industry can be determined. Economic features are important because companies should factor these considerations into their strategies in an effort to be competitive.

2.4 Local Industry Competitive Character

Competitive analysis is conducted to get a better understanding of the main sources of competitive pressure and how strong each competitive force is.

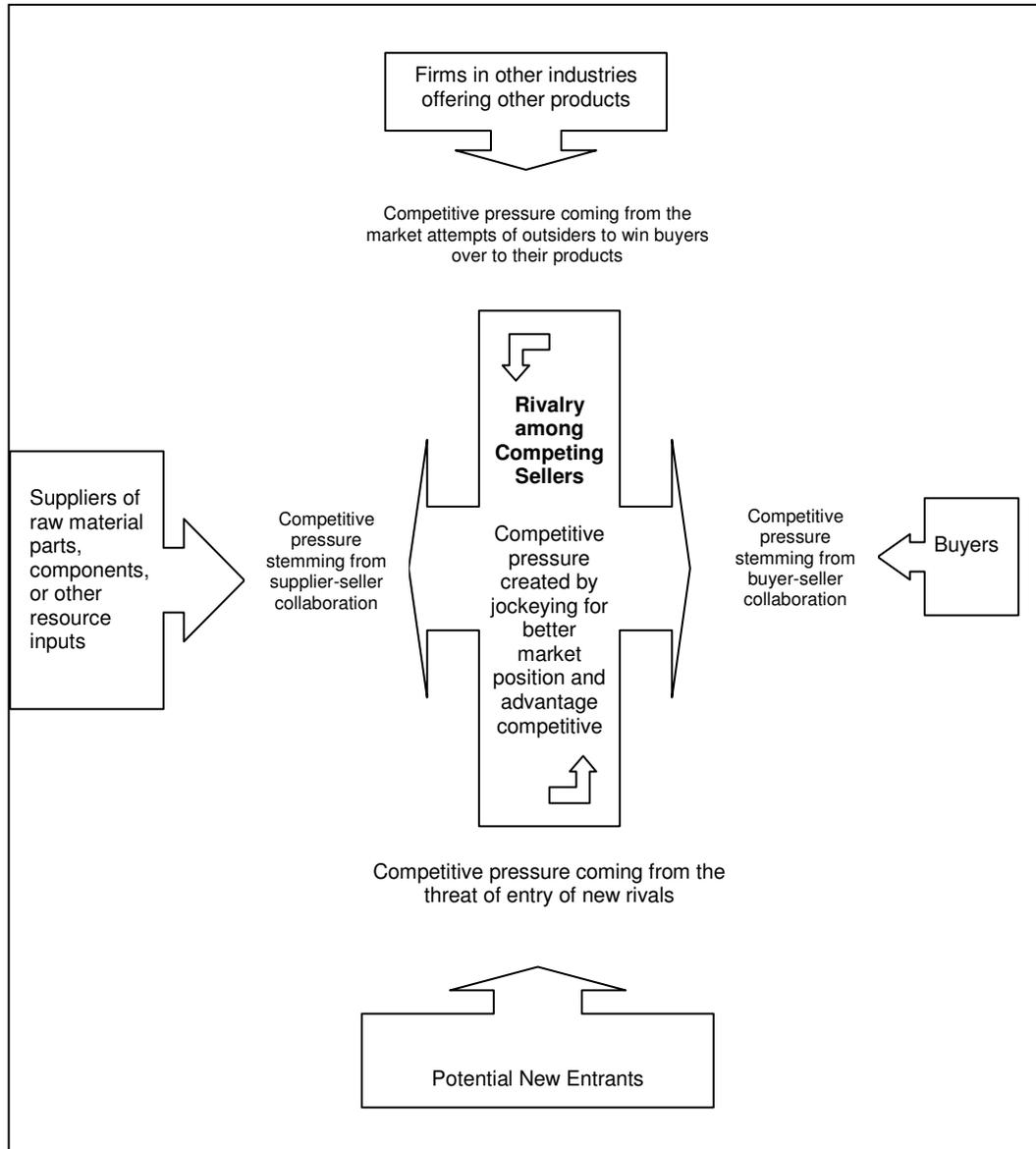


Figure 2.1: The Five Forces Model of Competition (Thompson & Strickland, 2003)

From figure 2.1 it can be observed that the level of competition in the industry is made up of five competitive.

Competitive Force 1: Rivalry among Competing Sellers

It is necessary to understand the intensity between rival sellers of lawn mower products and services in terms of their efforts in pushing for buyer favour and market positioning. The issue is important consider because it provides an overall indication of the level of competition intensity in the industry. Another aspect is to consider what the prominent issues are that companies centre their rivalry on then relate the issues back to their suppliers. In the context of the research the issues could relate to for example price competition, offering the lowest prices and outperforming rivals with higher quality or more durable products. Repercussions of this issue have vital influence on the competitiveness of the market, cross company rivalry will be dynamic and thus ever changing and careful consideration of the speed of this change should be considered. Notwithstanding, offensive and defensive actions will culminate with result that company's try to out compete each other and build customer loyalty. There are numerous common factors that influence the level of rivalry between the companies and selective of these factors will be considered to obtain an indication of the level of rivalry within the local market (Thompson & Strickland, 2003: 81).

Rivalry plays an important part in highlighting the level of competitiveness in a particular industry. Important aspects related to this concept highlighting the possible level of rivalry include:

- The number of the competitors
- Size and capability of the competitors in relation to each other
- Level of demand for the product
- Competitor temptation to use price cuts or other tactics to boost sales, costs to switch brands for customers
- Whether competitors are satisfied with their market position,
- Possible opportunities in the market place
- Payoffs involved,
- Cost of getting out of the business rather than staying and competing

Competitive Force 2: Potential Entry of New Competitors

Two issues have to be considered, barriers to entry and the expected reaction of incumbent firms to new entry. A barrier to entry exists when it is difficult for new firms to break into the industry or when economic factors put new companies at a disadvantage relative to other competitors. Numerous barriers to entry must be considered such as economies of scale and the inability of new companies to match the technology and specialised know how of firms already in the industry. Core capabilities and core competencies also act as formidable barriers to entry especially in terms of companies currently in the industry protecting their respective market shares. Profits earned in the local industry need to also be considered because companies will endeavour to protect these profits and raise the barriers to entry. At the same time companies need to realise that profits earned in an industry will attract competitors that could possibly have the resources to hurdle the barriers to entry (Thompson & Strickland, 2003).

Even though it might occur that the local economy is highly competitive and thus locally competitively strong, doesn't prevent the local economy from coming under attack. Bonvillian (2004) comments that the U.S. was seemingly considered a goliath in the world economy in the mid and late 1990's but is now facing a host of new competitors such as India and China with the manufacturing sectors share of the economy shrinking at a ongoing rate.

Competitive Force 3: Competitive Pressures from Substitute Products

The issue is whether firms in one industry compete against firms in another industry because their respective products are good substitutes. In terms of assessing the level of competitiveness it is important to know if there are attractively priced substitutes available (Thompson & Strickland, 2003). Further aspects to consider include the availability, pricing, and price of substitute products, all these factors have an impact on the level of competitiveness in an industry.

Thompson & Strickland (2003) refer to suppliers being in a weak bargaining position if substitute products are freely available. Buyers are then presented with the opportunity to easily switch their purchases to suppliers of alternative products.

Competitive Force 4: Competitive Pressure Stemming from Supplier Bargaining Power and Supplier Seller Collaboration

Supplier bargaining power considers factors enhance the actual bargaining power of suppliers. Supplier bargaining power is relevant because rival suppliers are placed at a competitive disadvantage because of powerful suppliers who offer better prices, quality, performance and reliable order delivery. Elements that will affect the competitiveness strength of the industry relate to whether local lawn mower manufactures are able to backward integrate into the suppliers business. If this is possible the local lawn mower manufactures will be in a position to negotiate favourable terms with suppliers.

In relation to the collaborative relationships between sellers and suppliers the goal is to establish the status of the relationship that the companies have with their suppliers and the type of working relationship being practiced between both parties. Analysis of the partnership and relationship will highlight if benefits are being realised and how they impact on the level of competitiveness in the industry. Certain benefits that can be realised include just in time deliveries and reduced inventory and logistics costs (Thompson & Strickland, 2003). Kotler (2000) refers to local markets being perceived unattractive when suppliers can raise prices or reduce inventory supplied. Suppliers are powerful when they are concentrated or organised, when there are only a few substitutes and when the suppliers can integrate down stream (Kotler, 2000).

Competitive Force 5: Competitive Pressures Stemming from Buyer Bargaining Power

This particular competitive force concentrates on the power that buyers could have over sellers in the local market with a focus on the relationship between the buyers and the sellers (manufacturers). Factors include:

- Number of buyers relative to the sellers
- Are the buyers well informed about the seller's products, prices and costs
- Buyer's costs of switching to competing brands or substitutes

These variables above must be carefully reviewed to get an indication of the relationship to assess whether buyers would switch suppliers (Thompson & Strickland, 2003).

2.5 Business Strategy and Local Industry Competitiveness

Analysing the selective competitive elements that make up the local manufactures business strategies will facilitate identifying the local lawn mower manufactures level of competitive strength. This process will assist in assessing the competitive position of the local lawn mower industry in a global context.

Business strategy indicates whether the company is succeeding in building and strengthening its long term competitive position in the market place (Thompson & Strickland, 2003). Thompson & Strickland (2003) suggest that business strategy must be considered in terms of the factors that facilitate building a long terms competitive position.

Business strategy also includes patterns and moves undertaken by management to produce successful performance in a particular line of business. In analysing the competitiveness strength of the industry it is important to understand the business strategies that companies in the manufacturing industry are employing in an effort to locate the industries key measures of competitive strength. These measures will prove valuable when used to access the competitive position of the

local lawn mower manufacturing industry in relation to global competitor strength and possible threat.

Business strategy is primarily concerned the following factors:

- Firms respond to changes underway in the industry, the economy at large, the regulatory and political arena, and other relevant areas.
- Crafting competitive moves and market approaches that can lead to sustainable competitive advantage.
- Building competitively valuable competencies and capabilities.
- Uniting the strategic initiatives of functional departments.
- Addressing specific strategic issues facing the company's business

Thompson & Strickland (2003: 55) suggest that all of these factors must be considered with special reference to the various competitive strategic initiatives which will be accessed in each of the functional areas.



Figure 2.2: Figure Delineating Study

Figure 2.2 delineates the extent of competitiveness in the local manufacturing industry while accessing the global competitor attractiveness of the local industry.

2.5.1 Responding to Changes in the Industry

It is important to include various approaches adopted by other developing firms who are faced with possible global competitor attack (Fleury, 1999). Information can be drawn from the strategies adopted by the local Brazilian companies where an “inside out” approach was originally adopted. The approach focused on local company strong points which would afford them the opportunity to compete internationally. At a later stage the competencies were realigned and companies had to consider which competencies could be possibly developed to optimise company contribution in terms of competing in a global network (Fleury, 1999: 561).

2.5.2 Sustaining Competitiveness

The analysis concentrates on what activities companies are undertaking to sustain a competitive advantage. There are three facets of sustainable competitive advantage:

- What products/service attributes offer the best chance to achieve competitive advantage
- Manufactures are different from the rivalry because they developing resource strengths, expertise and competitive capabilities
- Manufactures try to protect the business as much as possible from the actions of rivals and from other competitive threatening developments.

To sustaining a competitive advantage within the global economy it is important to realise that management’s activities have to be considered in terms of the market place and within the company itself (Thompson & Strickland, 2003).

2.5.3 Functional Departmental Competitive Initiatives

In relation to business strategy it is imperative that major functional area strategic initiatives support the company being competitive and are consistently applied across the departments. Related considerations include monitoring the effectiveness of the strategic decision making process, who is involved with making the major decisions and to what extent top management is informed of important new developments, plans not on course and issues relating to addressing the revision of strategies. While considering business strategy initiatives it is important to focus on whether the various strategic initiatives are relatively the same and the extent to which they are coordinated across the various functional areas (Thompson & Strickland, 2003).

Uniting the Business and Functional Strategic Initiatives

Business strategy should be developed to ensure that the functional areas fit into a coherent whole. It is vital that the strategising process proceeds from the top level of management to the lower levels of staff. The relative size of each company must be considered because this has an effect on the harmonising of objectives and strategies. In addition the tighter level of coordination practiced between the various functional areas the less chance there will be that organisational units will stray from their strategic course.

Functional Strategic Key Functional Areas

Thompson & Strickland (2003) refer to compatible, collaborative and mutually reinforcing functional strategies as being essential elements for the overall business strategy to have maximum impact. It is important to understand what competitive factors within the functional areas support local company business strategies in sustaining the competitive advantage. Competitive strategies that companies would be employing in an effort to compete against each other are usually based on the following key functional areas being:

- Research and Development
- Technology
- Supply Chain Management
- Manufacturing (Production)
- Human Resource
- Sales and Marketing
- Promotion, Distribution and Financial

Information relating to competitive strategic attributes regarding selective of these functional areas will assist in recognising the competitiveness strength in each functional area. Competitiveness analysis on each functional area can then be linked to the overall business strategic competitive approach which will have some bearing on the actual competitive market position of the industry.

Understanding Functional strategies will assist in learning how each functional area is managed and provide the detail necessary to estimate functional area competitive strengths and weaknesses.

Key Functional Area 1: Manufacturing

Dekkers (2000) suggests that a company's own capabilities should be focused on outsourcing in a way to exploit company resources. Dekkers (2000) adds that studies have developed into outsourcing because of the need for companies to improve the procurement process and importantly address strategic manufacturing management. The study indicated that core competencies can be linked to decision-making which consider outsourcing as a viable alternative business activity. Dekkers (2000) conducted his survey on mainly industrial companies supplying small to medium sized orders. Success was achieved in developing a model for decision making on outsourcing which supports management decisions to implement outsourcing initiatives in an effort to be competitive.

Gottfredson, Puryear & Philips (2005) in a study conducted on companies such as Chrysler, American Express, and 7 Eleven stipulate that a company's

competitive position can improve through strategically approaching outsourcing, but what these companies had to first do was re-evaluate their current strategies and capabilities. The seriousness of outsourcing is fundamental considering that company's core functions have to be outsourced because outsourcing has become so sophisticated. The study highlights the decline of vertically integrated company outsourcing, which will cause outsourcing to evolve into a strategic process which will affect the value chain. The study proved that capability sourcing can improve a company's strategic position.

Gottfredson et al, (2005) say that even considering the negative aspects relating to outsourcing there is clear indication that in the 21st century sourcing must be applied as a core strategic function. Empirical support on the importance of strategic sourcing was provided by the results of the studies conducted. The study also includes firstly a sourcing opportunity map, which is used to explain which functions have the highest opportunity to be outsourced. Secondly the study provides a map presentation that will assist in assessing how well the capabilities are performed. Both map presentations provide an outline to a comprehensive capability strategy.

Experiences will be drawn on from other countries where use is made of a study which draws on similar issues faced by our local manufacturers and this is the case of local companies in Brazil who is also a developing country which had to face multinational companies expanding in their local market (Fleury, 1999).

Fleury (1999) undertook the study to explain the changing pattern of operations management that takes place in a developing country. Local companies adopted two strategies which related to focusing on their core business and rationalising activities. The local companies focused on product lines that they had competitive advantages in and rationalised their production system to increase productivity and quality which ties in with competitive priorities. The strategies adopted by certain Brazilian companies were defensive and made in isolation with the purpose of the defending the local market segment.

Onwubolu, Haupt, De Cercq & Visser (1991) conducted a study which specifically focuses on production management issues. The was conducted in newly industrialised countries in Southern Africa and highlights common differences and more importantly, issues that are detectable in developing countries that have relevance to being global competitive. The study covered sectors that represented the automobile and steel sector, service sectors, mining sector, telecommunications, energy sector and consultancy sector. The study employed a very simple structure by considering ten activities and the role that each one plays in terms of production management issues in developing countries. The research concentrates on ten activities but there are many other activities that could have been considered within the research framework

Onwubolu et al, (1991) indicate in their research that globalisation has actually diluted the differences between the ways that companies are being managed specially in terms of production management issues. More importantly there are still serious differences in relation to production management activities practiced in developing and developed countries. The activities that the case referred relate to:

- Value chain management
- Lead-time Compression
- Appropriate Technology and Manufacturing Systems
- Quality Issues
- The Theory of Constraints
- Supply Chain Distribution Management
- Contract Design
- Manufacturing and Marketing
- Concurrent Engineering within the Contract Manufacturing Framework
- Configuration Management
- Change management

Selective of the activities will be researched within the context of highlighting aspects related to the extent of competitiveness in the industry. It is important to consider weather the local manufactures have adopted tailor made production

management solutions from companies coming from developed countries relocating their production facilities. Specific manufacturing issues relate to the operations strategies adopted by the company's concerned. An "operations strategy is a long-range game plan for the production of a company's products/services and provides a road map for what the production or operations function must do if business strategies are to be achieved' (Gaither & Frazier, 2002: 44).

Key Functional Area 2: Supply Chain Management

An important element of supplier change management relates to strategic partnership in relation to the relationships between the supplier and the local lawn mower manufacturers. Beekman & Robinson (2004: 59) in their study suggest that "strategic partnerships are common in the economy of today and using partnerships effectively is an important issue viewed from the auspices of small, growth orientated firms. The results of the study conducted by Beekman & Robinson (2004) will be used to highlight that the competitiveness strength of local lawn mower firms can be related positively to maintaining or expanding the relationships with suppliers. The study focuses on the trend that companies are acting together to operate more effectively in a highly competitive market. Beekman & Robinson (2004) stipulate that it is important to consider to what extent the local lawn mower companies actually work with their suppliers cooperatively for strategic needs and social resource opportunities as this plays an important role in understanding the actual strategic partnership. In terms of the resourced based view "resources can even be those that they can leverage or capabilities they can learn that will improve their current competencies" (Beekman & Robinson, 2004).

The study highlights an important consideration that suppliers should be considered in terms of what they have done to earn legitimacy, social status and recognition compared of the suppliers in the market that were providing similar products that have not earned the same respect. Beekman & Robinson (2004) advocate that by understanding the actual extent of the strategic alliances will help in understanding that worthy strategic alliances can improve company

performance and survival; at the same time it can also occur that some strategic links can actually lock firms into unproductive relationships that can seriously cause negative results.

The study also considered the impact of change that takes place over the period of the relationship between the suppliers and firms, by considering two contrasting point of views which assists in understanding how changes impact on the relationships of suppliers with high growth firms.

Key Functional Area 3: Technology

Telecommunications and the Internet

Local companies computing capabilities need to be considered in terms of being competitive. It is important to factor the local company's status in this regard in terms of the amount of information the companies are utilising and in regard to the level of global and local communication that takes place affecting the local lawn mower manufacturing companies. In regard to globalisation, technological change has resulted in global communication costs drastically falling which assist in the lowering of firms operating costs, but this benefit applies to both local and multinational corporations. The greatest potential of the internet is between the business to business arenas. The internet strength is positioned in its capability to role back constraints in terms of location, scale, and time zones. Benefits are derived for multinational companies because the internet allows businesses to expand their global presence at a lower cost than ever before (Hill, 2003).

Transportation Technology

Although there have been innovations in communication technology there have also been some major developments in transportation technology. Two of the most relevant developments to consider include the commercial jet aircraft and super freighters and the introduction of containerisation (Hill, 2003). Commercial jet travel significantly reduces travel time and containerisation to a large degree which reduces the costs of shipping goods over long distances. It is vital to

consider that these benefits will not only benefit local companies in terms of global production factors but also benefit multinational companies with their efforts to get into national markets. To conclude, efficiencies associated with containerisation transportation costs have plummeted and are fuelling the drivers of the globalisation of production and markets (Hill, 2003).

Appropriate Technology

It is important for local firms to not only focus on “hard” technology issues which relate to the actual equipment and product technology utilised in obtaining production policies. Local companies need to not neglect the “soft” elements of technology implementation, such as the management systems and organisational structures that implement the hard technology and make it effective (Hill, 2003).

Key Functional Area 4: Sales and Marketing

Sales

Bloom & Perry (2001) suggest that in relation to retailer power, although not entirely proven, retailers are increasing their comparative power; the focus of using this research is to highlight what the implications are for local lawn mower manufacturers who are currently dealing with larger retailers. There is empirical support to highlight that there are substantial benefits to both the supplier and retailer in dealing with each other. There is also empirical support to suggest that strong channel members with a strong relationship can prove profitable (Bloom & Perry, 2001). In the research it will be important to get a better understanding of the channel members involved and their relationship with the local lawn mower manufacturers. The actual time span of the relationship between the suppliers and their manufactures is vital to consider because evidence suggests that suppliers who are in long relationships with their manufactures achieved better financial performance than their counterparts.

Marketing

In relation to including a marketing aspect to the research focus will be drawn to the manufactures brand equity. It is said that brands vary in the amount of power and value they have in the market place. High brand equity provides a number of competitive advantages which will directly impact on the competitiveness of the manufactures concerned. A brand name must be carefully managed so the equity attached doesn't depreciate. To maintain the brands equity the company has to improve brand:

- Awareness
- Perceived quality
- Functionality
- Positive associations.

In addition Kotler (2000) emphasises that to be successful in developing brand equity requires continuous R&D investment, skillful advertising and excellent trade and consumer service.

2.5.4 Core Competencies

Differentiating between Competencies, Core Competencies and Core Capabilities

It is important to distinguish between competencies, core competencies and core capabilities. Competencies are the product of learning and experience and represent real proficiency performing an internal activity (Thompson & Strickland, 2003). Core competencies are more technically focused in terms of an individual and organisational basis and in relation to a competency is more centrally focused to a company's competitiveness and profitability rather than just a peripheral. For example individual competencies relate to a persons functional competence such as a technical expertise in finance or manufacturing.

Organisational competencies relate to the for example the finance department which should know how to draw up the financial statements.

Core competencies relate to organisational capabilities because these capabilities come about when the company delivers on the combined competencies and abilities of its individuals (Ulrich & Smallwood, 2004). Organisational capabilities are vital because it facilitates that a company can turn its technical competencies into results.

A company can have more than one core competency but it is rare that a company can claim to have more than two or three in its portfolio. Core competencies give a company its competitive capability and qualify it as a genuine company strength and resource (Thompson & Strickland, 2003). A core competence can relate to several aspects of the business for example having the required skills in manufacturing a high quality product.

Azzone & Rangone (1996) refer to several specific manufacturing performance activities such as low cost production, logistics, quality production and flexibility that are considered to be strategically important in supporting the competitiveness of a firm.

Core Competency 1: Low Cost Production

In terms of global competition local producers have to remain competitive. In trying to remain competitive in a global economy reference is made to the activities applied by local companies in Brazil. Brazilian manufactures focused their efforts on keeping productions costs low by importing inputs (especially from East Asia), reduced selective staff members and no new developments were considered which facilitated that relevant resources were successfully rationalised in the process (Fleury, 1999).

Core Competency 2: Logistics

One of the activities considered within the context of production management is logistics. Lead time compression is an important issue because of its role in determining the competitive edge of the manufacturers concerned, focus within the research will be on time to product and time to market (Onwubolu et al, 1991). Cilliers & Nagel (1994) suggest that South Africa's logistical efforts will have an important part to play in its level of competitiveness internationally. Logistics is viewed to be an important source of cost advantage for South African companies therefore it is vital that logistics is considered seriously. The survey done by Cilliers & Nagel (1994) relate to South African business strategies which are now focusing to a greater degree on managing productivity and cost effectiveness. In light of the new focus, attention is now concentrated on cost drivers such as logistics to gain a competitive edge.

The survey conducted by Cilliers & Nagel (1994) is valuable as it includes relates to a global focus and factors in all the role players in the industry in an effort to learn the latest logistical trends in South Africa and benchmark against the best practices in the world. The survey addresses the issue that in the past the creation of value was mostly focused from the product side but this emphasis has changed to value added marketing, which facilitates a greater focus on logistics in terms of business strategy. This point is directly related to the fact that as companies start to reduce costs by importing inputs there is a greater importance to ensure that the logistics is supportive of this new strategy (Cilliers & Nagel, 1994).

Core Competency 3: High Quality Production

The pressure on local on local manufactures is heightened by the fact that inefficient plants producing low quality goods will not be able to compete at home against foreign joint ventures and imports (Mefford & Bruun, 1998). To enforce their competitive priorities, through adapting learning efforts, local companies in Brazil made it one of their objectives to achieve international standards in terms of quality and productivity. It is important to develop a core competency in

producing quality products because firms will negatively affect their profits by producing low quality products (Fleury, 1999).

Core Competency 4: Customer Service and Flexibility

Slack, Chambers & Johnston (2001) state that “Flexibility” means being able to change the operation in some way, in what the operation does, how it is doing it, or when it is doing it. With specific focus on the requirements of the customer the operation will have provide the following four types of requirements:

- Product / Service Flexibility – Different Products and Services.
- Mix / Service Flexibility – A Wide Range or Mix of Products and Services.
- Volume / Service Flexibility – Different Quantities of Products or Services.
- Delivery / Service Flexibility – Different Delivery Times

Flexibility in an operation can hold significant advantages such as speeding up response rates to customers, saves time by being able to adapting to situations and maintains dependability to keep the operation on schedule when unexpected events disrupt the operations (Slack et al, 2001).

2.5.5 Core Capabilities

Core capabilities and Creating Competitive Advantage

Long & Vickers-Koch (1995) indicate that the standard planning system is not appropriate in an economy where change is occurring all the time. The new focus should be on getting companies to understand the capabilities that they need to develop and nurture to take advantage of changing conditions. Empirical studies are discovering that a growing number of companies in their strategy preparation are utilising an extensive band of management to recognise and develop core capabilities (Long & Vickers-Koch, 1995). Synergy is created by sharing capabilities and one of the factors which are seen as separating top performing firms from others, are firms that manage to link core capabilities to strategic targets. The study draws on research that indicates organisations that are

capacity based follow the established strategic task of matching firm's resources, existing business conditions and markets to a new level. In addition these firms have stipulated the resources that have facilitated the firm gaining the capabilities directed to creating value for customers and other stakeholders. The study differentiates between threshold capabilities and core capabilities and research indicates that the capabilities a business relies on for competitive advantage are classified as "core capabilities".

Long & Vickers-Koch (1995) suggest that by linking core competencies with strategic processes will actually leverage value. The resulting capabilities gained will in turn create a core capabilities value chain. Importantly the study proves that firms that focus on the same value discipline use core capabilities to create distinct value and thus ensure competitive advantage.

A competence becomes a competitive capability when the customers consider the competence valuable and beneficial, when it enhances competitiveness and when it helps to differentiate itself from the company and its competitors. It is important to note that all competitive capabilities are not equal because they are common to most of all rivals enabling survival while others hold the basis to change competition (Thompson & Strickland, 2003).

Capitalising on Core Capabilities

Core capabilities have an important role to play in regards to assessing the competitiveness strength of companies in a particular industry. There is a relationship between core capabilities and competitiveness because by successfully developing a company's core capabilities, companies are able to gain competitive advantage which becomes the basis obtaining competitive outcomes (Hamel & Prahalad, 1993). Organisational capabilities are the collective skills, abilities and expertise of an organisation. They are developed through investment in staffing, training, compensation, communication and other human resource areas and form a representation of the way people and resources are brought together.

Organisational capabilities such as the company having the ability to innovate or respond quickly to customer needs are key intangible assets which (can't be seen or touched) are closely related to core competencies. Core capabilities and core competencies have an impact on a company gaining market share and investor confidence (Ulrich & Smallwood, 2004). A standard list of core capabilities that a company can adopt to be successful is not available but eleven have been identified which well managed companies seem to have in common. Companies will excel in certain capabilities while in others they will maintain parity. Dysfunction and more importantly competitive disadvantage will likely take place if an organisation falls below the norm of the eleven identified capabilities. The eleven capabilities referred to include talent, speed, shared mindset and coherent brand identity, accountability, collaboration, learning, leadership, customer connectivity, strategic unity, innovation and efficiency.

Core Capability 1: Talent

A company has successfully developed talent as a core capability when it is able to attract, motivate, and retain competent and committed people. Employees that are competent have the skills for today and tomorrow's business requirements. As these employees become committed they deploy acquired skills predictably and regularly. Competence is derived when the leadership of the company:

- Purchase new talent
- Build existing talent
- Borrow thought through alliances or partnerships
- Removing poor performers
- Implement efforts to keep existing best talent

Leaders can earn commitment from employees by giving employees who produce more, more of what matters to them. Organisational capability of a company can be accessed by implementing productivity measures, retention statistics, employee surveys and direct observation (Ulrich & Smallwood, 2004).

Core Capability 2: Collaboration

A company collaborates well when it is good at working across boundaries to ensure efficiency and leverage. Collaboration takes place in the following instances, when an organisation as a whole gains efficiencies of operation by the pooling of services or technologies through economies of scale, or through the sharing of ideas and talent across boundaries. Collaborating through the sharing of services has actually produced savings of 15% to 20% in administrative costs while at the same time still maintaining an acceptable level of quality. Strong collaboration efforts are known to directly assist in a company being competitive (Ulrich & Smallwood, 2004).

Core Capability 3: Learning

Learning is developed when a company is good at generating and generalising ideas with impact. Ideas are generated by benchmarking (organisation benchmarks itself against what other companies are doing), experimentation, competence acquisition (hiring or developing people with new ideas and skills), and continuous improvement. Ideas become generalised in the following instances, ideas move across a boundary of time (one leader to the next), they move from one geographic location to the next and from one division to the next. Individuals start to learn when they let go of old practices and adopt new ones (Ulrich & Smallwood, 2004).

Core Capability 4: Leadership

Leadership qualities are practiced when the organisation develops leaders across the organization. Companies that produce effective leaders on a consistent basis generally have a distinctive leadership brand. The leadership brand will develop into a situation where the leaders will have a common understanding on what to know, be and do (Zilz, Woodward, Thielke, Shane & Scott, 2004). Leaders will easily stand out from leaders in other companies because they are able to approach issues from unique perspectives. Effective leadership also involves ensuring that the company take the necessary

measures to ensure that it has the necessary development opportunities for the top employees of the company (Yukl, 2002).

Core Capability 5: Customer Connectivity

A firm has good connectivity with its customers when it has succeeded in being good at building enduring relationships of trust with targeted customers. It is important that firms direct their focus on targeting the top 20% of customers that contribute to 80% of the sales. The company's ability to connect with these customers is considered to be a competitive strength. Possible ways through which the firm can connect with their customers include:

- Dedicated account teams
- Maintaining databases that track preferences
- Customers being involved in human resource practices such as staffing, training, and compensation.

It is possible to enhance customer connectivity when a great amount of the employee group has meaningful exposure or interaction with the customers. To monitor this connectivity reference is made to identifying the key accounts and tracking the share of the most important customers. Performing customer surveys will help in assessing the level of connectivity between the firm and its customers (Ulrich & Smallwood, 2004).

Core Capability 6: Efficiency

Efficiency as a capability means that the company is good at managing its costs the company while performing its operating activities. In terms of this capability if leaders do not manage their costs efficiently they will likely not get the opportunity to grow their top line. To track the efficiency of the company the following steps can be taken, they include close monitoring the costs in regards to inventory levels, direct and indirect labour costs, capital employed and the costs of all goods sold (Ulrich & Smallwood, 2004).

Focus on Specific Core Capabilities

It is important for a company to excel in a few specific capabilities than actually spread the leadership's abilities across a number of them. Leadership should focus on at least three capabilities and try to make two of them world class. To do this, leaders must have identified the capabilities having the most impact and consider which are the easiest to implement and prioritise them accordingly. Remaining capabilities should meet industry parity (Long & Vickers-Koch, 1995).

Independence of Core Capabilities

Capabilities depend on one another, as mentioned in the last paragraph no more than three capabilities should be focused on by the company. In addition the most important capabilities that are identified should be combined, for example speed is not enough on its own, management must also have ensure that fast learning, fast collaboration and fast innovation support the operation in relation to doing an activity in a good time. Capabilities cannot be built without leaders, so as capabilities are built so is leadership (Ulrich & Smallwood, 2004).

Benchmarking facilitates that a company is able to understand the strength of their capabilities in relation to other companies in the industry producing similar products. Benchmarking the capabilities of a company means that one must compare a company's capabilities against other companies that have world class performance (Ulrich & Smallwood, 2004). Capabilities cannot simply be started and invested in; management must seriously assess which capabilities will be needed for success and in turn decide where to invest their resources. Important activities that prove valuable in developing core capabilities relate to performing a type of 360 degree feedback session. Additional activities that will highlight the status of the company's capabilities and reveal to the management what steps might be needed to improve capabilities include; undertaking capability audits and implementing improvement plans involving various stakeholders such employees and customers (Ulrich & Smallwood, 2004).

Capabilities should not be talked about by the leaders in the company, leaders should actively demonstrate them. Detailed plans should be drawn up to try and improve capabilities that are expected to be enhanced. Plans should be drawn up by leaders to address the following capability related issues such as measurable outcomes that need to be achieved, allocating responsibilities and finding ways to monitor progress in attaining or boosting capabilities. In addressing these plans management usually develop education or training programs, design new systems for performance management, and implement structural changes to facilitate the need for increased capabilities (Ulrich & Smallwood, 2004).

2.6 Globalisation and Local Industry

2.6.1 Classification of Globalisation

Globalisation refers to the “shift toward a more integrated and interdependent world economy: globalisation consists of two main components: globalisation of markets and the globalisation of production” (Hill, 2003: 6).

Globalisation of Markets

The definition of the globalisation of markets refers to historically distinct and separate national markets merging into one global trading marketplace (Hill, 2003). Hill (2003) comments that significant differences still do exist between national markets in terms of important dimensions such as varying consumer tastes and preferences, language and religious beliefs. Due to these important dimensions in national markets most global markets are not markets for consumer products but this could be different in terms of industrial goods and materials that serve a common interest. Even though the universal need is to cut grass resulting in a common interest being satisfied, it still doesn't mean that multinational corporations will try to enter the local market. In some cases even though it might appear that a common interest might be served, specific local factors such as tastes and preferences could still put a break on global competitors entering the local market (Hill, 2003).

Globalisation of Production

Globalisation of production refers to the sourcing of goods and services from locations around the globe. It facilitates that a company is able to take advantage of national differences in the cost and quality of factors of production such as labor, energy, land and capital which will assist in being able to compete competitively. Local companies sourcing products which are globally produced will ensure that cost structure are lowered and / or improve the quality or functionality of their product offering. Through relocating selective production related operating activities around the globe will ensure that local companies are afforded the opportunity to gain competitive advantage (Hill, 2003). Companies must be careful in their globalisation efforts because there are serious impediments to consider which might affect a company realising the optimal level of production and prevent achieving a competitive advantage. These impediments include:

- Formal and informal barriers to trade between countries
- Barriers to foreign direct investment
- Transportation costs
- Issues associated with economic and political risk

Hill (2003) adds that in a global market there is current trend where companies are spreading their production processes to different locations around the world to bring down production costs and improve their quality to become more competitive. Other important global developments taking place include the economies of nation states becoming more intertwined and more dependent on each other (Hill, 2003: 9).

2.6.2 Strategic Globalisation Tendencies

Globalisation is becoming a reality faced by the local lawn mower manufacturers because trade barriers are coming down which has facilitated a tendency towards global markets in different industries (Toni, Filippini & Forza, 1992). Hill, (2003) refers to the drivers of globalisation being based on two macro economic

factors, being the decline in barriers to the free flow of goods, services and capital and the second factor relates to technological change specifically dramatic developments in recent years in communication, information processing and transport technologies. Hill, (2003) states that the tendency towards global markets has many serious implications, it is expected that there could be an onslaught of foreign competitors who will be using globally focused multi domestic or transnational strategies to target the local lawn mower market.

In this regard one must not forget the strategies that are adopted by companies competing in foreign markets and more importantly the strategies that local companies are following to defend against global competitors (Thompson & Strickland, 2003). The theory on globalisation in many instances refers to numerous advantages that can be achieved by operating globally, they include:

- Achieving economies of scale
- Concentration of learning
- Operation integration
- General use of world class manufacturing policies
- Coordination and concentration of activities to support production and product development

Toni et al, (1992) suggest that there is a general global outlook being adopted which seems to be ever increasing and inevitable. The reason for this development occurring relates to the fact that consumer needs are becoming more uniform.

2.6.3 Reasons for Global Attacks

There are numerous reasons why multinational firms decide to set up production operations in developing countries they include new market access, lower production costs and strategic alliances that could be formed. Setting up operations is not easy for any company when one factors in the extent of strategic issues that the company will faced with, major ones include implementing:

- Plant strategies
- Production networks
- New product development strategies
- Continuous improvement of operational activities.

In terms of production networks as a key strategic issue, multinational companies (MNCs) considering to compete in the local South African market will have to incorporate the operations of the local firm into the multinationals global production network. Evidence to support this view relates to a growing trend that MNC's are linking their operations throughout the world because plants in various locations are producing and sourcing from alternative plants which are part of the same company but located in other parts of the world (Mefford & Bruun, 1998).

2.6.4 Issues Limiting Multinational Company Globalisation

Even though there is a global outlook being adopted which seems to be ever increasing and inevitable, it is vital to consider that this is not always the case in specific markets such as the refrigerator market; so as much as there is global focus applying a general mindset might not be the answer (Toni, *et al.*, 1992). Management has a tendency to focus their effort on local economic activities but they need to understand that the economies of the world are connected and changes in one economy affect other economies. Even though international trade is increasing management must understand that the further you go away from a familiar territory the greater the risk of making big mistakes (Perreault & McCarthy, 2002).

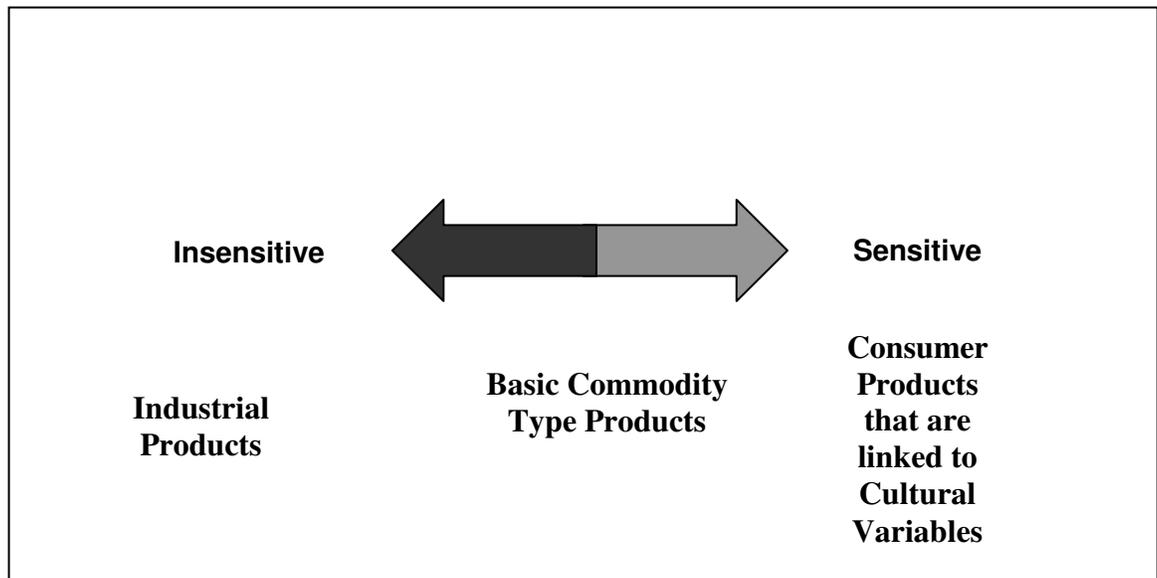


Figure 2.3: Continuum of Environmental Sensitivity (Perreault & McCarthy, 2002)

Perreault & McCarthy (2002) explain that it is not clear why different products carry different risks, in terms of covering the different environmental factors the risks can be considered as running between a “continuum of environmental sensitivity” which is illustrated in Figure 2.3.

On the left hand side of the continuum products are seen as being insensitive to the cultural and social environments. Products that are seen as insensitive are regarded as requiring just a little adaptation to make them suitable for local use. On the other end of the continuum the products that fall into this category are considered highly sensitive and are considered difficult or impossible to adapt to all international situations. Dimensions related to the “continuum of environmental sensitivity” are depicted in Figure 2.3.

2.6.5 Changing Pattern of Operations Management in Developing Countries

It is without a doubt that economic activity has become increasingly globalised. Although economic growth rates can be raised through globalisation there is a more serious threat that the economy and companies are exposed to intense levels of competitive pressures, especially in developing countries (Fleury, 1999).

It is important to understand the basis on which the multinational companies are applying their production activities and that brings one to what is called “production globalisation” (Fleury, 1999: 552).

MNCs are increasing their investments into developing countries such as South Africa which have switched to economic policies which are outward looking, but it is vital that these companies understand that they will have to develop production systems that can compete with the best in the world (Mefford & Bruun, 1998).

2.6.6 Local Industry Firm Specific Advantages

A question that needs to be addressed is whether South African companies are operating locally or are the companies operating on a global basis. To clarify this issue we refer to the research done on Israeli firms being confronted by MNCs from 1993 to 1999 (Jaffe, Nebenzahl & Schorr, 2005). The research focused on the Israeli industrial operations and longitudinal data. The study draws on research based on information provided by experts in their respective fields in the large industrial and consumer goods industry. Industries forming part of the research undertaken by Jaffe et al, (2005) do not directly relate to the light industrial industry in South Africa but they do tie in to the topic, considering that the light industrial industry and related consumers are included. In the case study experts were used in their fields in an effort to discover FSA's, refer to Figure 2.4. FSAs relate to local and global descriptors that provide evidence to substantiate the conclusions reached with regards to the strategies that local manufactures in developing countries will undertake when faced with the MNCs entry.

	1	3	4
Market presence			
Brand recognition as market leader; leading market share	The firm does not have leading brands and its market share is negligible	The firm has recognized brands and leading market share, but not in the mentioned category	The firm has brand leadership in South Africa. Its brands enjoy leading market share in their category.
Strength and independent distribution channels			
Integrated distribution channels, market coverage.	The firm does not have any integrated channels. All of its products are sold through independent channels, market coverage.	The firm's shares distribution channels with good market coverage or marginally integrated distribution channels.	The firm has integrated distribution channels with wide market coverage.
Reaction Ability			
Ability to develop new products in order to meet competitive challenges	The firm does not have the ability to develop new products.	The firm has good ability to develop new products almost as good as the competition.	The firm has excellent ability to develop new products as good as the competition

Figure 2.4: Scales of FSA's of Firms in Local Industries (Jaffe, *et al.*, 2005)

Analysing FSAs will provide information that will help one differentiate between firms with strong specific advantages and those with weak firm specific advantages (Jaffe et al, 2005). Firm specific advantages are important in obtaining an idea of the level of competitiveness in the local industry because a firm with a strong FSA rating can be said to be competitive.

The FSA model discussed in Figure 2.4 is based on two dimensions, the first dimension which will tie in considerably to a firm's core competencies addresses strategic and marketing firm specific advantages which are vital in relation to addressing local company competitiveness. Firm specific marketing strengths required by local firms include a strong market presence (leading brand name and a considerate market share relative to the market), a distribution channel that is integrated including a strong market coverage and capabilities to develop new products to meet competitive challenges. Additional firm specific strengths that can be possessed by local firms include:

- Technologically advanced capabilities being advanced because of investments in research and development
- Wide product assortment
- Strong international distribution channels
- Ability to merge or acquire with firms overseas to gain knowledge,
- Ability to expand production facilities
- Ability to enter into foreign markets.

Domestic firms that are pressurised to globalise in an effort to achieve benefits of selling in multiple markets are normally made up of high investments in research and development and they run their operations on high fixed costs which offer standardised products. Industries that consist of consumers that demand to a greater degree customised products, or where local product regulations are prevalent will be pressurised to localise their strategies (Jaffe et al, 2005).

Jaffe et al, (2005) discuss the model shown in Figure 2.5 which demonstrates four possible reactions to MNC entry. To understand the actual strategic positioning of local companies faced with possible MNC entry one has to consider the various strategies highlighted in the “response strategies to MNC entry” model shown in Figure 2.5. Jaffe et al, (2005) also address important local elements in their research which support the various strategic positions adopted by local firms in their efforts to remain competitive.

Pressures to Globalise / Localise Products

Marketing and Strategic FSAs	<u>Globalise</u>	<u>Localise</u>
Strong	Contender	Contester
	Compete with MNC abroad	Compete with MNC in home market
Weak	Co-operator	Defender
	Form alliance with MNC	Leverage Assets Protectionism Merge Exit

Figure 2.5 Response Strategies to MNC Entry (Jaffe, *et al.*, 2005)

The Mexican economy faced an influx of North American companies because of the signing of the NAFTA (North American Free Trade Agreement). Jaffe et al, (2005) indicated that the skills adopted by local firms would have a major impact on the attractiveness of the local market. If foreign competitors had skills that exceeded the capabilities of local companies and if local companies couldn't acquire the skills they would have to face exiting the local market (Jaffe et al, 2005). Local firms with FSAs can employ a defensive strategic initiative when they are in a better experiential position than a foreign competitor because they know which FSAs to employ to protect their local market (Jaffe et al, 2005). Domestic firms have to consider their FSAs specifically when developing business and functional strategies because the strategies adopted will have a vital impact on whether local firms are able to achieve long term competitiveness (Thompson & Strickland, 2003).

2.6.7 Firm Specific Advantage Scale in Local Economies

Two parameters are highlighted as possible forces that facilitate the entry of multinational companies into emerging markets; they include

- High cost of product development,
- High cost of capital equipment, and marketing
- Where standardised products can satisfy customers in multiple markets

Each issue above must be addressed in the strategic planning of local company's that are faced with possible MNC entry into the local industry (Jaffe et al, 2005). An important strategic option available to local firms concerns forming strong strategic alliances to complement or extend their own capabilities which will strengthen their positioning in the market (Hill, 2003). Additional strategic options available to local firms relate to extending export strategies in an effort to achieve either product differentiation or cost leadership. Even though MNCs are pressurised to become global in an effort to produce standardised products they face the challenge that local consumers and even local regulations pursue products that are suited to specific local conditions (Jaffe et al, 2005). Local manufacturers can strengthen their local standing and detour MNCs from entering the local industry by transferring assets such as marketing skills abroad in an effort to expand production to reach better economies of scale. Besides an external outlook some local companies might have assets that will facilitate a local competitive advantage at home such as brand equity or a strong distribution network that can't be transferable globally.

Where assets are transferable and where globalisation pressures are strong local manufacturers will be able to compete with MNCs on a global level. A local firm will have to reconstruct around its value chain links if its assets are not transferable. Domestic firms whose assets are globally transferable and where globalisation pressures are weak can try to extend its success factors to a selective number of foreign markets. If domestic firm's assets are not transferable the suggested course of action is focusing on strategies to defend its local markets against the incursion of MNCs (Jaffe et al, 2005).

2.6.7 Global Attractiveness Assessment of Local Industry

Hill (2003) discusses that if a company wishes to invest in a new economy it will have to consider the political, economic and legal environment of that country and the benefits, costs, and risks associated with each one of these three functions.

Local Industry Attractiveness 1: Economic Factors

To get a clearer picture of the economic factors discussed within this section one needs to know the most likely type of economic system applicable within the South African context. Reference is made to four types of economic systems those being, market economy, command economy, mixed economy and a state directed economy (Hill, 2003). It is evident from considering the information relating to each of these economic systems that the South African economy falls into the market economy. A market economy is an economy whereby to a great degree the productive activities are privately owned as apposed to being owned by the state. No one plans the goods and services that a country requires including the quantities required; in addition an important element to this type of economic system is that no restrictions on supply exist. In terms of supply, government should practice an active role to prevent this from taking place and encourage vigorous competition between private producers. Government achieves this by outlawing monopolies and implementing restrictive business practices to limit the monopoly of a particular market segment (Hill, 2003).

Private ownership as an economic factor encourages vigorous competition and economic efficiency which is directly linked to the topic of competitiveness. The interaction of all the parts of the macro economic system effect the economic environment which then effects things such as national income, economic growth and inflation. Each one of these issues will be considered to get a better understanding the economic environment in South Africa. Considering the economic environment one will be in a better position to understand the strength of the local economy and the level of consumer confidence (Perreault &

McCarthy, 2002). Other related topics to consider are interest rates which impact on the price of the product and have an effect on when the product is purchased.

Another important issue to consider are exchange rates because of their important effect on international trade. If for example the rand is strong relative to other currencies it will more expensive for foreign countries to import South African products and it would be cheaper for foreign companies to sell their foreign products locally (Perreault & McCarthy, 2002: 105).

Foreign exchange controls are also vital to consider because they reduce the chance of getting capital and operating profits back to the home country. The period of protected domestic markets has ended because of developing countries opening their economies to imports and foreign investment (Mefford & Bruun, 1998). There has been a change in the economic policy in most of the developing world with the result that vast opportunities now exist for multinational firms to expand their production basis and markets. The threat of multinationals expanding into developing countries is also increased by the fact that there is an emphasis on direct foreign investments which include different incentive programs which are specifically formulated for the setting up of production facilities in developing countries (Mefford & Bruun, 1998).

Local Industry Attractiveness 2: Political Factors

The political environment is effected by the attitudes and reactions of people, social critics and governments. The political environment can have a dramatic effect on opportunities locally and internationally and it important to note that “consumers usually share a common political environment” (Perreault & McCarthy, 2002: 107). Nationalism is one of the issues to consider and the basis of nationalism relates to an emphasis on a country’s interests before everything else. Nationalistic sentiments can have a serious impact on sales and marketing activity and make it difficult for firms to conduct business in foreign markets. Nationalism is an important element to consider because it directly relates to foreign competition and local manufactures trying compete internationally in other countries. Firms have to get permission to operate and sometimes it is a

standard practice and other times red tape, personal influence and bribes can be involved. In terms of nationalism, host country governments really find it desirable to increase exports and have local firms that can compete with imports creating the industrial sector that can thus increase employment and incomes and reduce the balance of payments (Mefford & Bruun, 1998). Policies adopted by foreign governments are also vital to consider as many Asian and now Latin America governments are supporting the growth of export industries and are actually encouraging foreign direct investment to achieve competitive firms that are outward focused. More in line with economic factor focus but in the similar discussion to the previous point the International Monetary Fund and the World Bank are also supporting firms that wish to be more outward focused (Jaffe et al, 2005).

To draw on examples of political factors affecting the local environment reference can be made to the Mexican local economy being part of the NAFTA agreement and being vulnerable to North American firm entry. The local government did mandate trade barriers but as the research concluded it proved to be a tactic that would only delay the entry of foreign rivals (Jaffe et al, 2005).

Consumerism is an important force within the political environment that should be considered as because it has become a major political force (Post, Lawrence & Weber, 2002: 479). The goals of modern consumerism are that consumers have the rights to safe products, to be informed, to choose and to be heard. It is important that top management pay attention to consumer concerns as the old production orientated ways of doing things is no longer acceptable. It is also interesting that consumer groups are becoming involved with companies providing vital information and participate in working on special projects (Hill, 2003).

Local Industry Attractiveness 3: Legal Factors

The political environment has a direct bearing on the legal environment and the legal environment sets the basic rules for how a business operates in society. The laws in a country can have direct influences on opportunities available and

each countries legal environment should be considered especially in terms of competition whether it is encouraged or not (Hill, 2003). Other considerations specific to the legal environment relate to whether illegal acts are prosecuted and whether serious are the fines imposed, are laws imposed that protect the consumers in relation to packaging, label and environmental issues (Perreault & McCarthy, 2002: 110).

CHAPTER 3

METHODOLOGY

3.1 Introduction

In this study a mixed methodological approach will be used. Quantitative analysis will be used as the primary method in order to pinpoint which factors are linked to the phenomenon in question. In order to find data that is possibly related to the phenomena the qualitative method (content analysis) will be used. The source of the findings will come from the data within the literature review and outcomes from the qualitative in depth interviews. A measuring instrument will be developed to collect the data researched in the survey.

3.2 Sampling Methodology and Selection

The sampling methodology referred to below applies to both the qualitative and quantitative study.

The people to be interviewed will not be representative in terms of a scientific sampling procedure but they will be representative in terms of the range across the industry. The research population is made up of different groupings of people from the Gauteng and one member from the Natal region.

The list of interviewees that will be taking part in qualitative and quantitative structured and semi structured interviews respectively were provided by a National Merchandise Executive who works fulltime in the retailing sector. The list of respondents was then confirmed by a Group Merchandise Director, both members have numerous years of retailing experience dealing with lawn mower manufactures directly and therefore validate that the names selected. The names selected will provide the necessary information representing the sector being researched; combined the members who helped draw up the list have over 50 years of retailing experience.

3.3 Retailing Perspective Inclusion

The retailing perspective has been included in the study because vital information pertaining to competitiveness can be obtained because of the link that the retailing management fills between customers and the local lawn mower manufacturers. Secondly, retailers have purchasing power and in this regard still purchase 95% of the lawn mower products from the local lawn mower manufacturers in spite of their being numerous global competitors. Merchandise management will be interviewed to obtain possible reasons for this taking place in terms of the assessment of globalisation issues and competitiveness.

3.4 Qualitative Study Methodology

The qualitative study will be performed to get a better understanding of globalisation and the influence it could have on the small to medium manufacturing industry in South Africa. In addition information gathered from the literature review will be used to substantiate the conceptual model. The ideas that are validated through theoretical records and information obtained from the in depth interviews will be used to guide the researcher in formulating the quantitative part of the study.

3.4.1 Qualitative Research Population

The population consisted of people with the following designations as practitioners in the retail and lawn mower manufacturing sectors that represent management and presently occupy full time positions. The members chosen can at the same time be considered experts in their relative fields of lawn manufacturing (manufacturers) and the purchasing of lawn mower products (retailers).

3.4.2 Sample Size and Selection

A total of 5 members were chosen, 2 from the retail sector and 3 from the lawn mower manufacturing sector. The respondents hold very senior positions in their

respective manufacturing and retailing company's and it in this regard that the researcher has decided to keep their positions and names anonymous.

3.4.3 Sampling Methodology

The types of people selected to be interviewed was based on a cross selection of lawn manufacturers and retailers who are considered experts in their field fields. The researcher had the freedom to select the individuals interviewed based on an availability basis and the convenience test will be easy to administer therefore the sample is convenient in nature.

3.4.4 Data collection method

All constructs will be considered from the literature review which will then be factored into a "Discussion Guideline". A pilot test will take place with the semi structured questionnaire being answered by the participants involved with the Discussion Guideline.

Overview

The prospective interviewees will be contacted telephonically. In the first conversation the interviewee will be briefed on the purpose, objectives and a brief overview of the methodology will be discussed. If the person is willing to take part in the research, an appointment will be set up to conduct the interview.

In regards to the "Discussion Guideline" the questions will be emailed in advance to the participants before conducting the interviews.

The objectives of the interview process will be to:

- Develop a practical understanding of the local industries most telling measures of competitive strength and assess the competitive position relative to global competitor attractiveness.

- To determine local company's firm specific advantages.
- Develop an understanding of the local company's firm specific advantages in relation to their strategic competitive positioning within a global context.
- Confirm the factors that could warrant multinational companies from either entering or not entering the local market.
- Develop an understanding of the attractiveness of the local market for foreign competitors and thus the level of competitiveness from a global perspective.
- Confirm the theoretical facets that make up the dominant economic factors and level of competition in the local market.
- Develop an understanding of the level of competitiveness within the local market.

3.4.5 The Semi Structured in Depth Interview

The semi structured interview typically revolves around a few central questions (Leedy & Ormrod, 2001). The questions will be formulated in line with the objectives of research to obtain expert opinions and useful sources of information around these central themes.

Administration

Each in-depth individual interview will be conducted in the following way:

- All interviews will be conducted in person.
- No interviews will be taped.

- The interview will be transcribed by the researcher.
- All interviewed transcriptions will be recorded manually and not electronically and included in the list of Appendixes

3.4.6 Validity and Reliability

Validity assists the researcher in solving the research problem because it highlights the degree to which an instrument measures what it is supposed to measure. Reliability refers to the consistency and accuracy with which the instrument produces results (Cooper & Schindler, 2003).

Internal Validity

Part of ensuring validity is to ensure that the questions will be a representative in understanding the level of competitiveness in the local industry in relation to global competitiveness compared to the information documented in the literature review. The research thus acts as a validity check for the quantitative study.

The determination of the content validity is judgmental as the researcher has determined the content validity through the careful understanding and definition of the topic of concern, the process was intuitive and unique to the researcher (Cooper & Schindler, 2003).

Content will not be defined too narrowly and the researcher will delve into the processes by which these opinions came about always considering the related information in the literature review. In predicting or estimating selective content questioned within the qualitative research the prediction or estimates can be incorrect or misleading. Cooper suggests four criterion measures that can assist to ensure relevance in criteria related validity; they include relevance, freedom from bias, reliability and availability. It is for this reason that the researcher included seeking verifying perspectives from the non food merchandise retailers. Data mentioned in the interviews will be from the research interviews will be

considered in challenging the facets of competitiveness and related themes in the literature review.

A pilot test will be used to reveal errors in the design and more specifically test construct validity.

External Validity

The researcher will have the freedom to choose the interviewees and thus the sample selection is unrestricted and therefore the qualitative study is convenient in nature.

The sample size in relation to the lawn mower manufacturing participants will be considered representative as the interviewees represent the manufacturing of 90% of the lawn mowers sold locally.

The sample size in relation to the retail merchandiser's lawn mower manufacturing participants will be considered based relevant advice from experts and on advice from the researcher's supervisor.

Reliability

All the interviews will be conducted by the researcher which will promote equivalence in the research. The researcher is well trained and motivated to conduct the research which will assist in improving reliability; in addition the interviews will be undertaken in standardised conditions (Cooper & Schindler, 2003).

The Pilot test

The pilot test will be undertaken to pretest the measuring instrument to permit refinement in the study. Cooper & Schindler (2003) document that pilot testing will help reveal errors in the design and improper control of environmental

conditions. The researcher will use the opportunity of the pilot test to review the script.

- The pilot test will be used to test the validity and reliability of the measuring instrument that has never been previously tested or used in practice.
- The pilot test will be used to confirm whether the language used is clear, concise and understandable and will attempt to eliminate any ambiguities that result in statements of instructions that are not understood.

A revised discussion guideline will be developed based on the feedback received.

3.4.7 Data Analysis

The researcher will use a positivist approach in analysing the respondent's feedback (Lacity & Janson, (1994). Lacity & Janson (1994) claim that a positivist approach considers understanding taking place when in the analysis there is an identification of non random variation. In terms of qualitative analysis each respondent's words are assumed to correspond with an objective reality (Lacity & Janson, 1994).

The researcher will after analysing the data to generate relevant information that relates to the themes being researched. The data that is obtained through conducting the interviews will be reduced to a manageable size. In addition summaries will be developed from the interviews and the researcher will look for competitive related patterns and traits in the local and global economy.

The results from analysing the data will assist in understanding the information relating to determining the level of competitiveness in the local industry and its strategic positioning of dominating the local market in relation to a globally competitive economy. At the same time the information gathered could also

assist in questioning the existence of other factors that could have some bearing of the strategic competitive positioning of the local manufacturers.

3.5 Quantitative Study Methodology

In terms of the methodology as mentioned earlier the quantitative study draws focus to the factors highlighting the level competitiveness in the local lawn mower manufacturing market. A customised scale will be developed based on a 5-point numerical scale (Likert scale). Two questionnaires have been devised to suit the manufactures and the retailers but the information being questioned relates to the same theoretical concepts discussed in the literature review

The response to each question will be accessed in relation to their attitudinal favorableness or un-favorableness towards the themes being researched.

3.5.1 Quantitative Research Population

The groupings will be made up of the following mix of interviewees representing a mix between manufacturing management and retailing management:

3.5.2 Sample Size and Selection

The research will be based on a number of managers who have conceited to their participation. The management selected to be involved in the survey represent the lawnmower manufacturing industry and retailing segment. The researcher expects the sample size to be approximately 13 retailing and 8 lawn manufacturing respondents.

The respondents hold very senior positions in their respective manufacturing and retailing company's and it in this regard that the researcher has decided to keep their positions and names anonymous.

3.5.3 Sampling Methodology

The types of people selected to complete the survey was based on a cross selection of lawn manufacturers and retailers who are considered experts in their field fields and in addition represent the majority of the lawn mowers manufactured and sold in the consumer market. The researcher had the freedom to select the individuals interviewed based on an availability basis and the convenience test will be easy to administer therefore the sample is convenient in nature. All participants will be requested to complete the survey.

3.5.4 Data Collection Method

Each individual will be contacted above telephonically. During the initial conversation a brief overview of the research being conducted will be explained including the purpose of the research. The participants email address will be requested in closing the conversation. The participants will receive a Unisa research confidentiality letter, brief introductory letter explaining the research in more detail and the survey questionnaire. The electronic communication will also include details relating to date on which the feedback is required and in what format the feedback can be returned to the researcher.

3.5.5 Measuring Instrument

The measuring instrument will be in the form of a survey based on a questionnaire that will be made up of 20 to 30 questions that will be formulated to address the constructs being researched that relate to particular areas of interest being investigated. The particular constructs have been formulated based on the literature review, information obtained from the qualitative research and an existing survey.

The questionnaire will focus on the following constructs with specific reference to sustaining competitiveness, functional strategic competitiveness, core competencies and core capabilities. Questions within the questionnaire that

relate to “core capabilities” have been drawn from a survey conducted by Ulrich & Smallwood (2004) and will be used as a basis of substantiation.

The quantitative information will assist in the assessing the level on competitiveness within the industry and will be considered together the qualitative research to ensure appropriateness and validity for the local industry competitiveness assessment.

The questionnaire will be developed only in the English language and will consist of four parts:

Questions number 1 and 2 focused on strategic competitiveness and firm responses to industry changes.

Questions number 3-13 including 20, 28 and 29 focused on functional strategic initiatives.

Questions number 14-19 including 21 will be core competency focused.

Questions number 22-27 including 21 will be core capability focused.

Question number 30 will be functional and business strategy related.

3.5.6 Administration

The data will be collected by administering the survey in the following way: Prospective participants forming part of the sample will be contacted telephonically by the researcher.

In the first conversation the participants will be briefed on the purpose, objectives and a brief overview of the methodology will be discussed if the situation and time warrants. If the person is willing to take part in the research, the participants email address will be recorded.

The participant will be sent an electronic version of the survey and a Unisa confidentiality letter.

The survey is to be completed and returned to directly to the researcher.

In the email to the participant an introduction of the researcher and brief background to the survey will be included, relevant contact details and the date that the survey response is required. To ensure confidentiality the surveys will be returned directly to the researcher.

3.5.7 Reliability and Validity

Internal Validity

Part of ensuring validity is to ensure that the questions will be representative in understanding the level of competitiveness in the local industry through investigating the constructs and comparing them to the information documented in the literature review. The measuring instrument will act as a validity check for the qualitative study (vise versa) in relation to accessing the level of competitiveness in the local industry.

The determination of the content validity is judgmental as the researcher has determined the content validity through the careful understanding and definition of the topic of concern, the process was intuitive and unique to the researcher (Cooper & Schindler, 2003).

Content will not be defined to narrowly and the researcher will delve into the processes by which these opinions came about always considering the related information in the literature review.

In predicting or estimating selective content questioned within the quantitative research the prediction or estimates can be incorrect or misleading. Cooper suggests four criterion measures that can assist to ensure relevance in criteria related validity; they include relevance, freedom from bias, reliability and

availability. It is for this reason that the researcher included seeking verifying perspectives from non food merchandise retailers.

A pilot test will be used to reveal errors in the design and more specifically test construct validity.

External Validity

The researcher will have the freedom to choose the interviewees and thus the sample selection is unrestricted and therefore the qualitative study is convenient in nature.

The sample size in relation to the lawn mower manufacturing participants will be considered representative as the interviewees represent the manufacturing of 90% of the lawn mowers sold locally.

The sample size in relation to the retail merchandiser's lawn mower manufacturing participants will be considered based relevant advice from experts and on advice from the researcher's supervisor.

Reliability

All the interviews will be conducted by the researcher which will promote equivalence in the research. The researcher is well trained and motivated to conduct the research which will assist in improving reliability; in addition the interviews will be undertaken in standardised conditions (Cooper & Schindler, 2003).

The Pilot Test

The pilot test will be undertaken to pretest the measuring instrument to permit refinement in the study. Cooper & Schindler (2003) documents that pilot testing will help reveal errors in the design and improper control of environmental

conditions. The researcher will use the opportunity of the pilot test to review the script.

The pilot test will be used to test the validity and reliability of the measuring instrument that has never been previously tested or used in practice.

A revised discussion guideline will be developed based on the feedback received.

3.5.8 Data Analysis

Research Population

The survey will attempt to approach practitioners from the retail and lawn mower manufacturing industry in South Africa, who are full time employed.

CHAPTER 4

ANALYSIS OF FINDINGS

4.1 Introduction

4.2 Quantitative Study

The quantitative study was completed by 15 participants. The sample of participants was aged from 35 to 63. The participants were mostly white males (83 %) with the difference being made up of males of Indian decent (13%). The questions were answered by all the participants. Of the 15 participants 11 were from the retailing sector and 4 are lawnmower manufactures.

The questions were divided into subsections, all pertaining to industry competitiveness and these are reported in subsections as follows:

<u>Section:</u>	<u>Analysis</u>	<u>Table</u>
4.2.3	Sustaining Competitive Advantage	4.1
4.2.4	Responding to Changes in the Industry	4.2
4.2.5	Functional Strategic Initiatives	4.3 - 4.13
4.2.6	Core Competencies	4.14 - 4.21
4.2.7	Core Capabilities	4.22 - 4.27
4.2.8	Functional Strategic Initiatives	4.28 - 4.29
4.2.9	Uniting Functional and Business Strategy	4.30

Note: In section 4.3 an overall analysis of the results is provided on each of the topics referred to above.

4.2.3 Sustaining Competitive Advantage

Table 4.1: Local lawn mower manufactures endeavors to protect their businesses as much as possible from the actions of rivals.

	mean	Strongly disagree	disagree	Neither disagree nor agree	agree	Strongly agree
		(1)	(2)	(3)	(4)	(5)
RETAILERS	4.1			1 (9%)	7 (63%)	3 (27%)
MANUFACTURERS	4.5				2 (50%)	2 (50%)
OVERALL %				6%	60%	33%

Table 4.1 shows that overall; the majority of responses indicate that it is perceived that LMMFs endeavor to protect their business as much as possible from the actions of rivals because of the results clustered into category (4) “agree”.

It is interesting to note that a substantial amount of responses are in category (5) “strongly agree” highlighting that the LLMFs efforts to protect their businesses are quite strong.

4.2.4 Responding to Changes in the Industry

Table 4.2: Local lawn mower manufactures consider it imperative to respond to changes underway in the industry.

	mean	Strongly disAgree	disAgree	Neither disagree nor agree	agree	Strongly agree
		(1)	(2)	(3)	(4)	(5)
RETAILERS	3.1		5 (45%)	1 (9%)	3 (27%)	2 (18%)
MANUFACTURERS	4		1 (25%)		1 (25%)	2 (50%)
OVERALL %			40%	6%	26%	33%

Table 4.2 shows that overall; the majority of responses indicate that it is perceived that manufactures do respond to changes underway in the industry because of the results clustered into category (4) “agree” and (5) “strongly agree”.

There is also a substantial cluster of responses in category (2) “disagree” that indicate that it is perceived that LLMMs are not responding to changes underway in the industry.

4.2.5 Functional Strategic Initiatives

Functional Strategic Initiatives (Manufacturing – Outsourcing)

Table 4.3: Local lawn mower manufactures consider outsourcing as an important factor of the manufacturing procurement process.

	mean	Strongly disAgree	disAgree	Neither disagree nor agree	agree	Strongly agree
		(1)	(2)	(3)	(4)	(5)
RETAILERS	3.4	2 (18.2%)	3 (27%)		5 (45%)	1 (9%)
MANUFACTURERS	3.5		1 (25%)		3 (75%)	
OVERALL %		14%	27%	0%	53%	6%

Table 4.3 shows that overall; the majority of responses indicate that it can be perceived that LMMFs consider outsourcing as an important factor of the manufacturing procurement process because of the results clustered into category (4) “agree”.

Functional Strategic Initiatives (Manufacturing – Outsourcing)

Table 4.4: Local lawn mower manufactures realise that cost benefits and quality are enhanced through outsourcing globally.

	mean	Strongly disAgree	disAgree	Neither disagree nor agree	agree	Strongly agree
		(1)	(2)	(3)	(4)	(5)
RETAILERS	3		6 (54%)		3 (27%)	2 (18%)
MANUFACTURERS	3		2 (50%)		2 (50%)	
OVERALL %		0%	53%	0%	33%	14%

Table 4.4 shows that overall; the majority of responses indicate that LLMMs are perceived not to realise that cost benefits and quality are enhanced through outsourcing globally because of the results clustered into category (2) “disagree”.

Functional Strategic Initiatives (Manufacturing – Production Management)

Table 4.5: Local lawn mower manufactures rationalise their production systems to increase productivity.

	mean	Strongly disAgree (1)	disAgree (2)	Neither disagree nor agree (3)	agree (4)	Strongly agree (5)
RETAILERS	3.1		5 (45%)		5 (45%)	1 (9%)
MANUFACTURERS	4		1 (25%)		2(50%)	1 (25%)
OVERALL %		0%	40%	0%	46%	14%

Table 4.5 shows that overall; the majority of responses indicate that it is perceived that LMMFs consider rationalising their production systems to increase productivity because of the results clustered into category (4) “agree”.

There is also a substantial cluster of responses in category (2) “disagree” that indicate that it is perceived that LMMFs are not rationalising their production systems to increase productivity

Functional Strategic Initiatives (Manufacturing - Production Management)

Table 4.6: Local lawn mower manufactures focus on product lines in which they have a competitive advantage.

	mean	Strongly disAgree	disAgree	Neither disagree nor agree	agree	Strongly agree
		(1)	(2)	(3)	(4)	(5)
RETAILERS	3.7		1 (9%)	1 (9%)	9 (81%)	
MANUFACTURERS	3.7		1 (25%)	1 (25%)	2 (50%)	
OVERALL %		0%	13%	13%	74%	0%

Table 4.6 shows that overall; the majority of responses indicate that it is perceived that LMMFs focus on product lines in which they have a competitive advantage because of the results clustered into category (4) “agree”.

Functional Strategic Initiatives (Manufacturing - Production Management)

Table 4.7: The percentage of defect products produced in the local lawn mower manufactures production processes is on par with international standards.

	mean	Strongly disAgree	disAgree	Neither disagree nor agree	agree	Strongly agree
		(1)	(2)	(3)	(4)	(5)
RETAILERS	3.3		3 (27%)	1 (9%)	7 (63%)	
MANUFACTURERS	4.25				3 (75%)	1 (25%)
OVERALL %		0%	20%	6%	67%	0%

Table 4.7 shows that overall; the majority of responses indicate that it is perceived that the percentage of defect products produced by LLMMs production

processes is on par with international standards because of the results clustered into category (4) “agree”.

Functional Strategic Initiatives (Supply Chain Management)

Table 4.8: A good working cooperative relationship exists between the local lawn mower manufacturers and their suppliers.

	mean	Strongly disAgree	disAgree	Neither disagree nor agree	agree	Strongly agree
		(1)	(2)	(3)	(4)	(5)
RETAILERS	3.8			4 (36%)	5 (45%)	2 (18%)
MANUFACTURERS	4.5				2 (50%)	2 (50%)
OVERALL %		0%	20%	26%	47%	26%

Table 4.8 shows that overall; the majority of responses indicate that it is perceived that a good working cooperative relationship exists between the LLMMs and their suppliers because of the results clustered into category (4) “agree”.

Functional Strategic Initiatives (Supply Chain Management)

Table 4.9: Worthy strategic alliances exist between the local lawn mower manufactures and there suppliers.

	mean	Strongly disAgree	disAgree	Neither disagree nor agree	agree	Strongly agree
		(1)	(2)	(3)	(4)	(5)
RETAILERS	3.7			4 (36%)	6 (54%)	1 (9.%)
MANUFACTURERS	4.2				3 (75%)	1 (25%)
OVERALL %		0%	%	26%	60%	13%

Table 4.9 shows that overall; the majority of responses indicate that it is perceived that there are worthy strategic alliances that exist between the LLMFs and their suppliers because of the results clustered into category (4) “agree”.

Functional Strategic Initiatives (Technology)

Table 4.10: Local lawn mower manufactures consider technology vital in terms of information processing and global communication.

	mean	Strongly disAgree	disAgree	Neither disagree nor agree	agree	Strongly agree
		(1)	(2)	(3)	(4)	(5)
RETAILERS	3		6 (54%)		4 (36%)	1 (9%)
MANUFACTURERS	3.5		1 (25%)		3 (75%)	
OVERALL %		0%	47%	0%	47%	7%

Table 4.10 shows that overall; the equal majority of responses indicate that it can't be decided whether or not Local lawn mower manufactures consider technology as being vital in terms of information processing and global

communication because of the results clustered into category (2) “disagree” and category (4) “agree” respectively.

Functional Strategic Initiatives (Technology)

Table 4.11: Local lawn mower manufactures realise that containerisation is playing an important role in bringing down the costs of transportation.

	mean	Strongly disAgree (1)	disAgree (2)	Neither disagree nor agree (3)	agree (4)	Strongly agree (5)
RETAILERS	3.7		1 (9%)	2 (18%)	7 (63%)	1 (9%)
MANUFACTURERS	2.5	2 (50%)	2 (50%)			
OVERALL %		14%	20%	14%	47%	6%

Table 4.11 shows that overall; the majority of responses indicate that it is perceived that LLMFs do realise that containerisation is playing an important role in bringing down their costs of transportation because of the results clustered into category (4) “agree”.

Functional Strategic Initiatives (Sales)

Table 4.12: A very strong relationship exists between local lawn mower manufactures and the top retailers.

	mean	Strongly disAgree (1)	disAgree (2)	Neither disagree nor agree (3)	agree (4)	Strongly agree (5)
RETAILERS	3.4		4 (36%)		5 (45%)	2 (18%)
MANUFACTURERS	4.5				2 (50%)	2 (50%)
OVERALL %		0%	26%	0%	47%	26%

Table 4.12 shows that overall; the majority of responses indicate that it is perceived that a very strong relationship exists between the retailers and the LLMMs because of the results clustered into category (4) “agree”.

It is interesting to note that a substantial amount of responses are in category (5) “strongly agree” highlighting that the LLMFs relationship with their retailers is really very strong.

Functional Strategic Initiatives (Sales)

Table 4.13: A long standing relationship exists between the LLMMs and the retailers.

	mean	Strongly disAgree (1)	disAgree (2)	Neither disagree nor agree (3)	agree (4)	Strongly agree (5)
RETAILERS	3.4		4 (36%)	1 (9%)	3 (27%)	3 (27%)
MANUFACTURERS	4.5				4 (100%)	
OVERALL %		0%	27%	6%	46%	33%

Table 4.13 shows that overall; the majority of responses indicate that it is perceived that a long standing relationship does exist between the LLMMs and the retailers because of the results clustered into category (4) “agree”.

It is interesting to note that a substantial amount of responses are in category (5) “strongly agree” highlighting that the relationship with the LLMFs and their retailers has really been long standing.

4.2.6 Core Competencies

Core Competencies (Production Costs)

Table 4.14 Local lawn mower manufactures are competitive primarily because they keep production cost’s low in relation to international competitor’s

	mean	Strongly disAgree	disAgree	Neither disagree nor agree	agree	Strongly agree
		(1)	(2)	(3)	(4)	(5)
RETAILERS	3.7		1 (9%)	2 (18%)	7 (63%)	1 (9%)
MANUFACTURERS	2.5		3 (75%)		1 (25%)	
OVERALL %		0%	27%	14%	53%	6%

Table 4.14 shows that overall; the majority of responses indicate that it is perceived that LLMMs are competitive primarily because they keep production cost’s low in relation to international competitor’s because of the results clustered into category (4) “agree”.

Core Competencies (Production Costs)

Table 4.15: We receive our local lawn mower manufactured products when promised.

	mean	Strongly disAgree	disAgree	Neither disagree nor agree	agree	Strongly agree
		(1)	(2)	(3)	(4)	(5)
RETAILERS	3		4 (36%)	4 (36%)	2 (18%)	1 (9%)
MANUFACTURERS	3.25		1 (25%)	1 (25%)	2 (50%)	
OVERALL %		0%	33%	33%	26%	16%

Table 4.15 shows that overall; there are larger differences in the manner in which the respondents perceived LLMMs to consider technology as being vital in terms of information processing and global communication because of the results clustered into category (2) “disagree”, (3) “neither disagree not agree” and category (4) “agree” .

Core Competencies (Logistics)

Table 4.16: Local lawn mower manufacturers consider logistics as a value added process creating competitive advantage.

	mean	Strongly disAgree	disAgree	Neither disagree nor agree	agree	Strongly agree
		(1)	(2)	(3)	(4)	(5)
RETAILERS	4			1 (9%)	9 (81%)	1 (9%)
MANUFACTURERS	4.25				3 (75%)	1 (25%)
OVERALL %		0%	0%	6%	53%	13%

Table 4.16 shows that overall; the majority of responses indicate that it is perceived that LLMMs consider logistics as a value added process creating competitive advantage because of the results clustered into category (4) “agree”.

Core Competencies (Logistics)

Table 4.17: Local lawn mower manufacturers spend more time on planning for logistics than in the past.

	mean	Strongly disAgree	disAgree	Neither disagree nor agree	agree	Strongly agree
		(1)	(2)	(3)	(4)	(5)
RETAILERS	3.2		4 (36%)	1 (9%)	5 (45%)	1 (9%)
MANUFACTURERS	3.2		1 (25%)	1 (25%)	2 (50%)	
OVERALL %		0%	33%	13%	46%	6%

Table 4.17 shows that overall; the majority of responses indicate that it is perceived that LLMMs are spending more time on planning for logistics than in the past because of the results clustered into category (4) “agree”.

There is also a substantial cluster of responses in category (2) “disagree” that indicate that it is perceived that LMMFs are not spending enough time on planning for logistics than in the past.

Core Competencies (High Quality Production)

Table 4.18 Local lawn mower manufactures achieve International standards in terms of quality.

	mean	Strongly disAgree	disAgree	Neither disagree nor agree	agree	Strongly agree
		(1)	(2)	(3)	(4)	(5)
RETAILERS	3.2		4 (36%)	1 (9%)	5 (45%)	1 (9%)
MANUFACTURERS	3.5		1 (25%)	1 (25%)	1 (25%)	1 (25%)
OVERALL %		0%	33%	13%	40%	13%

Table 4.18 shows that overall; the majority of responses indicate that it is perceived that LLMMs achieve International standards in terms of quality because of the results clustered into category (4) “agree”.

There is also a substantial cluster of responses in category (2) “disagree” that indicate that it is perceived that LMMFs are not achieving international standards in terms of quality.

Core Competencies (High Quality Production)

Table 4.19 Lawn mowers made by South African lawn mower manufactures are highly reliable

	mean	Strongly disAgree	disAgree	Neither disagree nor agree	agree	Strongly agree
		(1)	(2)	(3)	(4)	(5)
RETAILERS	4		1 (9%)		8 (72%)	2 (18%)
MANUFACTURERS	4		1 (25%)		1 (25%)	2 (50%)
OVERALL %		0%	13%	0%	60%	26%

Table 4.19 shows that overall; the majority of responses indicate that is perceived that lawn mowers made by LLMMs are highly reliable because of the results clustered into category (4) “agree”.

It is interesting to note that a substantial amount of responses are in category (5) “strongly agree” highlighting that lawn mowers made by LLMMs are really perceived to highly reliable note that the majority of the manufacturer’s results are clustered into category (5) “strongly agree” indicating that LLMMs manufacture highly reliable lawn mowers.

Core Competencies (Customer Service and Flexibility)

Table 4.20 Local lawn mower manufactures service levels can be rated as being world class.

	mean	Strongly disAgree	disAgree	Neither disagree nor agree	agree	Strongly agree
		(1)	(2)	(3)	(4)	(5)
RETAILERS	3		3 (27%)	5 (45%)	3 (27%)	
MANUFACTURERS	4		1 (25%)		1 (25%)	2 (50%)
OVERALL %		0%	27%	33%	27%	13%

Table 4.20 shows that overall; there are larger differences in the manner in which the respondents perceived LLMMs being rated as being world class in relation to their service levels because of the results clustered into category (2) “disagree”, (3) “neither disagree not agree” and category (4) “agree”.

Core Competencies (Customer Service and Flexibility)

Table 4.21 Local lawn mower manufacturers rarely run into out of stock situations.

	mean	Strongly disAgree	disAgree	Neither disagree nor agree	agree	Strongly agree
		(1)	(2)	(3)	(4)	(5)
RETAILERS	2.2	1 (9%)	6 (54%)	4 (36%)		
MANUFACTURERS	2.75	1 (25%)	1 (25%)	1 (25%)		1 (25%)
OVERALL %		13%	47%	33%	0%	7%

Table 4.21 shows that overall; the majority of responses indicate that LLMMs are perceived to rarely run into out of stock situations because of the results clustered into category (2) disagree.

There is also a substantial cluster of responses in category (3) “neither disagree nor agree” that indicate that it can’t be decided whether or not LLMMs rarely run into out of stock situations.

4.2.7 Core Capabilities

Core Capabilities (Talent)

Table 4.22 Local lawn mower manufactures retain competent and committed people.

	mean	Strongly disAgree	disAgree	Neither disagree nor agree	agree	Strongly agree
		(1)	(2)	(3)	(4)	(5)
RETAILERS	3.5		1 (91%)	3 (27%)	7 (63)%	
MANUFACTURERS	4		1 (25%)		1 (25%)	2 (50%)
OVERALL %		0%	13%	20%	53%	13%

Table 4.22 shows that overall; the majority of responses indicate that is perceived that LLMMs retain competent and committed people because of the results clustered into category (4) “agree”.

Core Capabilities (Collaboration)

Table 4.23 Local lawn mower manufactures believe in practicing a high level of collaboration between their various departments.

	mean	Strongly disAgree	disAgree	Neither disagree nor agree	agree	Strongly agree
		(1)	(2)	(3)	(4)	(5)
RETAILERS	3.4			6 (54%)	5 (45%)	
MANUFACTURERS	4.25			1 (25%)	1 (25%)	2 (50%)
OVERALL %		0%	0%	47%	40%	13%

Table 4.23 shows that overall; the majority of responses indicate that it can't be decided whether or not LLMMs are perceived to be practicing a high level of collaboration between their various departments because of the results clustered into category (3) "neither disagree nor agree".

It is interesting to note that a substantial amount of responses are in category (4) "agree" highlighting that the LLMFs do believe in practicing a high level of collaboration between their various departments

Core Capabilities (Learning)

Table 4.24 Local lawn mower manufactures benchmark themselves against what other manufactures are doing.

	mean	Strongly disAgree	disAgree	Neither disagree nor agree	agree	Strongly agree
		(1)	(2)	(3)	(4)	(5)
RETAILERS	3.6		1 (9%)	3 (27%)	4 (36%)	3 (27%)
MANUFACTURERS	4.25				2 (55%)	2 (50%)
OVERALL %		0%	6%	20%	40%	33%

Table 4.24 shows that overall; the majority of responses indicate that is perceived that LLMMs do benchmark themselves against what other manufactures are doing because of the results clustered into category (4) “agree”.

It is interesting to note that a substantial amount of responses are in category (5) “strongly agree” highlighting that the LLMFs efforts to conduct benchmarking against what other manufactures are doing is quite strong.

Core Capabilities (Leadership)

Table 4.25 A practice promoted by local lawn mower manufactures is to develop leaders across their organisation.

	mean	Strongly disAgree	disAgree	Neither disagree nor agree	agree	Strongly agree
		(1)	(2)	(3)	(4)	(5)
RETAILERS	2.8	1 (9%)	5 (45%)	1 (9%)	3 (27%)	1 (9%)
MANUFACTURERS	3.5		1 (25%)		3 (75%)	
OVERALL %		0%	40%	6%	40%	6%

Table 4.25 shows that overall; an equal majority of responses indicate that it can't be decided whether or not Local lawn mower manufacturers consider promoting practices to develop leaders across their organisation because of the results clustered into category (2) "disagree" and category (4) "agree" respectively.

Core Capabilities (Customer Connectivity)

Table 4.26 Local lawn mower manufacturers are known to be good at building enduring relationships of trust with targeted customers.

	mean	Strongly disAgree	disAgree	Neither disagree nor agree	agree	Strongly agree
		(1)	(2)	(3)	(4)	(5)
RETAILERS	3		5 (45%)	1 (9%)	4 (36%)	1 (9%)
MANUFACTURERS	4		1 (25%)		1 (25%)	2 (50%)
OVERALL %		0%	40%	6%	33%	20%

Table 4.26 shows that overall; the majority of responses indicate that it is perceived that LLMMs are known to be good at building enduring relationships of trust with targeted customers because of the results clustered into category (4) and category (5) “strongly agree”.

It is interesting to note that a substantial amount of responses are in category (2) “disagree” highlighting that there it is perceived that LLMFs are not really building enduring relationships of trust with targeted customers.

Core Capabilities (Efficiency)

Table 4.27 Local lawn mower manufacturers are good at managing all costs.

	mean	Strongly disAgree (1)	disAgree (2)	Neither disagree nor agree (3)	agree (4)	Strongly agree (5)
RETAILERS	3		2 (18%)	6 (54%)	3 (27%)	
MANUFACTURERS	4		1 (25%)		1 (25%)	2 (50%)
OVERALL %		0%	20%	40%	26%	13%

Table 4.27 shows that overall; the majority of responses indicate that it can't be decided whether or not LLMMs are perceived to be good at managing all costs because of the results clustered into category (3) “neither disagree nor agree”.

It is interesting to note that a substantial amount of responses are in category (4) “agree” highlighting that the LLMFs do believe that they are good at managing all costs.

4.2.8 Functional Strategic Initiatives (Marketing)

Table 4.28 Local lawn mower manufactures place strong emphasis on achieving high brand equity in the market place.

	mean	Strongly disAgree	disAgree	Neither disagree nor agree	agree	Strongly agree
		(1)	(2)	(3)	(4)	(5)
RETAILERS	4				11 (100%)	
MANUFACTURERS	4.5				2 (50%)	2 (50%)
OVERALL %		0%	0%	6%	86%	13%

Table 4.28 shows that overall; the majority of responses indicate that is perceived that LLMMs do place strong emphasis on achieving high brand equity in the market place because of the results clustered into category (4) “agree”.

Functional Strategic Initiatives (Marketing)

Table 4.29 In achieving a high degree of brand awareness local lawn mower manufactures believe in skillfully advertising there products.

	mean	Strongly disAgree	disAgree	Neither disagree nor agree	agree	Strongly agree
		(1)	(2)	(3)	(4)	(5)
RETAILERS	3.1		3 (27%)	3 (27%)	5 (45%)	
MANUFACTURERS	4		1 (25%)		1 (25%)	2 (50%)
OVERALL %		0%	27%	20%	40%	13%

Table 4.29 shows that overall; the majority of responses indicate that is perceived that LLMMs do skillfully advertise there products and achieve a high

degree of brand awareness because of the results clustered into category (4) “agree”.

4.2.9 Uniting Business Strategy and Functional Strategic Initiatives

Table 4.30 Local lawn mower manufactures top level management strategies and objectives are consistently applied across their different functional departments.

	mean	Strongly disAgree (1)	disAgree (2)	Neither disagree nor agree (3)	agree (4)	Strongly agree (5)
RETAILERS	2.8		6 (54%)	1 (9%)	4 (36%)	
MANUFACTURERS	3.75		1 (25%)		2 (50%)	1 (25%)
OVERALL %		0%	47%	6%	40%	6%

Table 4.30 shows that overall; an equal majority of responses indicate that it can't be decided whether or not LLMMs top level management strategies and objectives are consistently applied across their different functional departments because of the results are clustered into category (2) “disagree” , category (4) “agree” and (5) “strongly agree”.

4.2.10 Overall Quantitative Analysis

Overall Quantitative Analysis: Sustaining Competitiveness

The research results relating to the theme “sustaining competitiveness” is discussed in section 4.2.3.

Overall Quantitative Analysis: Responding to Changes in the Industry

The research results relating to the theme “responding to changes in the “industry“ is discussed in section 4.2.4.

Overall Quantitative Analysis: Functional Strategic Initiatives

The following topics were covered in an effort to perform analyses on the functional strategic initiatives of the lawn mower manufactures to assist in accessing the manufactures competitive strength.

Manufacturing was covered in tables 4.3 - 4.7 with special focus on outsourcing and production management related topics. In terms of outsourcing it can't be said LLMMs are perceived to neither have, nor have not obtained a functional strategic initiative in regards to outsourcing activities. In terms of production management LLMMs are perceived to have functional strategic initiative in production management activities. The overall analysis taking production and outsourcing into consideration is that manufactures are perceived to have competitive strategic initiatives in their manufacturing departments.

Supply chain management was covered in tables 4.8 and 4.9. The overall analysis indicates that the LLMMs are perceived to have competitive strategic initiatives in their supply chain activities.

Technology was covered in tables 4.10 and 4.11. The overall analysis indicates that LLMMs are perceived to neither have, nor have not obtained competitive strategic initiatives in terms of their technological departmental activities.

Sales were covered in tables 4.12 and 4.13. The overall analysis indicates that the LLMMs are perceived to have competitive strategic initiatives in their sales departmental activities.

Marketing was covered in tables 4.28 and 4.29. The overall analysis indicates that the LLMMs are perceived to have competitive strategic initiatives in their marketing departmental activities

Overall Analysis Summary: Functional Strategic Initiatives

The LLMMs are perceived to have competitive strategic initiatives in a majority of their departments in terms of manufacturing, supply chain management, sales and marketing. The overall analysis indicates that LLMMs are perceived to neither have, nor have not obtained functional strategic initiatives in the technological departmental area focus.

Overall Quantitative Analysis: Core Competencies

Production costs were covered in tables 4.14 and 4.15. The overall analysis indicates that LLMMs are perceived to neither have, nor have not obtained a core competency in regards to maintaining production costs.

Logistics was covered in tables 4.16 and 4.17. The overall analysis indicates that the LLMMs are perceived to have obtained a core competency in regards to their logistics practices.

Producing quality products was covered in tables 4.18 and 4.19. The overall analysis indicates that the LLMMs are perceived to be producing quality products have obtained a core competency in this regard.

Customer service and flexibility covered in tables 4.20 and 4.21. The overall analysis indicates that the LLMMs are not perceived to have a core competency in regards to customer service and flexibility.

Overall Analysis Summary: Core Competencies

The overall assessment indicates that LLMMs are perceived to have achieved core competencies in regards to logistics management and producing high quality products. The overall analysis indicates that LLMMs are perceived to neither have, nor have not obtained a core competency in regards customer service and flexibility and maintaining production costs.

Overall Quantitative Analysis: Core Capabilities

Each topic has already been discussed under each table number 4.22 to 4.27.

Overall Analysis Summary: Core Capabilities

The LLMMs are perceived to have core capabilities with regards to talent, collaboration, learning, customer connectivity and in efficiency. The overall analysis indicates that LLMMs are perceived to neither have, nor have not obtained a core capability in regards leadership.

Overall Quantitative Analysis: Uniting Functional and Business Strategy

The research results relating to the theme “Uniting Business Strategy and Functional Strategic Initiatives” is discussed in section 4.2.9.

4.3 Qualitative Study

The qualitative study was completed by 5 participants. The sample of participants was aged from 35 to 63. The participants were all white males (100 %) who could all be classified as being experts in their relevant fields of knowledge. Three of the participants were related to the lawn mower manufacturers and two participants were selected from the retailing sector. The questions were answered by all the participants.

<u>Section</u>	<u>Analysis</u>
4.3.1	Local Firm Specific Advantages
4.3.2	Local Industry Competitive Character
4.3.3	Local Industry Economic Competitive Character
4.3.4	Global Attractiveness of Local Industry

NOTE: In each section the theme which is covered together with the related question followed by the analysis is provided.

4.3.1 Local Firm Specific Advantages

Local Firm Specific Advantages (Brand Leadership)

Question 1: In relation to market presence, do local manufacturers have brand leadership in South Africa and secondly do the manufactures brands enjoy leading market share in their category?

Analysis:

Overall the manufacturers felt they have brand leadership and they also felt that their brands enjoy leading market share in their respective categories. The retailers supported the views of the manufactures on both issues.

Local Firm Specific Advantages (Distribution Channels)

Question 2: Please discuss the distribution channels in terms of their Integration and the market coverage that these distribution channels cover.

Analysis:

Overall the manufactures enjoy national market coverage and this view is supported by the retailers.

Overall the distribution channel is nationally integrated. The integration doesn't get come from the sales channel because retailers and service dealers act as independent middleman buying their lawn mowers directly from the three largest lawn mower manufacturers in the country. The source of the integration channel comes into effect in the service and repair activities when the retailer's forward their lawnmowers to the service dealers who in turn can only get the spare parts from the manufactures.

4.3.2 Local Industry Competitive Character

Local Industry Competitive Character:

Question 3.1: Is there intensity between manufacturers in pushing for customer favor for example offering the best prices or quality?

Analysis:

Overall all the manufactures felt that the level of intensity in pushing for customer favor is very high. The main reasons for the intensity related to limited number potential sales each year, limited number of retailers, limited price range and high standards of product and service. The viewpoint was also supported by the retailers.

Other less mentioned issues that were indicated related to the limited floor space available and strength of a single retailer Massmart controlling 50% of the market.

Local Industry Competitive Character

Question 3.2: What is the potential for new competitors to enter the market?

Analysis:

Manufacturers overall felt that the possibility is there that a local manufacture might want to enter the market but the feeling is that the possibility extremely unlikely. The retailers supported this viewpoint.

In terms of a new international competitor entering the local market the manufacturers overall feeling was that the possibility of this taking place was quite possible. The retailers were mixed in their views one half supporting the manufactures and the side opposed the view. In general the overall analysis supported a possibility of foreign entry.

Local Industry Competitive Character

Question 3.3: Are substitute products available?

Analysis:

The overall answer for all the respondents was that no substitute's products were available.

Local Industry Competitive Character

Question 3.4: Is there a high degree of collaboration between the supplier and the manufacturer for example to reduce inventory and logistics costs?

Analysis

Overall the manufacturers agreed that there was a good degree of collaboration between the manufacturers and their relevant suppliers locally and internationally. The overall distinction is that is the collaboration is not at the highest levels but at a good level. The manufacturing viewpoint is supported by the retailers.

Local Industry Competitive Character

Question 3.5: Do buyers have controlling bargaining power over their suppliers, for example could the buyers change suppliers with ease?

Analysis

The overall analysis in terms of supports the view that the buyers can change the suppliers with ease. The retailer's reasons relate to the large market shares which the retailers represent and being able to switch to an alternate supplier that offers service and alternate brands.

Possible reasons why the retailers might not be able to change suppliers relate to suppliers distinct branding in the market and the manufacturers reasons draw on price, specialty of product, service and quality.

It is interesting to note that two of the lawnmower manufactures believe that the buyers could change suppliers with ease and one of the reasons related to price and service being important factors.

4.3.3 Local Industry Economic Character

Local Industry Economic Competitive Character

Question 4: What factors possessed by foreign competitors would assist them in competing with the local manufacturers?

Analysis

Overall the manufacturers felt that foreigners have the necessary skills, expertise, financial resources and cheap labour costs. The retailers highlighted other factors specifically related to ease of replication and innovativeness and supported the manufactures on financial strength being a factor.

Local Industry Competitiveness

Question 5: What are the possible reasons why foreign competitors would want to set up production facilities in South Africa?

Analysis

The overall response including the Retailers was that foreign competitors would not want to set up production facilities in South Africa, the relevant issues will be covered in the next point.

Local Industry Competitiveness

Question 6: What issues limit multinational company's setting up operations locally?

Analysis

Overall the following factors were seen as being factors that would limit foreign competitors from entering the market they include:

- *Market size (concentration of powerful electric lawn mower revenue)*
- *High production costs relating to steel and labour.*
- *Local manufacturers have developed well suited electric lawnmowers because of strong local electrical regulations.*

- *Service dealer network (important part of distribution channel).*
- *South African Bureau costs and strict regulation enforcement.*
- *Local market conditions*
- *National market coverage (scope of competitive rivalry)*

Local Industry Competitiveness

Question 7: Have any strong strategic alliances been formed in the industry that will assist in complementing the capabilities of the local manufactures?

Analysis:

All three manufacturers supported the view that a very strong relationship exists between them and the service dealers. Besides one manufacture the other manufactures felt that they have formed strategic alliances with their suppliers and the retailers. The retailers supported the view that the manufacturers have formed strategic alliances with their suppliers but did not mention any strategic alliance between themselves and the manufacturers.

4.3.4 Global Attractiveness of Local Industry

Question 8: In terms of a global outlook what do you view as the most challenging issues that the local lawn mower manufacturing industry will face in the future, considering for example any political, legal and economic factors?

Global Attractiveness of Local Industry (Political)

Analysis

The overall feeling is that there are not politically challenging issues facing the market in the future in terms of the manufactures and the retailer's feedback.

Global Attractiveness of Local Industry (Legal)

Analysis

The overall response relates to the strict standards being enforced by the South African bureau of standards that the local lawn mower manufacturers will have to still contend with.

Global Attractiveness of Local Industry (Economic)

Analysis

The overall response that was mentioned related to the rand getting weaker which would cause the local manufacturers to pay more for their motors imported from their international suppliers.

Other issues to consider include a growing middle class; if the economy gets stronger the less people will be repairing their machines but buying new ones.

Two of the manufacturers did feel that the government bringing down import duties on selected related parts is a cause for concern.

CHAPTER 5

DISCUSSION OF RESULTS

5.1 Research Questions

5.1.1 Research Question 1

Research question 1 was to establish whether the supporting economic and competitive character of the local industry together present a strong local competitive situation facilitating dominance of the local industry. In section 4.3.1, 4.3.2 and section 4.3.2 it was found that the nature and intensity of the economic and competitive forces are both strong. The results thus correlate to the competitiveness character of the local industry and both factors can be perceived to be an important factor facilitating that the local industry is competitively strong in a global economy.

5.1.2 Research Question 2

Research question 2 was to investigate whether the business strategies adopted by the local lawn mower manufactures have been successful in building long competitive industry strength and supporting the dominance of the local lawn mower market. Overwhelmingly a majority of the important elements that relate to substantiating a strong long term competitive business strategy were perceived to be competitively developed. The results of this report indicate that the business strategies adopted by the local lawn mower manufactures are successful or building competitive industry strength and ensuring local market dominance.

Thompson & Strickland (2003) do not indicate which factor is more important than another but in relation to the overall results, important elements relating to business strategic competitiveness was investigated and were perceived to be adequately developed. They included *sustaining competitiveness, forming responses to changes underway in the industry, building competitively valuable*

competencies and capabilities and functional departments displaying forms of strategic competitive initiatives.

5.1.3 Research Question 3

Research question 3 was to assess whether the local lawn industry has developed distinct signs of competitive strength that has facilitated being competitively strong in a global economy. In terms of industry competitiveness four distinct measures of competitiveness strength were discovered namely:

- Strong Market Share
- Distinctive Strategy Hard for Rivals to Match or Copy
- Strong Differentiated Product
- Strong Brand Equity

The results of this report indicate that the local lawn industry has developed distinct signs of competitive strength that has facilitated being competitively strong globally.

The signs of competitiveness were discovered in section 5.3.2 which indicated that the local manufactures have strong market share and a strong differentiated product. The other two signs of competitiveness were discovered in section 5.3.8 which found that the lawn mower manufactures have a distinctive strategy which is hard for rivals to match or copy in terms of their distribution channel. Only two out of the three firm specific advantages were researched and both were perceived to be very strong advantages related to the local industry and supported the findings of Jaffe et al (2005).

5.2 Research Objectives

The primary objective of this research was to establish whether the competitiveness strength of the local lawn mower industry is the reason for the manufactures dominating the local market in a global economy. From the outcomes of research questions 1, 2 and 3, it may be inferred that the local lawn

mower manufacturing industry is competitively strong and which results in the lawn mower manufacturing industry acquiring the necessary strength to contest multinational entry into the home country and thus be able to dominate the local industry. The basis for the conclusion relates to the reasoning that these competitive strengths will be difficult for global competitors to match which provides an indicator of the local lawn mower industry being competitively strong and being able to dominate the local lawn mower industry.

5.3 Sub Problems

5.3.1 Sub Problem 1

Sub problem 1 was to investigate whether the local lawn mower manufacturing industry has developed dominant economic features that are associated with the competitiveness in the industry. The research results indicated that the local lawn mower manufactures have developed dominant economic features that can be positively correlated to supporting the industries competitiveness strength. The analysis highlighted four key economic features which were supported by both the manufactures and the retailers. The key economic features are:

Market Size (Concentration of Powerful Electric Lawn Mower Market);
Differentiation of Products (Rival Firm Products Essentially Identical);
Scope of Competitive Rivalry (National); and
Repairs and Maintenance Strategic Distribution Channel

One has to correlate each one of these economic factors in terms of their implications on the strategic efforts of the local companies to substantiate their perceived competitive strength (Thompson & Strickland, 2003).

Market Size (Concentration of Powerful Electric Lawn Mower Market)

The global economy is focused on the markets related primarily to petrol lawn mowers with specific reference to the USA market. The local market size is very small relative to global sales (total local petrol lawn mower motor requirement for

all the local lawn mower manufacture is produced in one morning, by one USA Company Briggs and Staten. The problems associated with regards to petrol lawn mowers has facilitated together with stringent local electrical regulations (specific for strong powerful electric lawnmowers) that there is a local market concentration for powerful electric lawn mowers. Through this process the local manufactures have been able to gain competitive strength in being the leading market shareholders and have gained the necessary skills over the years through developing powerful electrical motors.

Differentiation of Products (Rival Firm Products Essentially Identical)

In terms of differentiation of products there is a positive correlation to local industry competitiveness strength because local manufactures are highly competitive in manufacturing powerful electric motors considering that all the local manufactures produce essentially identical electric lawn mowers.

In terms of the global market the local manufactures have totally distinctly different lawn mowers to the largest market being the USA who focus on petrol lawn mowers and base their manufacturing on different local conditions. The European manufactures also focus on producing highly differentiated electric lawn mowers which have less power and that suit radically different locally conditions.

Scope of Competitive Rivalry (National)

The scope of the competitive rivalry for all three of the local manufactures is nationally based and this can be seen as a competitive strength which a competitor locally or internationally would not easily replicate without incurring substantial costs to set up the necessary infrastructure (Hill, 2003).

Repairs and Maintenance Strategic Distribution Channel

The repairs and maintenance distribution channel considering the involvement of the services dealers on a national level is strongly correlated to lawn mowers

manufactures gaining competitive strength. New competitors would have to secure contracts with the national service dealers to service and repair their lawn mowers sold to the retailers. The local lawn mower manufactures already have this network in place and in certain areas have their own service dealer agents. Knorr (1991) places specific emphasis on the importance of the distribution and the retailer network channel which facilitates structurally mutually beneficial strategies for competing.

The research results support the findings of Wise & Baumgartner (1999) who found that manufactures are achieving success have moved beyond the factory gate to try get into the valuable economic activity throughout the entire product life cycle. Wise & Baumgartner (1999) continue by referring to manufactures having intimate knowledge of their products and markets and are therefore in a strong position to carry out downstream activities and they explicitly refer to the maintenance and supplying of spare parts and consumables.

5.3.2 Sub Problem 2

Sub problem 2 was to assess whether the perceived competitive character of the local lawnmower market is strong and forms an essential component of the competitiveness strength of the local industry. Thompson & Strickland (2003) refer to five forces of competition indicating the level of competitiveness in the industry being:

- Rivalry among Competing Sellers
- Potential Entry of New Competitors
- Competitive Pressures from Substitute Products
- Competitive Pressure Stemming from Supplier Bargaining Power and Supplier Seller Collaboration
- Competitive Pressures Stemming from Buyer Bargaining Power

The five forces model of competition presented in figure 2.1 was used to diagnose the competitive character of the local environment proved successful in indicating on three of the five competitive force researched the relevant results to

substantiate the strong competitive character in the local industry. Based on the overall analysis in section 4.3.2 and the strongest competitive force it can be inferred that there is a strong competitive character in the local lawn mower industry unattractive to global competitors.

An important element must be considered is that in terms of the strongest competitive force being rivalry among competing sellers. The research indicated that the cross company rivalry was not centred on a single element but on four different related areas being the limited number potential sales each year, limited number of retailers, limited price range and high standards of product and service which reinforces the competitiveness intensity in the local market. A market segment will be seen as unattractive if it contains strong and aggressive competitors (Kotler, 2000).

In relation to the threat of new competitors the results of the research indicated that the possibility of foreign competitors entering the market is a distinct possibility. If foreign competitors want to enter the market the local market is perceived to be attractive but the competitive threat to entry will still depend on barriers to entry and exit considerations (Kotler 2000).

In regards to substitute products being available, research analysis highlighted that the lawn mowers manufactures are not presented with a competitive force in this regard. A market segment is seen to be attractive when there are no actual or potential substitutes for the product (Kotler, 2000). Since the 1950's there has not been a substitute for the lawnmower and it can't be seen that this factor will have any impact in making the market attractive to foreign competitors.

Research indicated that there was a good level of supplier seller collaboration. Thompson & Strickland (2003) indicate that by managing supply chain relationships and forming effective collaborative partnerships with suppliers will ensure that benefits are acquired translating into competitive advantages. Suppliers tend to be powerful and have an influence in making the local market seem unattractive when there are no substitute products available (Kotler, 2000)

The research indicated that there are competitive pressures stemming from buyer bargaining power. Kotler (2000) states that buyers with substantial buying power will try to force down prices, demand more quality or service and even set competitors against each other, all the expense of the seller's profitability. A market segment is perceived to be unattractive if the buyers have strong bargaining power.

Thompson & Strickland (2003) refer to Porters Five Forces model being an important tool in accessing the principle competitive pressures in the market and assessing the strength and importance of each one. Porters Five Forces model is also the most widely used technique of competition analysis.

5.3.3 Sub Problem 3

Sub problem 3 was to explore whether the competitive strength of the local lawn mower manufacturing companies can be related to perceived competitive moves and market approaches crafted to achieve sustainable advantage. In terms of the overall results it was clearly perceived that competitive moves and market approaches have been crafted to achieve sustainable advantage which substantiates the competitiveness strength of the lawn mower manufactures. The findings of Bonvilian (2004), Nassimbeni (2003) & Fleury (1999), and several other authors stressed the importance of various actions that are used by manufactures to face competitive challenges.

5.3.4 Sub Problem 4

Sub problem 4 is to investigate whether the competitive strength of the local lawn mower manufacturing companies can be related to their perceived responses to changes underway in the industry. The overall analysis indicated that it is perceived that manufactures are responding to changes underway in the industry although there were some results to the contrary. Brown & Eisenhardt (1998) make it clear that management cannot wait for the future to unfold; if they do they will remain in their industries where it will be impossible to catch up. Management can't try to understand where the direction of the change will come

because it too uncertain to predict. Management must know where change will emerge from, it can come from outside the industry or within-from such as suppliers, customers, competitors.

5.3.5 Sub Problem 5

Sub problem 5 was to investigate whether the local lawn mower manufacturing companies have gained competitive strength because they have developed distinctive manufacturing core competencies. In terms of the overall results it was perceived that distinctive manufacturing core competencies were developed in two areas being high quality production and logistics practices. The research focused on four competencies relating specifically to manufacturing activities being:

- Production Costs
- Customer Service and Flexibility
- Logistics Practices
- High Quality Production

The focus of the research is on discovering distinctive manufacturing related core competencies; irrespective of the results it is important to realise that the firms in the industry might still have company competencies which are different to core competencies (Thompson & Strickland, 2003). In the analysis LLMMs were not perceived to neither have, nor have not obtained a core competency in regards customer service and flexibility and maintaining production costs. It is interesting that production costs were perceived in the same manner in terms of section 5.3.5 which addresses departmental strategic initiatives.

5.3.6 Sub Problem 6

Sub problem 6 was to explore whether the competitive strength of the local lawn mower manufactures has been gained in a global economy because core capabilities are perceived to be an important strategic factor. Six core capabilities were selected that are considered to be part of a list of eleven that a well

managed company tends to have (Ulrich & Smallwood, 2004). The six core capabilities selected were talent, collaboration, learning, leadership, customer connectivity and efficiency.

In terms of the overall results it was clear that core capabilities are perceived to be an important strategic factor in the LLMMs gaining competitive strength. Ulrich & Small Wood (2004) comment that there is not an actual list of capabilities; however their findings have identified eleven core capabilities that well managed firms tend to have. Ulrich & Small Wood (2004) in addition stipulate that a company's leadership focus should be on concentrating on excelling at a few targeted capabilities than diffusing leadership energy over a number of capabilities and that the independence of capabilities need to be recognised. The analysis did highlight that leadership is not perceived as a strong core capability and in this regard management have to realise that in terms of striving to be competitive and maintain market dominance the role of effective leadership cannot be over emphasised "Leadership is the behaviour of an individual ...directing the activities of a group toward a shared goal" (Yukl, 2002). Other core capabilities that need to be carefully monitored relate to the LLMMs being efficient in controlling their production costs and their customer connectivity efforts. The importance of the relationship between the customer and the LLMMs cannot be over emphasised because of the incontrovertible link between customer retention and profitability (Paladino, Bates & Giovanni et al, 2002).

5.3.7 Sub Problem 7

Sub problem 7 was to assess whether the local lawn mower manufactures perceive their functional departments to have achieved competitive strength and thus support local market dominance. A long list of functional departments was not listed; instead the research identified five specific key functional areas which are referred to as *manufacturing, supply chain management, technology, sales and marketing*.

In terms of the overall results it was perceived that the LLMMs key functional departments are achieving competitive strength which supports the factors that ensure local market dominance. Specific functional departmental activities that

support the analysis include manufacturing (production management), supply chain management, sales and marketing activities.

It is important to consider that in regards to the “*supply chain management*” functional area, findings of Beekman & Robinson (2004) highlight that there is a trend for companies to act in concert with their suppliers to function more effectively in a hypercompetitive environment. In terms of the functional area “*sales*”, findings by Bloom & Perry (2001) indicate that developing a relationship with key retailers can lead to a competitive advantage rather than a bust once a certain market share is reached. In terms of the functional area “*marketing*” that high brand equity provides a number of competitive advantages which will directly impact on the competitiveness of the companies concerned (Kotler, 2000).

In relation to the overall technological analysis LLMMs are perceived to neither have, nor have not obtained competitive strategic departmental initiative in terms of their technological departmental activities. This departmental area is important considering that Hill (2003) addresses many advantages that have become possible in the technological field with specific reference to the internet and World Wide Web. These possibilities need to be considered because the growing number of transactions conducted on the web is not businesses to customer related but business to business orientated. It is understandable that the greatest potential of the web is seen in the business to business arena.

In the overall analysis it was not clearly perceived whether or not LLMMs top level management strategies and objectives are consistently applied across their different functional departments. Brown & Eisenhardt (1998) stipulate that companies that are highly competitive need to improvise, co-adapt and experiment, these strategic roles can only be achieved through consistent application of strategies between the functional and business levels.

5.3.8 Sub Problem 8

Sub problem 8 is to assess whether the local manufactures dominate the local market because of their competitive strength determined by firm specific advantages and the local market being seen as unattractive in the global environment.

Firm Specific Advantages

In relation to the firm specific advantages the research focused on two firm specific measurements scales relating to firms in local industries being *market presence strength and independent distribution channels* (Jaffe et al, 2005). The results of the research corresponded remarkably well to the findings of Jaffe et al (2005) these results infer that local manufactures have gained competitive strength from firm specific advantages and in turn face strong local pressures to localize their product offering to suit the needs of the customers and regulations locally (Jaffe et al, 2005).

The research results supported the findings of Jaffe et al (2005) specifically with reference to brand equity and a strong distribution network which are directly linked to gaining a competitive advantage at home.

Global Un- Attractiveness of Local Market

In relation to the overall attractiveness of the local market as a potential market and/or investment site the research focused on three functions of the local country being *political, legal and the economic* environment and the risks associated with each of these functions (Hill, 2003). The research results support the local market being perceived to be unattractive because of the results obtained in relation to the determining economic and legal factors.

Economically the largest market in terms of revenues relates to the US market whose primary market is based on petrol lawnmowers. In the research it was highlighted that that LLMMs manufacture a different type of lawn mower to US

and European manufactures who produce a lawn mower to suit their markets, mostly petrol based and some electrical.

Although the research does highlight that the local market is perceived not to be attractive because of various factors such as market size and future economic growth prospects it doesn't mean that the local products cannot be replicated and manufactured overseas. The local market still has market revenue that is primarily concentrated on producing powerful electric lawnmowers that could be attractive to other possible global competitors from Asia such as the Chinese who are pursuing a more traditional emphasis on manufacturing led growth (Bonvillian, 2004).

In terms of the strength of the distribution channel with reference to the service dealer a foreign competitor will have to implement a service and maintenance national channel. Hill (2003) commented that at the extreme it becomes very costly when an international firm has to provide its own international infrastructure and supporting business. The same situation applies to in terms of the local conditions, local manufactures have the necessary skills and expertise in producing the right product for the local market, unique to South Africa. For foreign competitors to develop lawn mowers that are on the same level will be costly.

Politically the results did indicate that no politically forces will be causing any drastic changes in the local business environment which means that the local environment can be seen as attractive in a political sense.

Jaffe et al (2005) have highlighted that companies that have manufactured products that successfully meet the needs of customer's who want products specific to their local conditions will be competitively strong.

Legally, Hill (2003) comments that it is more costly to do business in a country local laws and regulations set strict standards. Foreign competitors with specific reference to the Asian countries will not find it easy to enter the local market

because of the strict local regulations enforced by the South African Bureau of Standards.

CHAPTER 6

RECOMMENDATIONS FOR LOCAL LAWN MANUFACTURERS

6.1 Summary of Research Results

The overall result of the research was that the current local lawn mower manufacturers do have a competitive position that is strong which supports the key industry competitive measures and dominance of the local market. These findings were discovered through careful analysis of the economic and competitive characteristics of the local industry taking into the consideration the global environment. In addition the research was supported by the findings of Jaffe et al, (2005) which investigated the strategic options of local country firms in terms of their firm specific advantages.

6.2 Economic Competitive Considerations

The research highlighted that there are four key competitive measures that have an impact on profiling the industries economic competitiveness. Although the market is currently a concentration of powerful electric lawn mowers the research has indicated that there is a growing economic middle class who will in time be investing in homes that will be requiring smaller sized electric lawn mowers. The local market has recently seen the advent of the Chinese manufactures selling their first lawn mowers on a National level through two National retailing chains and in time the local market could even be appealing to European manufactures.

Various strategies can be followed in strengthening the economic competitiveness of the industry and thus preventing the entry of multinational firms. Bonvillian (2004) suggests that in manufacturing there is a new battle whereby the focus is shifting from machines to capital plant and natural resources to talent and knowledge. Local lawn manufactures have achieved national market coverage but need to use their skills and knowledge relating to the local market conditions in developing the lawn mowers that will suit the emerging market while maintaining their existing mature market. Management

trade discussions that were limited to products need to incorporate corporate knowledge management and services (Bonvillian, 2004).

In terms of the research it is evident that the lawn mower market is a mature market. Kotler (2000) refers to three stages of maturity being growth, stable and decaying maturity. The research indicates that the lawn mower manufactures are in the second phase of maturity because sales are governed by population growth and replacement demand which also implies that sales are beginning to flatten per capita and the market is saturated. Local manufactures have strategic options which include keeping the status quo as it is achieving profits through high volume and low cost. The other option which is advised is for local firms to consider pursuing a niche strategy and obtain low profits through low volume and high margin (Kotler, 2000). Kotler (2000) also advises that the firms in the local industry must not in the maturity stage ignore the high potential that many mature and old products have.

The local manufactures have maintained a critical repairs and maintenance strategic distribution channel. The manner in which this critical distribution channel is controlled is needs strengthening. The research indicated haphazard gentleman agreements and a limited number of manufactures solely owned agencies. The agencies do offer strong control but there are factors that that prevent the agencies from securing the vital distribution channel which relate to cost implications of running these agencies which results in agency inadequate national market coverage. It is advised that, in regards to the service dealer network it is critical that formal contracts are drawn up between the service dealers and the local manufactures. Jaffe et al, (2005) highlight that local firms can even follow a “co-operator” strategy where the local firms together set clear trade regulations based on supporting their own local products and even trying to limit the service dealers from maintaining and repairing new lawn mower products not agreed to in the contract. Whether individually or as a co operator strategy the local lawn mower manufactures could even look at providing incentives to the service dealers for supporting the local manufactures and where economically feasible agencies can be set up

Petrol lawn mowers as a consideration in taking over the electric lawn mower market at this stage is not considered a threat currently for various reasons discussed in the research.

6.3 Competitive Character Considerations

The research indicated that the competitive character of the local lawn mower manufacturing is strong because of the strength of 4 of the 5 competitive forces and specifically the results relating to the strongest of the 5 forces. The competitive forces that are referred to below have a direct bearing on the local market being perceived as unattractive to foreign competitors because they support local industry competitive strength.

6.3.1 Rivalry among Competing Sellers

The research results highlighted that the perceived rivalry is very strong in the local market. Considering the buying power of the retailers it is recommended that the local manufactures formulate their strategies on addressing how to succeed in a market that will be characterised by frequent price wars, advertising battles, new product introductions and being in a market where it is expensive to compete (Kotler, 2000). With commodity products local lawn mower manufactures need to also concentrate on what the rivalry is centred on and focus their effort on competing to the best of their ability on this area. In the research price was an important factor in this regard and therefore offering buyers the lowest possible price is a prerequisite (Thompson & Strickland, 2003).

Kotler (2000) adds that the unattractiveness of the market will be even more unattractive if the market is stable as in the case of the local lawn mower industry.

6.3.2 Potential Entry of New Competitors

Thompson & Strickland (2003) refer to fact that the barriers to entering a new market will have an influence on whether it will be hard to new competitors to

enter the market. The research highlighted a number of barriers to entry such as brand equity, learning and experience curve effects, access to specific channels and regulatory policies that will prevent foreign competitors from entering the market. But it is critical for the local lawn mower manufacturers to realise that even though entry barriers are high for certain outsiders they might be relatively easy for other interested outsiders who might have brand names, important resources and competencies to hurdle the local entry barriers.

Bovillan (2004) refers to the US who were seen to be immune to global competition considering the manufacturing sectors economic and competitive fundamentals at the time in the mid and late-1990's. The scenario changed in the US in 2003 with the manufacturing sector losing market share, due to the manufacturing strategies followed by India and the Chinese. In regards to the Chinese they have already recently entered the local market. It is recommended that although local manufacturers cannot prevent the Chinese from replicating the local lawn mowers, industry entry barriers need to be seriously addressed. Industry barriers that are strong need to be maintained for example the repair and service dealer network channel, possible industry barriers that offer resistance that are weak must be strengthened such as for example developing a core competency in production. Bovillan (2004) emphasises some important actions suggested for the US manufacturers that could help with the possible Chinese competition. Local manufacturers have to consider new intelligent and innovative manufacturing approaches that "integrate design, services and manufacturing throughout the business enterprise" (Bovillan, 2004: 81).

The research results highlighted that the possibility of foreign competitors entering the local market is a possibility especially from the Eastern countries specifically the Chinese.

6.3.3 Competitive Pressure Stemming Supplier Seller Collaboration

Firstly suppliers cannot be regulated to a weak bargaining position because there are no substitute products available. Local suppliers must endeavour to maintain their relationships with their top suppliers to the highest degree, as it will facilitate

long term strategic partnerships and close working relationships which will help achieve benefits such as promoting just in time deliveries which translates into achieving competitive advantage. Thompson & Strickland (2003) add that effective supply chain partnerships in an industry can become a major source of competitive pressure for other rivals who wish to enter the market.

Beekman & Robinson (2004) indicate that strategic partnerships are common place in today's global economy; in addition because competition has increased rapidly there is a trend where companies have to act in concert in a hypercompetitive environment. Special consideration relates to the resource based perspective of maintaining the relationships with specific reference to the import suppliers who have the resources in producing critical powerful electrical motors that the local manufactures require. Beekman & Robinson (2004) state that long term relationships that have resulted in obtaining external resources can generate growth and help in the pursuit of opportunities.

6.3.4 Competitive Pressures Stemming from Buyer Bargaining Power

In relation to dealing with buyer bargaining power local suppliers must endeavour to maintain their relationships with their top retailers. The research indicated that suppliers can be changed with ease in this regard Thompson & Strickland (2003) suggest a number of activities that could help strengthen the business to business relationship which will strengthen the competitiveness of the local lawn mower manufactures. Some of the recommendations include collaborating on such issues as just in time deliveries and on the line sharing of sales.

Bloom & Perry (2001) highlight in their research findings that companies who hold large market shares who deal with large retailers perform relatively and financially better to those companies with smaller market shares. It is important that the local manufactures take what ever step necessary to ensure their market share is maintained and that their relationships with the top retailers are maintained at the highest levels. The relationship must be maintained at the highest levels because Bloom & Perry (2001) indicate that it will be easier for the

local manufactures to build and maintain market share if it is with the help of the larger retailers.

6.4 Business Strategy

The research highlighted that in terms of the business strategies built to achieve long term competitiveness are neither strong nor weak. Hamel & Prahalad (1993: 75) refer to the top US companies at a specific time where “GM, CBS, Pan Am and RCA all had stronger reputations, deeper pockets, greater technological riches, bigger market share and more powerful distribution channels. Only a dreamer could have predicted that each would be displaced by a competitor with far fewer resources – but far greater aspirations”. In highlighting recommendations it is important to consider the competitive outcomes in the market (Hamel & Prahalad, 1993). It has been highlighted that the Chinese have recently entered the local market therefore the local companies market shares are possibly under threat.

6.4.1 Local Lawn Mower Manufactures Responses to Changes Underway in the Industry

In light of the global market environment facing the local manufactures various strategies will be suggested based on the findings of Fleury (1999) considering the course of action followed by Brazilian companies who were faced with multinational company entry. Various strategies could be followed in facing the aggressiveness of foreign competitors local companies could consider changing from defensive based strategies to pursuing proactive integrative strategies. Local manufactures need to change their individual priorities from “pursuing indicators of excellence to being integrated into international operations through insertion in global productive chains” (Fleury, 1999: 561). The local manufactures are faced with a choice of restructuring the industry at a global level and assessing their bargaining power in relation to transnational companies already operating in the industry. According to Fleury (1999) local lawn mower manufactures need to consider the approach of “outside in” where they should be

considering what competencies need to be developed to optimise their contribution to the performance of the network.

In the research report it was noted that the Chinese have recently launched their first lawn mowers in South Africa on a National level. In the same manner as what took place with the US where the manufacturing sectors share of the economy was shrinking the same signs are facing the South African manufactures that are not immune to the situation. In addition China is adopting the technique of manipulating its currency to gain advantage through undervaluing its own currency to stimulate exports (Bovillan, 2004). Bovillan (2004) suggests that in the past low cost capital was sufficient the emphasis to achieve success requires first rate efficiency in all elements of the financial system including the ability to recognize and develop intangible assets.

6.4.2 Core Competencies

The research analysis highlighted that the LLMMs are perceived to have two distinctive production related core competencies, one being able to produce high quality products and the other relating current practices in logistics. It is important that LLMMs consider that firms in developing countries where multinational firms are increasing their investment into these countries that production systems are developed that can compete with the best of the world (Mefford & Bruun, 1998).

It is seriously suggested that the local lawn mower manufactures consider the recommendations below in an effort to sustain and even develop new core competencies in manufacturing. Dekkers (2000) refers to the fact that industrial companies are affected by the competitive environment within a global economy and adds that companies must react to these changes by concentrating on core competencies.

Production costs

Toni et al, (1992) highlight additional manufacturing activities which the local manufactures could implement strategies to develop core competencies which

will assist in improving production costs; they include the effective use of scale economies, integration of operations or the concentration of activities to support production development. Onwubolu et al, (1991) suggest that major cost savings can be achieved by rationalising and strengthening the relationships among suppliers, distributors and customers. Local lawn manufactures need to realise that “cost savings is a result of improvement in the ratio that exists between the average size and the cost to process such an order” (Onwubolu et al, 1991).

Logistics Practices

Onwubolu et al, (1991) suggests that there may be many issues that might cause delays in operational systems and these factors can be managerial, technical and process orientated. The total time from customer order to customer receipt has different time components and lawn mower manufacturing management should take time to isolate them and reduce them. For example product lead time is made up of design lead time, manufacturing lead time, distribution lead time and order lead time. Further suggestions relate to shortening the time to process by eliminating non value added lead time by launching smaller batches which will result in the total time per activity and by introducing concurrent activities (Onwubolu et al, 1991). Local manufactures in an effort further reduce management lead time can even consider implementing decision processes that are intended to be delaying with respect to core processes.

High Quality Production

Nassimbeni (2002) refers to the Italian eyewear industry that has been through major changes and from their experience learned how to face present challenges. In relation to offering products of even better quality and maintain a quicker time to market the leading lawn mower manufactures should consider re-engineering main processes which means either internalising production, or rationalisation and selection of subcontracting relationships. The LLMMs need to maintain a pool of suppliers with advanced design and manufacturing equipment and tools that are suited for the management of production. It is critical that the

LLMMs maintain their link with top import supplier because manufacturing requirements are lacking in most local suppliers Nassimbeni (2002).

Slack et al, (2001) highlight that there is a growing realisation that high quality goods and service can give an organisation a substantial competitive edge. LLMMs in order to maintain producing high quality goods need to consider the six sequential planning and control step that ensure that products and services are made to conform to their specifications which include:

<i>Step 1</i>	Define the Quality Characteristics of the Product or Service
<i>Step 2</i>	Define how to Measure each Quality Characteristic
<i>Step 3</i>	Set Quality Standards for each Quality Characteristic
<i>Step 4</i>	Control Qualities against those Standards
<i>Step 5</i>	Find and Correct Causes of Poor Quality
<i>Step 6</i>	Continue to Make Improvements

“Good quality reduces the costs of rework, scrap and returns and most importantly, generates satisfied customers. Some operations managers believe that, in the long run, quality is the most important single factor affecting an organisations performance relative its competitors” (Slack et al, 2001: 553)

Customer Service and Flexibility

According to Onwubolu et al, (1991) the customer should be focus of all businesses and it recommended that the LLMMs take this element up seriously within the global market.

Knorr (1991) draws on the fact that competitive measures that that were innovative in the past are now a minimum requirement. Considering developing customer service and flexibility within the manufacturing process, LLMMs must realise what counted for them in the past from manufacturing the order to booking it into finished goods must be replaced with focusing on the order time to market in relation to customer request to customer receipt.

Local lawn mower manufactures in terms of *production flexibility* should be ensuring that they have the ability to introduce new products to satisfy the growing middle class segment (Slack et al, 2001). The local manufactures in terms of *mix flexibility* should be ensuring that the staff, technology and organisation of the all departments are flexible enough to cope with changes in strategy. Research has indicated that the Chinese recently entered the market; in terms of *volume flexibility* local lawn mower manufacturers need to consider changing their level of output. Ignoring possible fluctuations in demand and taking the option of being inflexible will have serious consequences on customer service and operating costs. To achieve a high level of *delivery flexibility* local lawn mower manufactures will have to get the operation to provide goods or services earlier than anticipated (Slack et al, 2001).

6.4.3 Core Capabilities

The research results indicated that it is perceived that LLMMs have distinct core capabilities in regards to a number of factors but the research findings also highlighted specific problem areas relation to *leadership* and *efficiency*. Ulrich & Smallwood (2004) found that having these key intangible assets (core capabilities) are important because once they become stable they are hard for competitors to match or copy providing a competitive advantage.

According to Ulrich & Smallwood (2004) a well managed company tends to have at least eleven capabilities. It is strongly recommended that the LLMMs focus their efforts on developing these two core capabilities. If LLMMs are not on the same level of global norms then dysfunction and competitive disadvantage will ensue. LLMMs companies in an effort to strengthen their capabilities need to get focused and try to excel at a few targeted capabilities then to expand leadership efforts over many (Ulrich & Smallwood, 2004). LLMMs must recognise that capabilities are interdependent on each other in that capabilities actually depend on one another. For example the speed of the operation won't improve without management promoting fast learning. Lawn mower manufacturing management need to create a virtuous circle of assessment and investment whereby management figure out which capabilities are required to be successful and thus

decide where to invest. Lastly lawn mower manufacturing management can't simply talk about developing capabilities they need to demonstrate their efforts (Ulrich & Smallwood, 2004).

In regards to leadership capabilities Ulrich & Smallwood (2004) suggest that the LLMMs need to set up a clear leadership brand whereby the leaders clearly know what they should know, be and do. To be efficient is the easiest capability to track and lawn mower manufacturing management can develop this capability by managing costs related to inventories, direct and indirect labour, capital employed and costs of goods sold.

The findings of Long & Vickers-Koch (1995) indicate that although the companies have basic threshold capabilities in relation to running the daily operations, core capabilities are critical because they are what the company relies to obtain competitive advantage.

6.4.4 Functional Strategic Initiatives

The LLMMs are perceived to have competitive strategic initiatives in a majority of their departments in terms of *manufacturing, supply chain management, sales and marketing*. Although the overall analysis also indicated that LLMMs are perceived to neither have, nor have not obtained functional strategic initiatives in the technological departmental area focus.

The recommendations presented have been formulated to provide the LLMMs with various options that can be considered in an effort to support the business strategy and competitive approach (Thompson & Strickland, 2003).

Supply Chain Management

Beekman & Robinson (2004) in regards to *supply change management* activities highlight various strategies that can be considered in relation strengthening strategic competitiveness in this functional area being:

- Local manufactures need to consider that in terms of growth they should maintain or even consider expanding relationships with critical suppliers.
- Local manufactures should be proactive in selecting suppliers that can grow with them.

It is said that by establishing a supplier relationship with the future in mind will save firms time and opportunity costs; in addition companies can minimize potential problems with suppliers through conducting a careful screening process upfront (Beekman & Robinson, 2004).

Sales

Bloom & Perry (2001) indicate that the relative power of the retailers is likely to increase; in this regard it is imperative that the local manufactures make a point of trying to strengthen the relationships with top retailers. The findings of Bloom & Perry (2001) indicate that larger retailers offer help to the local manufactures. The relationship has a better chance of leading to success for good manufactures rather than failure once a certain market share is reached.

Marketing

The results indicated the local manufactures do have a strong degree of brand equity. Local lawn mower must consider that a “brand is a sellers promise to deliver a specific set of features, benefits and services consistently to the buyers” (Kotler, 2000). In supporting the factors suggested in the previous paragraph in relation to building good relationships with top retailers it is imperative that the local manufactures carefully manage their brand names so that brand equity does not depreciate. Kotler (2000: 406) adds that maintaining brand equity “requires maintaining or improving brand awareness, perceived quality and functionality and positive associations”. To achieve this Kotler (2000) states that local manufactures will have to prepare to continuously to invest in R&D investments, skilful advertising and excellent trade and consumer service.

Technology

Hill (2003) refers to technological change which has made the globalisation of markets and production a tangible reality. The internet and the associated World Wide Web are a source of phenomenal growth and local lawn mower manufactures need to investigate if there are any possibilities in terms of their business operations in this field. The growth in the internet is slowing but as high speed connections start to be phased in the possibilities considering the forecasted users in 2005 are considered to be 1.12 billion users.

Business strategies adopted by the LLMMs must take into consideration that the internet and the World Wide Web will be developing into the information backbone of tomorrow's global economy. It is also critical for lawn mower manufactures to realise that web based transactions are growing at an incredible rate and many of these transactions don't relate to business to customer transactions but relate to business to business transactions. Hill (2003) concludes that the great potential for the web is in the business to business arena and it local manufactures might want to consider the web in relation to cross border trade because it takes away the constraints of location, scale and time zones.

6.5 Globalisation Considerations

Research distinctly indicated that in many of the competitiveness related aspects reviewed, LLMMs perceived themselves to be at a greater level in terms of their competitiveness strength which was contradictory to the research results of the retailers.

“As Motorola learned in its cell phone business, even a leading company's market share can quickly be lost under such competitive situations. (In 1997, Motorola was the world's leading manufacture of cell phones with a 30 percent share of market; by 2000, it had fallen well behind Nokia, and had only 13 percent market share. Nokia reportedly held a 33 percent share at the end of 2000” (Post et al, 2002: 479). Current global competitor attacks relate to the entry

of the Chinese, price competition will take place and profitability will start to be eroded. It is strongly recommended that the local lawn mower manufactures as brand leaders respond very quickly to the possible threat by responding in either of the following ways:

- Maintaining current pricing and profit margins if lawn mower manufactures believe that they would not lose too much profit, market share and would regain market share where necessary. It must be mentioned that if the manufactures take one of these options the competitor could get confident and the possible brand leaders could be placed in a situation if control is lost that they struggle to regain market share (Kotler, 2000).
- Lawn mower manufactures could maintain their pricing strategies and look at ways of adding value by improving products services and communications.
- Prices could be cut to match the competition but the possible effects of this action include lower volume sales and lose of market share which would take time to rebuild.
- Prices could be increased and Quality could be improved though introducing new brands into the market.
- Low priced new lawn mowers could be launched or a totally new low priced brand could be created.

But before the local lawn mowers decide on which option to take it is suggested that the correct response will vary according to the current situation. The companies must consider products stage in the life cycle, importance in company's portfolio, competitor's intentions and resources, market price and quality sensitivity, behaviour of costs with volume and the company's alternative opportunities (Kotler, 2000).

6.6 Staying on Top

The research highlighted that possible changes are affecting the industry especially with regard to the new multinational competitors. LLMMs have to

seriously consider that constant change has become the norm; in addition the key strategic challenge is managing this change (Brown & Eisenhardt, 1998).

Brown & Eisenhardt (1998) state that for companies to stay on top mean that they have to remain poised on the edges of chaos and time. These edges are places that are unstable and require adaptive behaviour. As these places are instable local lawn mower management have to work at staying on the edge. For management this will entail that must not slip into the past which is easy to do, take on strategies to far into the future, or become caught in to much bureaucracy or too much chaos (Brown & Eisenhardt, 1998).

6.7 Laws for Competing on the Edge

Brown & Eisenhardt, (1998) provide some laws for companies that are competing on the edge and are structured around three different themes:

Strategy (Rule 1-3)

Rule 1: Advantage is Temporary

LLMMs must treat all strategies temporary and change must be treated as an opportunity and not a threat. It is advisable that local lawn mower manufactures treat today's advantage as not existing tomorrow.

Rule 2: Strategy is Diverse, Emergent and Complicated

LLMMs have to rely on diverse strategic moves. The market place cannot be approached by single and simple approaches. Strategies adopted must be adopted on loosely connected moves that are loosely linked together in a semi coherent whole.

Rule 3: Reinvention is the Goal

LLMMS concentrate on looking for opportunities to reinvent themselves and then let the profits grow. Management must realise that profit havens are rare and that reinvention is the smarter path towards long terms profit earnings.

Organisation (Rule 4-7)

Rule 4: Live in the Present

LLMMs must realise that the present is the most important time frame. In managing today and management have to realise that they have to maximise minimum structure. The structure that is necessary is based on priorities that everyone can recite and responsibilities that everyone knows.

Rule 5: Stretch out the Past

LLMMs that compete on the edge cannot only concentrate on the future but need to also learn from the past and often selectively use the past to jump start new opportunities. Top managers are known actively try to reverse time by refreshing existing business with learning's from new ventures.

Rule 6: Reach into the Future

LLMMs need to be driven by the fact that the future is unpredictable and because of this must try to launch more experimental products and services, create more strategic alliances and employ more futurists than any other firm.

Rule 7: Time Paced Change

LLMMs have to pace change in their businesses in terms of the passage of time and the occurrence of events. Management need to understand that speed in terms of strategy is totally different to actual pace which proves to be a vital

strategic weapon. Pacing needs to involve setting a rhythm and tempo around the number of products launched.

Leadership (Rule 8-10)

Rule 8: Grow the strategy

LLMMs must understand that strategies are not built in one go, they take time to put together and develop. To rejuvenate a strategy management need to begin by pruning back, part of this procedure involves revamping current business and strategies.

Rule 9: Drive Strategy from the Business Level

LLMMs should develop their mindsets around business level driven strategy and accountability. Managers have a vital part to play because they control both parts of strategy formulation in relation to “where do you want to go” and “how are you going to get there”.

Rule 10: Re-patch Businesses to Markets and Articulate the Whole

LLMMs have to accept that the role of senior managers has shifted. Management must face the challenge of having to continually re-examine individual businesses and their matches with the markets in which they operate.

CHAPTER 7

ARTICLE

Competitiveness in the South African Lawn Mower industry

Abstract:

Global economic activity is becoming increasingly globalised. How local manufactures have become so competitively powerful since the 1950's continues to be a burning question dominating much of the trade press and academic literature. Previous academic research consider whether local manufacturing systems are still playing a role or are they destined to fade away. Other authors claim that there is a clear relation between a firm's competitiveness in the international market and its territorial roots. The research based on competitive analysis techniques concentrates on 3 of the largest lawn mower manufactures and 6 of the leading mass retailing companies in South Africa. The research identifies the different strategically based factors developed by local lawn mower companies to ensure industry dominance in a global economy. The final picture reveals that globalised competition requires that management will have to manage change not by reaction but by anticipation.

7.1 Introduction

Various factors contribute to the success of an industry. Lawn mower manufactures in South Africa are unique in the sense that a limited number of local manufacturers have survived the competitive forces of globalisation.

Globalisation in the world economy is inevitable and all business operations have to adopt a global vision and find ways to remain competitive on a global scale. In the last decade of the 20th century the idea of globalisation has extended to include the spheres of politics, history, geography and culture (Arystanbekova, 2005). Globalisation has forced many local South African manufacturers to strategise and implement operations strategies, whether locally or internationally

to remain competitive against foreign competitors. Understanding the factors that facilitate this particular industry maintaining its competitive dominance against foreign competitors may have valuable lessons for other local manufacturers.

Local Lawn mower manufactures (LLMMs) have been in the market since the late 1950's and currently manufacture between 85000 and 110000 lawn mowers annually in a market where they operate as brand leaders. The market environment is characterised by the demand for powerful electric lawn mowers manufactured specifically to suit the local conditions and most importantly designed to cut a special kind of grass which is actually a weed called "Kikuyu" predominantly used for lawns in South Africa.

Buying power was concentrated from the late 50s up until the 80s by furniture and service dealers; from the 80's onwards mass retailers dominate the buying power. LLMMs have not been adverse to change, they have successfully demonstrated moving with the times changing from an aluminium pressed chassis to a pressed steel chassis that facilitated numerous benefits and market competitiveness. LLMMs did experience economies of scale in production but they were also faced with increases in costs relating to plastic and copper which are vital elements in terms of electric lawn mower production.

The aim of this research is to investigate the perceived competitiveness of the South African lawn mower manufactures within a global economy. What are the reasons relating to the competitive strength of the local lawn mower manufactures and how they attribute to the local manufactures dominating the local market? The following section seeks to disentangle the issues from a considerable body of literature to discover the key questions. Then, in section 3, characteristics of the field of research and methodological procedures are presented. After considering the sample studied in section 4, sections 5 and 6 attempt to provide answers and conclusions to the detailed questions. Finally, section 6 offers conclusions.

7.2. Background

7.2.2 Local Industry Competitiveness Analysis

Competitive analysis is used to assessing the overall competitiveness of the industry focusing on areas which include industry economic features, degree of competition, strength of competitive forces, important signs of industry competitiveness and industry competitive positioning in a global economy. To develop an understanding of the local industry and how it functions it is important to consider that each industry has its own economic and competitive characteristics including profit prospects. Within this framework selective competitive elements that make up the local manufactures business strategies will facilitate identifying the local lawn mower manufactures level of competitive strength within the economic and competitive environment. Business strategy is primarily concerned the following factors:

- Firms respond to changes underway in the industry, the economy at large, the regulatory and political arena, and other relevant areas.
- Crafting competitive moves and market approaches that can lead to sustainable competitive advantage.
- Building competitively valuable competencies and capabilities.
- Uniting the strategic initiatives of functional departments.
- Addressing specific strategic issues facing the company's business

7.3 Local Industry Competitiveness

7.3.1 Economic Competitiveness Character

Thompson & Strickland (2003) state that when performing competitive analysis the process will start with learning about the industries dominant economic features. Hill (2003) concluded, foreign competitors wishing to invest in foreign markets must consider the overall attractiveness of the country and balance the costs and risks associated with dealing with the country concerned. A number of important economic factors have to be addressed that include the size of the

market (in terms of demographics), present wealth (purchasing power) of consumers in the market and likely future wealth of consumers. Fleury (1999) found that there has been an increase in economic activity and it is accepted that globalisation offers the potential to raise economic growth rates, but at the same time companies and economies in developing countries will be exposed to intense competitive pressure.

An industry's economic profile is important because the information ties back to the business and functional strategies applied by various companies. Thompson & Strickland (2003) refer to numerous economic factors that need to be considered in terms of a profiling the dominant economic industry features:

Once the economic features have been profiled the economic character of the industry can be determined. Economic features are important because they form an essential part of formulating business and functional strategies which are designed specifically for companies to be competitive in the long term.

7.3.2 Competitiveness Character

The competitiveness character of the local market is based on understanding the main sources of competitive pressure and assessing the strength of each of the 5 competitive forces are in the industry. In terms of the first competitive force being *Rivalry among Competing Sellers* it is necessary to understand the intensity and rivalry between rival sellers of lawn mower products and services in terms of their efforts in pushing for buyer favour and market positioning. Careful analysis will provide an overall indication of the level of competition intensity in the industry. Further considerations include discovering prominent issues which companies are focusing their rivalry on and then relate these issues back to their respective suppliers for further analysis. Repercussions of this issue have vital influence on the competitiveness of the market, cross company rivalry will be dynamic and thus ever changing and careful consideration of the speed of this change must be considered. Notwithstanding, offensive and defensive actions will culminate with result that company's try to out compete each other and build customer loyalty.

The second competitive force relates to the *potential entry of new competitors* two issues have to be considered in this regard with specific reference to barriers to entry and the expected reaction of incumbent firms to new entry. Numerous barriers to entry must be considered such as economies of scale, inability of new companies to match the technology and specialised know how of firms already in the industry, core capabilities and core competencies also act as formidable barriers to entry and profits earned. Thompson & Strickland (2003) have found that companies need to realise that profits earned in an industry will attract competitors that could possibly have the resources to hurdle the barriers to entry. Bonvillian (2004) highlights that in the case of the US economy even though it might occur that the local economy was highly competitive and thus locally competitively strong, doesn't prevent the local economy from coming under attack from such competitors such as India and China.

The third competitive force addresses competitive pressures stemming from *substitute products*. The issue is whether firms in one industry compete against firms in another industry because of their respective products being good substitutes. In terms of competitiveness it is important to know if there are attractively priced and available substitutes available. Thompson & Strickland (2003) refer to suppliers being in a weak bargaining position if substitute products are freely available. Buyers are then presented with the opportunity to easily switch their purchases to suppliers of alternative products. Suppliers are powerful when there are only a few substitutes available and when the suppliers can integrate down stream (Kotler, 2000).

The fourth competitive force concentrates on the competitive pressure stemming from *supplier bargaining power and supplier seller collaboration*. Supplier bargaining power considers factors that enhance the actual bargaining power of suppliers. Suppliers are placed at a competitive disadvantage when powerful suppliers offer better prices, quality, performance and reliable order delivery. In relation to forming collaborative relationships between sellers and suppliers the goal is to establish the current status of the relationship between the companies and their suppliers and the type of working relationship being practiced between

both parties. Analysis of the partnership and relationship will highlight if benefits are being realised and how they impact on the level of competitiveness in the industry. Kotler (2000) refers to local markets being perceived unattractive when suppliers can raise prices or reduce inventory supplied.

The last competitive force is *pressures that stem from buyer bargaining power*, this particular competitive force concentrates on the power that buyers could have over sellers in the local market with a focus on the relationship between the buyers and the sellers (manufacturers). Three important variables need to be considered in terms of the possibility that could exist whether buyers would switch suppliers.

7.3.3 Strategic Business Considerations

Thompson & Strickland (2003) suggest that business strategy relates to patterns and moves undertaken by management to produce successful performance and will highlight whether the company is succeeding in building and strengthening its long term competitive position. Research indicated that by analysing the business strategies adopted by local manufactures proved valuable in understanding the industries key measures of competitive strength. Business strategy must be aligned with consistently applied strategic initiatives practiced across major functional areas to support the company being competitive.

Business strategy should be developed to ensure that the functional areas fit into a coherent whole. Thompson & Strickland (2003) refer to compatible, collaborative and mutually reinforcing functional strategies as being essential elements for the overall business strategy to have maximum impact. It is important to understand what strategic competitive initiatives within the functional areas support local company business strategies in developing a competitive advantage. Strategic processes must proceed from top level of management to the lower levels of staff. The tighter level of coordination practiced between the various functional areas the less chance there will be that organisational units will stray from their strategic course. Competitiveness analysis was performed on the

following functional area being *Manufacturing (Production), Supply Chain Management, Technology, Sales and Marketing*.

Thompson & Strickland (2003) found that core competencies give a company its competitive capability and qualify it as a genuine company strength and resource. Core competencies are more technically focused in terms of an individual and organisational basis and in relation to a competency is more centrally focused to a company's competitiveness and profitability rather than just a peripheral. Competencies are the product of learning and experience and represent real proficiency performing an internal activity. Core competencies relate to organisational capabilities because these capabilities come about when the company delivers on the combined competencies and abilities of its individuals (Ulrich & Smallwood, 2004). Azzone & Rangone (1996) refer to several specific competencies based manufacturing performance activities such as *low cost production, logistics, quality production and flexibility* that are considered to be strategically important in supporting the competitiveness of a firm.

Long & Vickers-Koch (1995) indicate that the new focus should be on getting companies to understand which capabilities that they need to develop and nurture to take advantage of changing conditions. Empirical studies are discovering that companies in their strategy preparation are utilising an extensive band of management to recognise and develop core capabilities (Long & Vickers-Koch, 1995). Synergy is created by sharing capabilities and one of the factors which are seen as separating top performing firms from others, are firms that manage to link core capabilities to strategic targets. There is a relationship between core capabilities and competitiveness, by successfully developing a company's core capabilities; companies are able to gain competitive advantage which becomes the basis for obtaining competitive outcomes (Hamel & Prahalad, 1993). A competence becomes a competitive capability when the customers consider the competence valuable and beneficial, when it enhances competitiveness and when it helps to differentiate itself from the company and its competitors. It is important to note that all competitive capabilities are not equal

because they are common to most of all rivals enabling survival while others hold the basis to change competition (Thompson & Strickland, 2003).

Ulrich & Smallwood (2004) identified eleven core capabilities that well managed companies seem to have in common they include, *talent, speed, shared mindset and coherent brand identity, accountability, collaboration, learning, leadership, customer connectivity, strategic unity, innovation and efficiency*. Companies will excel in certain capabilities while in others they will maintain parity. Dysfunction and more importantly competitive disadvantage will likely take place if an organisation falls below the norm of the eleven identified capabilities.

7.4 Globalisation Considerations

7.4.1 Strategic Globalisation Tendencies

Toni, Filippini & Forza (1992) found that globalisation is becoming a reality faced by the local lawn mower manufacturers because trade barriers are coming down which has facilitated a tendency towards global markets in different industries. The tendency towards global markets has many serious implications, it is expected that there could be an onslaught of foreign competitors who will be using globally focused multi domestic or transnational strategies to target the local lawn mower market. Hill (2003) refers to the drivers of globalisation being based on two macro economic factors, being the decline in barriers to the free flow of goods, services and capital and the second factor relates to technological change specifically dramatic developments in recent years in communication, information processing and transport technologies.

Hill (2003: 6) refers to Globalisation as the “shift toward a more integrated and interdependent world economy: globalisation consists of two main components: globalisation of markets and the globalisation of production”. Hill (2003) comments that in regard to the globalisation of markets significant differences still do exist between national markets in terms of important dimensions such as varying consumer tastes and preferences, language and religious beliefs. In some cases even though it might appear that a common interest might be

served, specific local factors such as tastes and preferences could still put a break on global competitors entering the local market (Hill, 2003). Globalisation of production refers to the sourcing of goods and services from locations around the globe. It facilitates that a company is able to take advantage of national differences in the cost and quality of factors of production such as labour, energy, land and capital which will assist in being able to compete competitively. Local companies sourcing products which are globally produced will ensure that cost structure are lowered and / or improve the quality or functionality of their product offering. Through relocating selective production related operating activities around the globe will ensure that local companies are afforded the opportunity to gain competitive advantage (Hill, 2003).

7.4.2 Reasons for Global Attacks

Numerous reasons are cited why multinational firms decide to set up production operations in developing countries they include *new market access, lower production costs and strategic alliances that could be formed*. Setting up operations is not easy for any company when one factors in the extent of strategic issues that the company will be faced with. Production networks are becoming a key strategic issue, multinational companies (MNCs) considering competing in the local South African are incorporating the operations of the local firm into the multinationals global production network. Mefford & Bruun (1998) provide evidence to support this view considering that there is a growing trend that MNC's are linking their operations throughout the world because plants in various locations are producing and sourcing from alternative plants which are part of the same company but located in other parts of the world.

It is without a doubt that economic activity has become increasingly globalised. Although economic growth rates can be raised through globalisation there is a more serious threat that the economy and companies are exposed to intense levels of competitive pressures, especially in developing countries (Fleury, 1999). MNCs are increasing their investments into developing countries such as South Africa which have switched to economic policies which are outward looking, but it

is vital that these companies understand that they will have to develop production systems that can compete with the best in the world (Mefford & Bruun, 1998).

Toni et al (1992) warn that even though there is a global outlook being adopted it is vital to consider that this is not always the case in specific markets, so as much as there is global focus applying a general mindset might not be the answer. Management has a tendency to focus their effort on local economic activities but they need to understand that the economies of the world are connected and changes in one economy affect other economies. Even though international trade is increasing, management must understand that the further you go away from a familiar territory the greater the risk of making big mistakes (Perreault & McCarthy, 2002).

7.4.3 Local Industry Specific Advantages

Firm specific advantages (FSAs) relate to local and global descriptors that provide evidence to substantiate the conclusions reached with regards to the strategies that local manufactures in developing countries will undertake when faced with the MNCs entry (Jaffe et al, 2005). Firm specific advantages are important in obtaining an idea of the level of competitiveness in the local industry because a firm with a strong FSA rating can be said to be competitively strong.

The FSAs model is based on two dimensions, the first dimension which will tie in considerably to a firm's core competencies addresses *strategic and marketing* firm specific advantages. Firm specific marketing strengths required by local firms include a strong market presence (leading brand name and a considerate market share relative to the market), a distribution channel that is integrated including a strong market coverage and capabilities to develop new products to meet competitive challenges.

Jaffe et al (2005) found that domestic firms that a pressurised to globalise in an effort to achieve benefits of selling in multiple markets are normally made up of high investments in research and development and they run their operations on high fixed costs which offer standardised products. Industries that consist of

consumers that demand to a greater degree customised products, or where local product regulations are prevalent will be pressurised to localise their strategies (Jaffe et al, 2005). If foreign competitors have skills that exceed the capabilities of local companies and if local companies can't acquire those skills they would have to face exiting the local market. Local firms with FSAs can employ a defensive strategic initiative when they are in a better experiential position than a foreign competitor because they know which FSAs to employ to protect their local market (Jaffe et al, 2005). An important strategic option available to local firms concerns forming strong strategic alliances to complement or extend their own capabilities which will strengthen their positioning in the market (Hill, 2003).

Local manufacturers can strengthen their local standing and detour MNCs from entering the local industry by transferring assets such as marketing skills abroad in an effort to expand production to reach better economies of scale. Besides an external outlook some local companies might have assets that will facilitate a local competitive advantage at home such as brand equity or a strong distribution network that can't be transferable globally.

Where assets are transferable and where globalisation pressures are strong local manufacturers will be able to compete with MNCs on a global level. A local firm will have to reconstruct around its value chain links if its assets are not transferable. Domestic firms whose assets are globally transferable and where globalisation pressures are weak can try to extend its success factors to a selective number of foreign markets. If domestic firm's assets are not transferable the suggested course of action is focusing on strategies to defend its local markets against the incursion of MNCs (Jaffe et al, 2005).

7.4.4 Global Attractiveness Assessment of Local Industry

Hill (2003) discusses that if a company wishes to invest in a new economy it will have to consider the political, economic and legal environment of that country and the benefits, costs, and risks associated with each one of these three functions. South Africa represents a market economic which means that its productive activities are privately owned as apposed to being owned by the state.

Private ownership as an economic factor encourages vigorous competition and economic efficiency which is directly linked to the topic of competitiveness. The interaction of all the parts of the macro economic system effect the economic environment which then effects things such as national income, economic growth and inflation. Understanding the economic environment one will be in a better position to understand the strength of the local economy and the level of consumer confidence (Perreault & McCarthy, 2002). Other related topics that need to be considered relate to interest rates, exchange rates and foreign exchange controls. Mefford & Bruun (1998) have discovered that the period of protected domestic markets has ended because of developing countries opening their economies to imports and foreign investment. There has also been a change in the economic policy in most of the developing world with the result that vast opportunities now exist for multinational firms to expand their production basis and markets. The threat of multinationals expanding into developing countries is also increased by the fact that there is an emphasis on direct foreign investments which include different incentive programs which are specifically formulated for the setting up of production facilities in developing countries (Mefford & Bruun, 1998).

The political environment is effected by the attitudes and reactions of people, social critics and governments. The political environment can have a dramatic effect on opportunities locally and internationally and it important to note that “consumers usually share a common political environment” (Perreault & McCarthy, 2002: 107). Nationalism is one of the issues to consider and the basis of nationalism relates to an emphasis on a country’s interests before everything else. Nationalistic sentiments can have a serious impact on sales and marketing activity and make it difficult for firms to conduct business in foreign markets. Nationalism is an important element to consider because it directly relates to foreign competition and local manufactures trying compete internationally in other countries. Firms have to get permission to operate and sometimes it is a standard practice and other times red tape, personal influence and bribes can be involved. In terms of nationalism, host country governments really find it desirable to increase exports and have local firms that can compete with imports creating the industrial sector that can thus increase employment and incomes

and reduce the balance of payments (Mefford & Bruun, 1998). Policies adopted by foreign governments were also vital to consider as many Asian and now Latin America governments are supporting the growth of export industries and are actually encouraging foreign direct investment to achieve competitive firms that are outward focused. More in line with economic factor focus but in the similar discussion to the previous point the International Monetary Fund and the World Bank are also supporting firms that wish to be more outward focused (Jaffe et al, 2005).

Consumerism is an important force within the political environment that should be considered as because it has become a major political force (Post et al, 2002). The goals of modern consumerism are that consumers have the rights to safe products, to be informed, to choose and to be heard. It is important that top management pay attention to consumer concerns as the old production orientated ways of doing things is no longer acceptable. It is also interesting that consumer groups are becoming involved with companies providing vital information and participate in working on special projects (Hill, 2003).

Firstly the political environment has a direct bearing on the legal environment and the legal environment sets the basic rules for how a business operates in society. The laws in a country can have direct influences on opportunities available and each countries legal environment should be considered especially in terms of competition whether it is encouraged or not (Hill, 2003). Other considerations specific to the legal environment relate to whether illegal acts are prosecuted and whether serious are the fines imposed, are laws imposed that protect the consumers in relation to packaging, label and environmental issues (Perreault & McCarthy, 2002: 110).

7.5 The Research Field and Methodological Procedures

In the study a mixed methodological approach was used. Quantitative analysis and the Qualitative method (content analysis) were used to pinpoint which factors could possible highlight the reasons linked to the local lawn manufactures dominating the local market. The respondents interviewed were representative in

terms of the range across the industry and the research population was made up of different groupings of people from the Gauteng and one member from the Natal region. The list of interviewees who took part in qualitative and quantitative structured and semi structured interviews were based on a cross selection of lawn manufacturers and retailers who are considered experts in their fields respectively. The researcher selected the individuals interviewed based on an availability basis and the convenience test will be easy to administer therefore the sample is convenient in nature.

A retailing perspective has been included in the study because of vital competitiveness information that can be obtained because of the link that the retailing management fills between its customers and the local lawn mower manufacturers. Secondly, retailers have purchasing power which contributes to 95% of the annual local lawn mower production. Merchandise management will be interviewed to obtain possible reasons for this taking place in terms of the assessment of globalisation issues and competitiveness.

In terms of the qualitative questionnaire interviews a total of 5 members were interviewed, 2 from the retail sector and 3 from the lawn mower manufacturing sector. The qualitative study was performed to get a better understanding of globalisation and the influence it could have on the small to medium manufacturing industry in South Africa. In addition information gathered from the literature review was used to substantiate the conceptual model. The qualitative questionnaire covered four themes related to *local firm specific advantages, local industry competitive character, local industry economic competitive character and the global attractiveness of the local Industry*.

The quantitative questionnaire was mailed to 13 retailing and 8 lawn manufacturing participants, after a follow up 11 retailer's responded and 4 lawn mower manufactures responded. The quantitative study focused on the factors highlighting the level competitiveness in the local lawn mower manufacturing market. A customised scale will be developed based on a 5-point numerical scale (Likert scale). Two questionnaires were been devised to suit the manufactures and the retailers but the information being questioned relates to the same

theoretical concepts discussed in the literature review. The quantitative questionnaire covered 6 themes related to *strategic competitiveness and firm responses to industry changes, functional strategic initiatives, core competencies, core capabilities and functional and business strategy.*

7.6 Main Findings, Discussions and Conclusions

Three factors which are indicative of the South African Lawn Mower industry being able to competitively dominate the local market were tested. The most prominent findings relating to these factors are subsequently reported according to the following groupings:

7.6.1 Economic and Competitive Character of Local Industry

It was established that that the economic and competitive character of the local industry together as primary indicators do present a strong local competitive situation facilitating dominance of the local industry. The research results indicated that the local lawn mower manufactures have developed dominant economic features that can be positively correlated to supporting the industries competitiveness strength. The analysis highlighted four key economic features being:

- Market Size (Concentration of Powerful Electric Lawn Mower Market);
- Differentiation of Products (Rival Firm Products Essentially Identical);
- Scope of Competitive Rivalry (National); and
- Repairs and Maintenance Strategic Distribution Channel

It was discovered that the global economy is primarily focused on the petrol lawn mower market. The focus on petrol lawn mowers has facilitated together with stringent local electrical regulations (specific for strong powerful electric lawnmowers) that there is a market concentration for powerful electric lawn mowers. Through this process the local manufactures have been able to gain competitive strength in being the leading market shareholders and have gained the necessary skills over the years through developing powerful electrical motors.

In terms of differentiation of products it was found that local manufactures are highly competitive in manufacturing powerful electric motors considering that all the local manufactures produce essentially identical electric lawn mowers. In terms of the global market, local manufactures have distinctly different lawn mowers to the largest market being the USA who focus on petrol lawn mowers and base their manufacturing on different local conditions. The European manufactures also focus on producing highly differentiated electric lawn mowers which have less power and that suit radically different locally conditions.

The scope of the competitive rivalry for all three of the local manufactures is nationally based and this can be seen as a competitive strength which a competitor locally or internationally would not easily replicate without incurring substantial costs to set up the necessary infrastructure (Hill, 2003).

The repairs and maintenance distribution channel considering the involvement of the services dealers on a national level is strongly correlated to lawn mowers manufactures gaining competitive strength. New competitors would have to secure contracts with the national service dealers to service and repair their lawn mowers sold to the retailers. The local lawn mower manufactures already have this network in place and in certain areas have their own service dealer agents. Knorr (1991) places specific emphasis on the importance of the distribution and the retailer network channel which facilitates structurally mutually beneficial strategies for competing.

The research results support the findings of Wise & Baumgartner (1999) who found that manufactures that are achieving success have moved beyond the factory gate to try get into the valuable economic activity throughout the entire product life cycle. Substantiating the results of the research, Wise & Baumgartner (1999) continue by referring to manufactures having intimate knowledge of their products and markets and are therefore in a strong position to carry out downstream activities; they explicitly refer to the maintenance and supplying of spare parts and consumables.

The findings also proved that the character of the local lawnmower market is perceived to be competitively strong and forms an essential component of the competitiveness strength of the local industry. Thompson & Strickland (2003) refer to five forces of competition indicating the level of competitiveness in the industry. The five forces model of competition was used to diagnose the competitive character of the local environment and proved successful in indicating that three of the five competitive forces researched substantiated a strong competitive character.

An important element was in terms of the strongest competitive force being rivalry among competing sellers. Research indicated that the cross company rivalry was not centred on a single element but on four different related areas being the *limited number potential sales each year, limited number of retailers, limited price range and high standards of product and service reinforcing* which support competitiveness intensity in the local market. Kotler (2000) found that a market segment will be seen as unattractive if it contains strong and aggressive competitors

In relation to the threat of new competitors the results of the research indicated that the possibility of foreign competitors entering the market is a distinct possibility. If foreign competitors want to enter the market the local market is perceived to be attractive but the competitive threat to entry will still depend on barriers to entry and exit considerations (Kotler 2000).

In regards to substitute products being available, research highlighted that the lawn mowers manufactures are not presented with a competitive force in this regard. A market segment is seen to be attractive when there are no actual or potential substitutes for the product (Kotler, 2000). Since the 1950's there has not been a substitute for the lawnmower and it can't be seen that this factor will have any impact in making the market attractive to foreign competitors.

Research indicated that there was a good level of supplier seller collaboration. Thompson & Strickland (2003) indicate that by managing supply chain relationships and forming effective collaborative partnerships with suppliers will

ensure that benefits are acquired translating into competitive advantages. Suppliers tend to be powerful and have an influence in making the local market seem unattractive when there are no substitute products available (Kotler, 2000)

The research indicated that there are competitive pressures stemming from buyer bargaining power. Kotler (2000) states that buyers with substantial buying power will try to force down prices, demand more quality or service and even set competitors against each other, all the expense of the seller's profitability. A market segment is perceived to be unattractive if the buyers have strong bargaining power.

7.6.2 Strategic Business Considerations

The research focused on whether the business strategies adopted by the local lawn mower manufactures have been successful in building long competitive industry strength and supporting the dominance of the local lawn mower market. Overwhelmingly a majority of the important elements that relate to substantiating a strong long term competitive business strategy were perceived to be competitively developed. The results of this report indicate that the business strategies adopted by the local lawn mower manufactures are successful or building competitive industry strength and ensuring local market dominance.

Thompson & Strickland (2003) do not indicate which factor is more important than another but in relation to the overall results, important elements relating to business strategic competitiveness was investigated and were perceived to be adequately developed. They included *sustaining competitiveness, forming responses to changes underway in the industry, building competitively valuable competencies and capabilities and functional departments displaying forms of strategic competitive initiatives.*

Research highlighted that it was clearly perceived that competitive moves and market approaches have been crafted to achieve sustainable advantage. Bonvilian (2004), Nassimbeni (2003) & Fleury (1999), and several other authors

stressed the importance of actions that are used by manufactures to face competitive challenges in gaining competitive advantage.

It was interesting to note that manufactures are also responding to changes underway in the industry although there were some results to the contrary. Brown & Eisenhardt (1998) make it clear that management cannot wait for the future to unfold; if they do they will remain in their industries where it will be impossible to catch up. Management can't try to understand where the direction of the change will come because it too uncertain to predict. Management must know where change will emerge from, it can come from outside the industry or within-from such as suppliers, customers, competitors.

The overall results indicated that it was perceived that distinctive manufacturing core competencies were developed in two areas being high quality production and logistics practices. The research focused on four competencies relating specifically to manufacturing activities being *production costs, customer service and flexibility, logistics practices and high quality production*. In the analysis LLMMs were perceived to neither have, nor have not obtained a core competency in regards customer service and flexibility and maintaining production costs.

The research results indicated that it was clear that core capabilities are perceived to be an important strategic factor in the LLMMs gaining competitive strength. The analysis did highlight that leadership is not perceived as a strong core capability and in this regard management have to realise that in terms of striving to be competitive and maintain market dominance the role of effective leadership cannot be over emphasised "Leadership is the behaviour of an individual ...directing the activities of a group toward a shared goal" (Yukl, 2002). Other core capabilities that need to be carefully monitored relate to the LLMMs being efficient in controlling their production costs and their customer connectivity efforts. The importance of the relationship between the customer and the LLMMs cannot be over emphasised because of the incontrovertible link between customer retention and profitability (Paladino, Bates & Giovanni et al, 2002).

In terms of the overall results it was perceived that the LLMMs key functional departments are achieving competitive strength which supports the factors that ensure local market dominance. Specific functional departmental activities that support the analysis include *manufacturing (production management), supply chain management, sales and marketing activities*.

It is important to consider that in regards to the “*supply chain management*” functional area, findings of Beekman & Robinson (2004) highlight that there is a trend for companies to act in concert with their suppliers to function more effectively in a hypercompetitive environment. In terms of the functional area “*sales*”, findings by Bloom & Perry (2001) indicate that developing a relationship with key retailers can lead to a competitive advantage rather than a bust once a certain market share is reached. In terms of the functional area “*marketing*” that high brand equity provides a number of competitive advantages which will directly impact on the competitiveness of the companies concerned (Kotler, 2000).

In relation to the overall technological analysis LLMMs are perceived to neither have, nor have not obtained competitive strategic departmental initiative in terms of their technological departmental activities. This departmental area is important considering that Hill (2003) addresses many advantages that have become possible in the technological field with specific reference to the internet and World Wide Web. These possibilities need to be considered because the growing number of transactions conducted on the web is not businesses to customer related but business to business orientated. It is understandable that the greatest potential of the web is seen in the business to business arena.

In the overall analysis it was not clearly perceived whether or not LLMMs top level management strategies and objectives are consistently applied across their different functional departments. Brown & Eisenhardt (1998) stipulate that companies that are highly competitive need to improvise, co-adapt and experiment, these strategic roles can only be achieved through consistent application of strategies between the functional and business levels.

7.6.3 Globalisation Considerations

The analysis centred on assessing whether the local manufactures dominate the local market because of their competitive strength determined by firm specific advantages and the local market being seen as unattractive in the global environment.

In relation to the firm specific advantages the results of the research corresponded remarkably well to the findings of Jaffe et al (2005) these results infer that local manufactures have gained competitive strength from firm specific advantages and in turn face strong local pressures to localise their product offering to suit the needs of the customers and regulations locally (Jaffe, *et al.*, 2005). The research results supported the findings of Jaffe et al (2005) specifically with reference to brand equity and a strong distribution network which are directly linked to gaining a competitive advantage at home.

In relation to the overall attractiveness of the local market as a potential market and/or investment site the research focused on three functions of the local country being *political, legal and the economic* environment and the risks associated with each of these functions (Hill, 2003). The research results support the local market being perceived to be unattractive because of the results obtained in relation to the determining economic and legal factors. Economically the largest market in terms of revenue relates to the US market whose primary market is based on petrol lawnmowers. Economically the largest market in terms of revenues relates to the US market whose primary market is based on petrol lawnmowers. In the research it was highlighted that that LLMMs manufacture a different type of lawn mower to US and European manufactures who produce a lawn mower to suit their markets, mostly petrol based and some electrical.

Based on the results it doesn't mean that the local products cannot be replicated and manufactured overseas. The local market still has market revenue that is primarily concentrated on producing powerful electric lawnmowers that could be attractive to other possible global competitors from Asia such as the Chinese

who are pursuing a more traditional emphasis on manufacturing led growth (Bonvillian, 2004).

In terms of the strength of the distribution channel with reference to the service dealer a foreign competitor will have to implement a service and maintenance national channel. Hill (2003) commented that at the extreme it becomes very costly when an international firm has to provide its own international infrastructure and supporting business. The same situation applies to in terms of the local conditions, local manufactures have the necessary skills and expertise in producing the right product for the local market, unique to South Africa. For foreign competitors to develop lawn mowers that are on the same level will be costly. Politically the results did indicate that no politically forces will be causing any drastic changes in the local business environment which means that the local environment can be seen as attractive in a political sense. Legally, strict local regulations enforced by the South African Bera of Standards could have an effect on limiting especially Asian countries entering the local market.

7.1 Recommendations and Conclusions

The local market has recently seen the advent of Chinese manufactures selling their first lawn mowers on a National level through two National retailing chains and in time the local market could even be appealing to European manufactures.

7.7.1 Maintaining and Strengthening Current Competitiveness

The results of the research indicated that is clearly perceived that the current local lawn mower manufacturers do have a competitive position that is strong which supports dominating of the local market. Various strategic options are recommended to the LLMMs that can assist them in maintaining their current strength in the respective fields highlighted within the research. The quest to dominate the local market does have its positive strategically developed aspects but at the same time it has negative ones also. The research proved successful in highlighting areas that could be possibly being strengthened and selective of these recommendations will be discussed hereafter.

In regards to developing core competencies in customer services, flexibility and production cost efficiency additional manufacturing activities were suggested which would assist in improving production costs; they include the effective use of scale economies, integration of operations or the concentration of activities to support production development. LLMMs must realise what counted for them in the past from manufacturing the order to booking it into finished goods must now be replaced with focusing on the order time to market in relation to customer request to customer receipt.

In regards to leadership capabilities Ulrich & Smallwood (2004) suggest that the LLMMs need to set up a clear leadership brand whereby the leaders clearly know what they should know, be and do. To be efficient is the easiest capability to track and lawn mower manufacturing management can develop this capability by managing costs related to inventories, direct and indirect labour, capital employed and costs of goods sold.

In relation to information technology, lawn mower manufactures must realise that web based transactions are growing at an incredible rate and many of these transactions don't relate to business to customer transactions but relate to business to business transactions.

Brown & Eisenhardt (1998) strongly recommend that for the local lawn mower manufacturing companies to remaining competitive in the future they need to adopt a dynamic approach to strategy where they react to change when necessary, anticipating whenever possible and leading change by reacting when the circumstances are right.

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APPENDIX

Appendix 1: Questionnaire (Manufactures)

Questionnaire (Manufacturers)

NOTE: The questions below relate directly your own company as one of the leading players in the local lawn mower manufacturing industry and its affiliates.

No of questions: 30

Date: _____

Please mark your selection with an "X" in the block that most closely reflects your opinion. Your opinion will be treated as anonymous in the questionnaire and the analysis will be done across the industry.

1. Our company endeavors to protect the business as much as possible from the actions of our rivals.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

2. We consider it imperative to respond to changes underway in the industry.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

3. We consider outsourcing as an important factor of the manufacturing procurement process.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

4. We realise that cost benefits and quality are enhanced through outsourcing globally.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

5. We rationalise our production systems to increase productivity and quality.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

6. Our company focuses on product lines in which we have competitive advantage.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

7. The percentage of defect products produced in our production processes is on par with international standards.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

8. A good working cooperative relationship exists between us and our suppliers.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

9. We have worthy strategic alliances between ourselves and our suppliers.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

10. We consider technology vital in terms of information processing and global communication.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

11. Containerisation has played an important role in bringing down our costs of transportation.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

12. We consider the relationship between ourselves and the top retailers as essential to our success.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

13. We have a long standing relationship with our retailers.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

14. We are competitive primarily because we are able to keep our production costs low in relation to our international competitors.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

15. Our customers receive their products when promised.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

16. Logistics is a value added process which facilitates us to achieve competitive advantage.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

17. Nowadays, we spend more time on planning for logistics than in the past.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

18. Our products are on par with International standards.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

19. Our lawn mowers are highly reliable.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

20. Our service levels can be rated as being world class.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

21. We rarely run into out of stock situations.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

22. Our company believes in retaining competent and committed people.

23. It is important to ensure that a high level of collaboration is practiced within various departments within our company.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

24. We believe in benchmarking ourselves against what other manufactures are doing.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

25. An important practice that we undertake is to develop leaders across our organisation.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

26. We believe in building enduring relationships of trust with our targeted customers.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

27. We consider ourselves good at managing all our costs.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

28. Our company strongly emphasises achieving high brand equity in the market place.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
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(1) (2) (3) (4) (5)

29. In achieving a high degree of brand awareness we believe in advertising our products.

STRONGLY DISAGREE **DISAGREE** **NEITHER DISAGREE NOR AGREE** **AGREE** **STRONGLY AGREE**

(1) (2) (3) (4) (5)

30. Our top level management strategies and objectives are consistently applied across different functional departments.

STRONGLY DISAGREE **DISAGREE** **NEITHER DISAGREE NOR AGREE** **AGREE** **STRONGLY AGREE**

(1) (2) (3) (4) (5)

Appendix 2: Questionnaire (Merchandise)

Questionnaire (Merchandise)

NOTE: The questions below relate directly to the local lawn mower manufacturing industry and its affiliates.

No of questions: 30

Date: _____

Please mark your selection with an "X" in the block that most closely reflects your opinion. Your opinion will be treated as anonymous in the questionnaire and the analysis will be done across the industry.

1. Local lawn mower manufactures endeavor to protect their businesses as much as possible from the actions of rivals.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

2. Local lawn mower manufactures consider it imperative to respond to changes underway in the industry.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

3. Local lawn mower manufactures consider outsourcing as an important factor of the manufacturing procurement process.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

4. Local lawn mower manufactures realize that cost benefits and quality are enhanced through outsourcing globally.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

5. Local lawn mower manufactures rationalize their production systems to increase productivity and quality.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

6. Local lawn mower manufactures focus on product lines in which they have a competitive advantage.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

7. The percentage of defect products produced in the local lawn mower manufactures production processes is on par with international standards.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

8. A good working cooperative relationship exists between the local lawn mower manufacturers and their suppliers.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

9. Worthy strategic alliances exist between the local lawn mower manufactures and there suppliers.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

10. Local lawn mower manufactures consider technology vital in terms of information processing and global communication.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

11. Local lawn mower manufactures realize that containerization is playing an important role in bringing down the costs of transportation.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

12. A **very strong** relationship exists between us and the local lawn mower manufactures.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

13. A **long term** relationship exists between us and the local lawn mower manufacturers.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

14. Local lawn mower manufactures are competitive primarily because they keep production cost's low in relation to international competitor's.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

15. We receive our local lawn mower manufactured products when promised.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

16. Local lawn mower manufacturers consider logistics as a value added process creating competitive advantage.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

17. Local lawn mower manufacturers spend more time on planning for logistics than in the past.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

18. Local lawn mower manufactures achieve International standards in terms of quality.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

19. Lawn mowers made by South African lawn mower manufactures are highly reliable.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

20. Local lawn mower manufactures service levels can be rated as being world class.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

21. Local lawn mower manufacturers rarely run into out of stock situations.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

22. Local lawn mower manufactures retain competent and committed people.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

23. Local lawn mower manufactures believe in practicing a high level of collaboration between their various departments.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

24. Local lawn mower manufactures benchmark themselves against what other manufactures are doing.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

25. A practice promoted by local lawn mower manufactures is to develop leaders across their organization.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

26. Local lawn mower manufacturers are known to be good at building enduring relationships of trust with targeted customers.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

27. Local lawn mower manufacturers are good at managing all costs.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

28. Local lawn mower manufactures place strong emphasis on achieving high brand equity in the market place.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

29. In achieving a high degree of brand awareness local lawn mower manufactures believe in skillfully advertising there products.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

30. Local lawn mower manufactures top level management strategies and objectives are consistently applied across their different functional departments.

STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
(1)	(2)	(3)	(4)	(5)

Appendix 3: Discussion Guideline

Discussion Guideline

Local Industry and Globalization

Date: _____

Name of respondent: _____

Designation: _____

1. In relation to market presence, do local manufacturers have brand leadership in South Africa and secondly do the manufactures brands enjoy leading market share in their category?

2. Please discuss the distribution channels in terms of their integration and the market coverage that these distribution channels cover.

3. In terms of understanding the level of competitiveness in the industry briefly discuss the following:
 - 3.1 Is there intensity between manufacturers in pushing for customer favor for example offering the best prices or quality?
 - 3.2 What is the potential for new competitors to enter the market?
 - 3.3 Are substitute products available?
 - 3.4 Is there a high degree of collaboration between the supplier and the manufacturer for example to reduce inventory and logistics costs?
 - 3.5 Do buyers have controlling bargaining power over their suppliers, for example could the buyers change suppliers with ease?

4. What factors possessed by foreign competitor's would assist them in competing with the local manufacturers?

5. What are the possible reasons why foreign competitors would want to set up production facilities in South Africa?

6. What issues limit multinational company's setting up operations locally?

7. Have any strong strategic alliances been formed in the industry that will assist in complementing the capabilities of the local manufactures?

8. In terms of a global outlook what do you view as the most challenging issues that the local lawn mower manufacturing industry will face in the future, considering for example any political, legal and economic factors?

Appendix 4: Discussion Guideline Feedback (Response 1)

Discussion Guideline

Local Industry and Globalisation

Date: 13th of September 2005

Name of respondent: Confidential

Designation: Confidential

1. In relation to market presence, do local manufacturers have brand leadership in South Africa and secondly do the manufactures brands enjoy leading market share in their category?

A: Yes to both questions. The manufacturers are turned into the local demand of industry and have created a niche in terms of the local SA market. Irrespective of the brand the product does the job and constantly delivers by default.

2. Please discuss the distribution channels in terms of their integration and the market coverage that these distribution channels cover.

A: The distribution channel is a short one; the manufacturers are to some degree also assemblers who in turn deliver the products to retailers such as Makro, Cooperatives and High street merchants. The market coverage is very extensive because of the retailing coverage.

3. In terms of understanding the level of competitiveness in the industry briefly discuss the following:

3.1 Is there intensity between manufacturers in pushing for customer favor for example offering the best prices or quality?

A: Yes there is because of the narrow band width to compete in terms of price, product selection and a narrow market segment (pricing between R1500 to R5000). In addition the product must offer good value and the sale to a degree involves a grudge purchase. Intensity is enhanced also by the fact that selling propositions are offered to the retailers such as procuring a selected type of lawn mower for an individual retailer and in terms of the customers the manufacture offers more value added benefits.

3.2 What is the potential for new competitors to enter the market?

A: The opportunity for new competitors is always great because of limited brands in the country, but considering that none have entered the market in the last twenty years does indicate to a degree that the local manufactures are doing a good job.

3.3 Are substitute products available?

A: No

3.4 Is there a high degree of collaboration between the supplier and the manufacturer for example to reduce inventory and logistics costs?

A: Yes there is a high degree of collaboration between the supplier and the manufactures. Mainly based on the number of years in which the manufactures have successfully been leaders in the category.

3.5 Do buyers have controlling bargaining power over their suppliers, for example could the buyers change suppliers with ease?

A: No the buyers couldn't change the suppliers with ease due to the fact that there is a limited amount of product available to choose from and the brand have strength with the selected customer markets. Overall the buyers do have controlling bargaining power.

4. What factors possessed by foreign competitor's would assist them in competing with the local manufacturers?

A: A number of the reasons are documented under question number 1. Other reasons include mainly the physical market conditions e.g. grass, end user characteristics in terms of abusing the product and the price banding of the product being in the area between R1500 – R5000.

5. What are the possible reasons why foreign competitors would want to set up production facilities in South Africa?

A: Perceived appetite in terms of entering a possible market with limited competition seen as a single market or linking it up with other countries. In relation to the petrol lawn mower market the Chinese could easily enter the market copying / buying lawn mowers to enter the local SA market at competitive prices.

6. What issues limit multinational company's setting up operations locally?

A: Service back up with local dealer networks. The size of the South African market in comparison to markets in the USA and Europe don't make it feasible to actually producing and selling lawnmowers in South Africa. In addition companies in USA and Europe focus on petrol lawnmowers where the SA market is primarily based on powerful electric lawn mowers. Strict electricity standards are employed by the South African Bureau of Standards. Local market conditions with specific reference to who uses the product, the type of grass, dusty conditions, grudge purchase and size of the lawns to be cut.

7. Have any strong strategic alliances been formed in the industry that will assist in complementing the capabilities of the local manufactures?

A: Considering the answer recorded in 3.4 the relationships between the suppliers and the local lawn mower manufacturers are on a very good level

considering in addition there are a limited number of suppliers and a low consistent demand.

8. In terms of a global outlook what do you view as the most challenging issues that the local lawn mower manufacturing industry will face in the future, considering for example any political, legal, and economic factors?

A: The first important one is the red tide being the Chinese not USA or European competition. Currently there is an influx of reengineered product coming in from China based on manufacturing efficiencies. In terms of the macro environment serious changes have to take place to really change consumer behaviour. Any changes that could possibly take place will be result of micro economic issues. The product being purchased is a grudge purchase and one must also factor in the local market conditions.

One needs to consider local trends, local suppliers, local brands, the local side is more an issue but still one must note that the product is bought to fill a need and some emotions still need to be considered such as affordability. Cultural aspects are not important at all in terms of the product being purchased.

Appendix 5: Discussion Guideline Feedback (Response 2)

Discussion Guideline

Local Industry and Globalisation

Date: 8th of September 2005

Name of respondent: Confidential

Designation: Confidential

1. In relation to market presence, do local manufacturers have brand leadership in South Africa and secondly do the manufactures brands enjoy leading market share in their category?

A: Yes, and to the second part yes.

2. Please discuss the distribution channels in terms of their integration and the market coverage that these distribution channels cover.

A: The distribution channels are nationally based and cover every home that needs their lawn cut. Darbel supplies the retailers and service dealers who in turn supply the end user. Taxi trucks acts as the companies courier and distributes their manufactured product to anywhere in the country irrespective of the courier cost thereof.

3. In terms of understanding the level of competitiveness in the industry briefly discuss the following:

3.1 Is there intensity between manufacturers in pushing for customer favor for example offering the best prices or quality?

A: The level of competitiveness in the industry is very high for the one reason the market is very much static (limited) with 80000 to 120000 units sold each year. In addition what adds to the competition being so strong relates to:

Price versus power

Branding

Limited floor space

High standards of quality, service and backup.

3.2 What is the potential for new competitors to enter the market?

A: In relation to the local market a remote possibility does exist all the time, motors can be bought overseas, plastics can be obtained locally and the chassis could be produced at a high cost (tooling and machinery required). The problem relates to the price at which the overall product is produced (economies of scale in number of units produced, transported etc), retailer acceptance, legal requirements (e.g. SABS certificate) and national service backup (including the supply of spares) which could limit local entry.

A stronger possibility exists for international competitors to enter the local market but many of the factors above still have to be overcome. In terms of price the foreign competitors would be able to supply a price competitive machine.

3.3 Are substitute products available?

A: No

3.4 Is there a high degree of collaboration between the supplier and the manufacturer for example to reduce inventory and logistics costs?

A: Yes, but not ideal, in relation to the plastics supplier we provide the supplier with the volumes before hand, we do see our suppliers regularly but there is definitely room for improvement (mix bag).

3.5 Do buyers have controlling bargaining power over their suppliers, for example could the buyers change suppliers with ease?

A: Brands are not the most important aspect, retailers are not loyal and have allot of bargaining power and can change suppliers with ease. Retailers clearly understand that there is alternate service and brands available including the big picture of their being rival competent competitors and thus could go to alternate supplier with ease.

4. What factors possessed by foreign competitor's would assist them in competing with the local manufacturers?

A: Money, ability to copy local manufactured products, current market not as brand conscious as they used to be and the factors discussed in point number 3.2. In addition the foreign competitors have the expertise, knowledge, skills, competitive nature and skills in operating in countries outside the nation's border.

5. What are the possible reasons why foreign competitors would want to set up production facilities in South Africa?

A: Foreign competitors would not want to set up production facilities in South Africa because of specific costs being so high in comparison to alternative countries. The following costs need to be considered, they include steel, labor, local tariffs and South African Bureau of standards regulatory requirements costs. In addition the costs that would be incurred if production facilities were set to be set up here would be the same as operating overseas.

6. What issues limit multinational company's setting up operations locally?

A: Covered in point number 5. In addition one needs to take into account the local market conditions with specific reference to who uses the product, the type of grass, dusty conditions, grudge purchase and size of the lawns to be cut.

7. Have any strong strategic alliances been formed in the industry that will assist in complementing the capabilities of the local manufactures?

A: No strategic alliances have been formed with the suppliers and the retailers. Strategic alliances have been formed with the service dealers.

8. In terms of a global outlook what do you view as the most challenging issues that the local lawn mower manufacturing industry will face in the future, considering for example any political, legal and economic factors?

A: Political - No challenging issues.

Legally- The only challenging legal issue is the fact that the standards enforced by the South African bureau of standards are of a very high standard compared to the world. The bureau is self funding and thus the bureau deliberately maintains high standards to earn income.

Economic- If the economy is on the rise this will cause and increase in lawn mower sales. Customers will rather buy for example a new machine for R1200 and spend extra money than repair the machine for R800. If the local economy is not fairing well the customers will prefer to rather repair the machine.

Technological effects are possible and will affect economic environment but this will only possibly come from Europe, South Africa or the USA and not from the East.

Appendix 6: Discussion Guideline Feedback (Response 3)

Discussion Guideline

Local Industry and Globalisation

Date: 17th of September 2005

Name of respondent: Confidential

Designation: Confidential

1. In relation to market presence, do local manufacturers have brand leadership in South Africa and secondly do the manufactures brands enjoy leading market share in their category?

A: Yes, and to the second part yes.

2. Please discuss the distribution channels in terms of their integration and the market coverage that these distribution channels cover.

A: All major retailers (Game, Dions, Trade Centre) including mass discounters, furniture shops (Russels, Lewis and Joshua Door) and lawn mower repair shops.

3. In terms of understanding the level of competitiveness in the industry briefly discuss the following:

3.1 Is there intensity between manufacturers in pushing for customer favor for example offering the best prices or quality?

A: Yes it is a highly competitive market, there is a set price range in which to compete, market only consists of sales representing 111000 units per annum and service to retailers must be kept at the highest standards. Additional aspects relate to the costs being so similar in terms of producing the product and the simplicity of the product mostly made up of only wheels, chassis and a motor. In

concluding there is a close relationship between the lawn mower manufacturers which concentrates on product ranges, rebate negotiations and sales but excludes pricing. The relationship is focused on ensuring fairness and respecting each other.

3.2 What is the potential for new competitors to enter the market?

A: There is no chance that a South African based company could act as possible competition setting up production facilities locally. At the same time the chance does exist that a South African company/person imports lawnmowers complete or in part to be assembled locally and act as a competitor.

In relation to an import company competing in the local market the possibility is very high.

3.3 Are substitute products available?

A: No

3.4 Is there a high degree of collaboration between the supplier and the manufacturer for example to reduce inventory and logistics costs?

A: Plastics are produced by the company themselves. Steel is purchased by all local manufactures at the same price. In relation to the other manufactures good relationships do exist and over the deliveries are on time. Planned targeted requirements are forwarded to the suppliers before hand and deliveries relating to these targets in terms of motors or other parts used in producing the lawnmowers are received without fail and shortages are minimal. .

3.5 Do buyers have controlling bargaining power over their suppliers, for example could the buyers change suppliers with ease?

A: Yes they do have controlling bargaining power and yes the buyers could change suppliers based on primarily price being the overriding factor. Other

factors include buyers always try and push for more quality and service and refer to alternative suppliers who can do this.

4. What factors possessed by foreign competitor's would assist them in competing with the local manufacturers?

A: Financial strength, expertise and cheap labour costs.

5. What are the possible reasons why foreign competitors would want to set up production facilities in South Africa?

A: Foreign competitors would not want to set up production facilities in South Africa because of specific costs being so high in comparison to alternative countries. The following costs need to be considered; they include labor, local tariffs and South African Bureau of standards regulatory requirements costs. In addition they wouldn't get the service that they actually required locally.

6. What issues limit multinational company's setting up operations locally?

A: Local market conditions are an important factor with specific reference to who uses the product, kikuyu grass which is actually a very strong weed, dusty conditions, grudge purchase. The small number of lawn mowers sold in the country doesn't warrant any consideration although the industry is characterised by being a large market in relation to powerful electric lawnmowers. The service dealer network offered to the customers, we currently have our own operations in Durban, Cape Town and Port Elizabeth. Out of the normal areas are covered by the local dealers which Southern Cross at times also shares with the competitors.

7. Have any strong strategic alliances been formed in the industry that will assist in complementing the capabilities of the local manufactures?

A: Strategic alliances have been formed with the service dealers, fellow competitors (on selective strategic moves), with the retailers. There is a strategic

relationship with the retailers but this is under strain because they do not want the retailers to be selling lawnmowers.

8. In terms of a global outlook what do you view as the most challenging issues that the local lawn mower manufacturing industry will face in the future, considering for example any political, legal and economic factors?

Politically – No political or social unrest expected.

Legally – The strict standards enforced by the SABS protecting to a degree the import of poor quality products. Products can get the necessary quality assurance certificates from “TUV” in Germany which can be assessed by the SABS and passed as being allowed to be used in South Africa.

Economic – If the rand goes up the company pays more for the motors imported from Briggs and Stratton in USA, all three lawn mower manufacturers get their motors from Briggs and Stratton. Duties being charged on foreign lawn mower related parts coming down each year.

Appendix 7: Discussion Guideline Feedback (Response 4)

Discussion Guideline

Local Industry and Globalisation

Date: 17th of September 2005

Name of respondent: Confidential

Designation: Confidential

1. In relation to market presence, do local manufacturers have brand leadership in South Africa and secondly do the manufactures brands enjoy leading market share in their category?

A: Yes, and to the second part yes.

2. Please discuss the distribution channels in terms of their integration and the market coverage that these distribution channels cover.

A: There are two separate markets, 20% relate to specialist dealers which cater for the top end of the market and who are not so price sensitive. The other 80% of the market relate to the price sensitive what we label as the shed market. The market coverage that we cover is national.

3. In terms of understanding the level of competitiveness in the industry briefly discuss the following:

3.1 Is there intensity between manufacturers in pushing for customer favor for example offering the best prices or quality?

A. There is a high level of competitiveness in the industry and it is very intense. The main reasons for this relate to firstly price, high quality standards of products produced. Other factors that contribute to this intensity relate to rebates being

offered, limited number of products purchased each year and the limited number of retailers.

3.2 What is the potential for new competitors to enter the market?

A: There is no room for a local competitor to enter the market. There is most defiantly room for country's operating from the east to enter the market especially China. There is no much of a threat from European countries because their lawn mowers are made to suit local SA conditions and their products would be priced at the same price in relation to the local manufactures. Companies from the USA would also not be keen to enter the SA market for the same reasons as mentioned earlier but also because the USA focuses on the petrol lawn mower market specifically.

3.3 Are substitute products available?

A: No

3.4 Is there a high degree of collaboration between the supplier and the manufacturer for example to reduce inventory and logistics costs?

A: Yes there is high degree of collaboration especially in terms of the sourcing of the electric and petrol lawnmower motors which are sourced from Austria, locally and from the USA in terms of petrol lawnmowers.

To emphasize this point the suppliers have delivered on the planned delivery dates, they have been very motivated to learn our local conditions in the last 5 to 6 years, local plastic suppliers have not increased their prices (although the company sources a growing percentage of plastics from china still saving 20% to 30%.

3.5 Do buyers have controlling bargaining power over their suppliers, for example could the buyers change suppliers with ease?

A: Yes to a degree in relation to considering another local supplier, but quality and price will be important factors to consider. In terms of changing local suppliers to take on another competitor this be easy mainly due to issues relating to quality, pricing and servicing the lawnmowers nationally which are always contentious issues.

4. What factors possessed by foreign competitor's would assist them in competing with the local manufacturers?

A: Price, quality, financial strength, expertise and cheap labour costs.

5. What are the possible reasons why foreign competitors would want to set up production facilities in South Africa?

A: Foreign competitors would not want to set up production facilities in South Africa. The primary reason relates to specific costs being high in comparison to alternative countries these include labour and production costs. Other factors relate to the size of the market which is small and not attractive to foreigner's in comparison to possible alternative countries such as Australia which is four times the size of our local market. The country has some relevance in term of the market for selling powerful electric lawnmowers.

6. What issues limit multinational company's setting up operations locally?

A: The service dealer network offered to the customers, local conditions and the level of competitiveness in the local industry. Local market conditions are an important factor with specific reference to the person using the product, kikuyu grass which is actually a very strong weed, dusty conditions, grudge purchase.

7. Have any strong strategic alliances been formed in the industry that will assist in complementing the capabilities of the local manufactures?

A: Yes specifically relating to suppliers, fellow lawn mower manufacturers and our top retailers. An extremely strong relationship exists with our service

dealerships specifically because of a strategic move that took place 16 years ago. The company in the past has always supported the service dealerships and many years ago allowed members of the top services dealerships to be part of the company and receive sufficient shares (ownership) in the company.

8. In terms of a global outlook what do you view as the most challenging issues that the local lawn mower manufacturing industry will face in the future, considering for example any political, legal and economic factors?

Politically – No social unrest or disorder expected in future.

Legally – The strict standards enforced by the SABS protecting to a degree the import of poor quality products

Economic – If the rand goes up the company pays more for the electric motors imported from Europe. In terms petrol motors same applies to Briggs and Straten in USA, all three lawn mower manufacturers get their petrol motors from Briggs and Straten.

Duties being charged on foreign lawn mower related parts coming down each year from 20 % to 18 % now. The duty on the chassis and a complete lawnmower is now 10% and 15% respectively.

Appendix 8: Discussion Guideline Feedback (Response 5)

Discussion Guideline

Local Industry and Globalisation

Date: 1st of November 2005

Name of respondent: Confidential

Designation: Confidential

1. In relation to market presence, do local manufacturers have brand leadership in South Africa and secondly do the manufactures brands enjoy leading market share in their category?

A: Yes, and to the second part yes.

2. Please discuss the distribution channels in terms of their integration and the market coverage that these distribution channels cover.

A: The distribution channel is a short one where the products goes from the manufacturer to the retailer either being a mass retailer or a service dealer then in both cases on to the customer.

3. In terms of understanding the level of competitiveness in the industry briefly discuss the following:

3.1 Is there intensity between manufacturers in pushing for customer favor for example offering the best prices or quality?

A. There is a high level of competitiveness in the industry and it is very intense. The main reasons for this relate to the limited time period in which to sell the products (seasonal), limited market size, limited retailers (agglomeration of

retailers). *The intensity is made worse because the market size is made smaller because one of the largest retailers Massmart controls 50% of the market.*

3.2 What is the potential for new competitors to enter the market?

A: There is a very small chance of this occurring, the market is well defined, local conditions play a huge part, limited growth of the market and the local manufacturers product caters very well the to the local market.

3.3 Are substitute products available?

A: No

3.4 Is there a high degree of collaboration between the supplier and the manufacturer for example to reduce inventory and logistics costs?

A: Yes there is high degree of collaboration especially in terms of the sourcing of the relevant lawnmower motors from the international suppliers.

3.5 Do buyers have controlling bargaining power over their suppliers, for example could the buyers change suppliers with ease?

A: Yes without a doubt, there a limited number of retailers especially in terms of the bulk of the market dominated by Massmart and Pick & Pay. These large retailers exert there dominance by controlling the suppliers ranges and influencing the national pricing to a large degree, basically their decisions are exerted onto the industry. Overall the retailers do have the controlling power but suppliers are needed for their branding. To extend on the strength of the suppliers branding you cannot disregard a supplier's product because each one of the three suppliers holds a specific piece of the market. Disregarding one of the suppliers would limit your customer's options.

4. What factors possessed by foreign competitor's would assist them in competing with the local manufacturers?

A: Financial strength, critical mass production in Europe and in the USA, technological and innovation and ease of replication..

5. What are the possible reasons why foreign competitors would want to set up production facilities in South Africa?

A: None.

6. What issues limit multinational company's setting up operations locally?

A: Size of the local market (small), buyer of the product is not the end user and the type of the lawn in South Africa which is actually a weed and very tough to cut (Kikuyu).

Our local legislation is very relaxed in terms of electrical regulations in relation to world standards and our local manufacturers have spent many years gaining expertise in developing powerful electric lawn mowers. In the USA the electrical regulations are much stricter and have forced the manufactures to develop powerful petrol lawnmowers.

The SA market has always been buying electric motors because they are powerful and the costs of maintaining and importing powerful petrol lawnmowers from the USA for example would be expensive because of the import restrictions.

The Europeans wouldn't enter the market because they are also faced with serious electrical regulations which would limit the production of electric lawn mowers. At the same time the Europeans do use electric lawnmowers but the reason for this stems from the fact that there grass is not strong at all and the lawnmowers require much less power thus electricity. The Electric lawnmower manufactures in Europe have developed their skills on less powerful motors.

7. Have any strong strategic alliances been formed in the industry that will assist in complementing the capabilities of the local manufactures?

A: Yes to a degree between the manufactures and their suppliers.

8. In terms of a global outlook what do you view as the most challenging issues that the local lawn mower manufacturing industry will face in the future, considering for example any political, legal and economic factors?

Politically – No social unrest or disorder expected in future.

Legally – The strict standards enforced by the SABS protecting to a degree the import of poor quality products and increased legislation being implemented in relation to electric lawnmowers e.g. the length of the electric cable.

Economic – Retailers are becoming more powerful and the small independents retailers are closing down e.g. Stax, small supermarkets and retailers). A middle class is emerging in the medium to long term (not in the short term) which could possibly indicate more sales. Possible that local lawn mower manufactures produce motors that draw less power and which cool down quicker.

Appendix 9: Background on Lawn Mower Companies

In the 1950's four lawn mower manufactures were in operation, they consisted of "Darbel", "Stilieto", "Southern Cross" and "Hayho". The owners of Darbel were and still are the "DeBruyn" family and other related shareholders. The owners of Stilieto at the time were the Middleton family who were bought out by "Darbel" in early 1990. A few months later after the purchase of "Stilieto", "Tandem" was opened by one of the ex members of "Stilieto". Southern Cross still operates today and is still owned by the Griffiths family. "Hayho" due to financial difficulties closed in the middle 70's.

In terms of buying power, services dealers were controlling the market from the 50's onwards. The situation changed to a degree, from the early 70's till the end of the 80's when the furniture dealers and service dealers who both controlled the buying power relating to 90% of the local market. The situation has once again changed as mass discounters started entering the scene from the early 80's and who currently dominate the buying power of the entire market. Service dealers and furniture's sales currently relate to 5 % of the total market sales. As the growth in mass retailing started, customers shifted their purchasing away from the services dealers and the furniture retailers.

In the 50's the total number of lawn mowers sold was 10000 units. The current situation has changed whereby annual lawn mower sales can range from 85000 to 110000 units depending on the extent of the rainy season. As lawn mower sales increased so did the number of service dealers who play a critical point in the channel because they are primarily responsible for the repair and service of the lawn mowers on behalf of the manufactures and the retailers.

Drastic technological developments have not been taken place in the lawn mower manufacturing industry but the lawn mower manufactures have moved with the times where necessary. The chassis of the lawn mower was made of aluminium but they could be easily damaged which did not suit the local market conditions. Local manufactures have adopted new technology where steel is pressed into a moulded chassis which provides for a stronger chassis and

prevents the chassis from being damaged easily. There have not been major changes affecting the motors over the last thirty years. As manufactures were able to realise economies of scale in terms of the increase in production, increases in copper and plastic prices had a negative affect on realising possible cost savings.

Local lawnmower manufactures attribute their success to producing lawn mower that are well suited to the local condition because of continuous development efforts over the years which involved utilising experts such as engineers, tool and die makers and learning though trial and error. The SABS also played an important part of the development through enforcing high standards of conformance through their strict testing efforts. International suppliers have also played an important part in this respect because they from experience used the knowledge gained to develop lawn mowers suited to the local conditions.

The primary reason why a customer would buy one make of lawn mower over another relates specifically to price. This has been the situation since the 50's is very unlikely to change. New markets are being considered and they relate to a growing middle class. In the 50's the activities of the lawn mower manufactures were governed under the auspices of the Johannesburg Chamber of Commerce. The South African Berea of Standards has been actively involved in the last 15 years in approving which lawn mowers are allowed to be used in the market by the general public. The three lawn mower manufactures contribute to a private institution which is called "OPEA" (Outdoor Power Equipment Association" which focuses on correlating and distributing market related information to the three member lawn mower manufactures.