

**Creating Global Business Competence: The Role of Strategic Management**

**A Research Report**

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**by**

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## **ABSTRACT**

*The tension uncovered during this study is between two worlds: the very pragmatic and enormously challenging world of managing in a rapidly changing and highly competitive global market, and the scientific world of strategic management thinking and the concern that contemporary strategic management is unable to deal effectively with the modern dilemma of globalisation. This dilemma is as a result of change; before a current scenario can be solved, the next evolution of scenarios is upon the business community.*

*In today's turbulent world, globalisation is sweeping away the market and industry structures that, historically, have defined competition. Swept away with them are the classic approaches to strategic management, nearly all of which mistakenly assume that a predictable path to the future can be paved from the experiences of the past.*

*The solution: Strategy should be dynamic and should change constantly in order to contend with external turbulences. Organisations should brace themselves for a future of hyper-competition. They should respond to these rapid changes in the business environment by adopting a new approach to strategy, one that combines speed, openness, and flexibility. Organisations need: an ability to sense changes in their environment; an ability to understand the impact, of this change, on the whole; a willingness to adapt to change; and an ability to adapt.*

*Experimenting with new strategies is also important. Constant testing, adaptation and building on what is found to be successful with customers is the way ahead, especially when one is trying to re-invent the value provided, or the way in which it is produced and delivered.*

*The overall purpose of this experimental strategic learning and management process is to establish which strategic options or elements thereof are robust across the possible competitive scenarios, and use the healthiest elements to develop your strategic intent - your core strategic focus or theme.*

This study is dedicated to my son and daughter,

**Trent** and **Kayden**,

who have proven to be my winds of 'change',

and to my wife,

**Kerry-Ann**,

without whom this would not have been possible.

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- My supportive wife, Kerry-Ann, who has 'gone' before me with her Masters in Education and without whom this research would not have been possible. Thank you.
- My son and daughter, Trent and Kayden, who both came into our lives during this study, and presented me with new eyes through which to view the life-giving concept of 'change'.
- My work colleague, Anita Tuck, who gave of her valuable time to edit and proof read this work.
- My parents, who have previously offered me support along the road I have travelled, to reach this point.

## **DECLARATION**

I declare that "Creating Global Business Competence: The Role of Strategic Management" is my original work and that all the sources I have used or quoted from have been indicated and acknowledged as complete references, and have not previously been submitted for degree purposes.

**George Alastair Scott**

**15 November 2006**

Name

Date

Signature:

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# 1 ORIENTATION

*“Twenty-five years ago, there were 7,000 multinational companies; more than half of them were based in the United States. Today, there are easily 50,000 and their owners span the globe. As national borders evaporate, cultures merge and foreign policy becomes inexorably linked to national economic aspirations. ‘Think globally’ has become more than good bumper sticker advice.”*

*Roger Ahrens, 1996*

## 1.1 INTRODUCTION

Any company that aspires to industry leadership in the 21st century must think in terms of global market leadership, not domestic market leadership. Globalisation of the world economy is a market condition that demands bold offensive strategies to carve out new market positions and potent defensive strategies to protect positions previously won.

Achieving strategic leadership “in these uncertain times [will be] even more difficult than usual, but there is little doubt that the next decade will test corporate leadership in a multitude of ways. In particular, corporate rivalry is only going to get tougher in the years ahead ... [and] opportunities for growth [will] abound in this fast-moving environment - but only the quick and agile are likely to thrive” (Economist Intelligence Unit. 2005: 4).

Closer to home, and visibly significant for South African MNE’s<sup>1</sup>, Mrs Phumzile Mlambo-Ngcuka, Deputy Minister of Trade and Industry of South Africa, was quoted as say that “Africa is probably the last great investment opportunity in the world; we are the untapped economic potential” (Humphreys, 1996: 48). Interestingly enough, and according to UNCTAD<sup>2</sup>, “Africa has about 12 percent of the world’s population, but [during 1995] it received only 2 percent Foreign Direct Investment and accounted for merely 2 percent of world trade”

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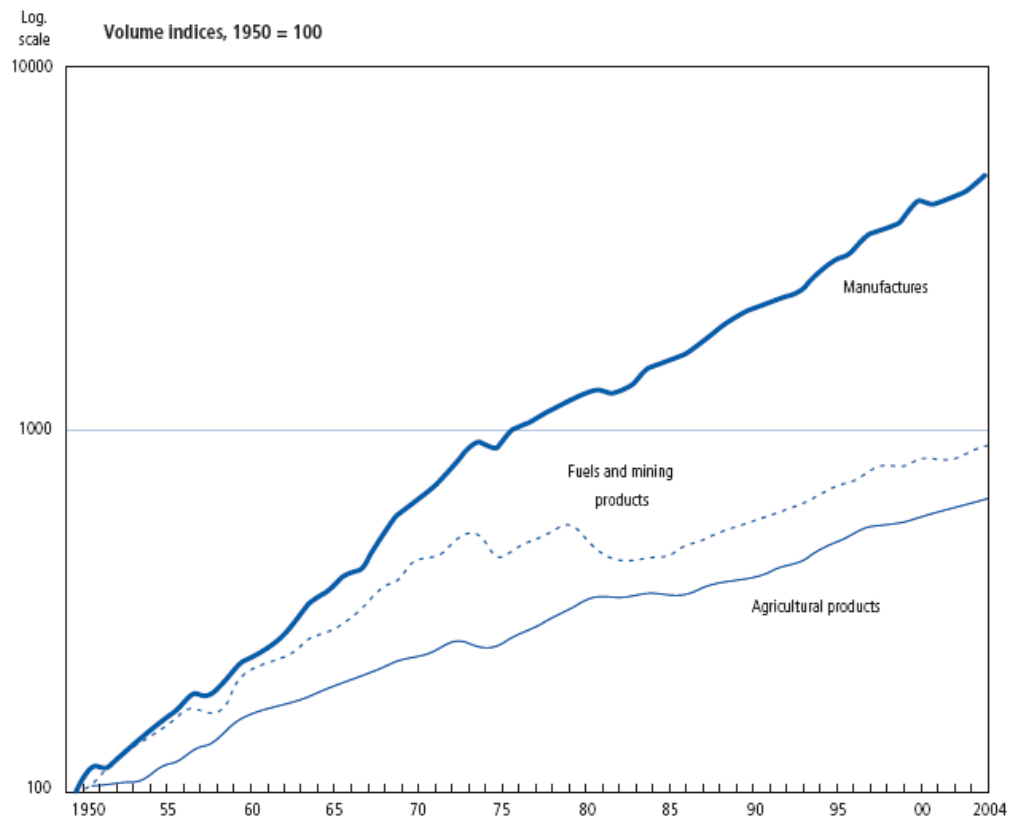
<sup>1</sup> Multi-National Enterprise

<sup>2</sup> United Nations Conference on Traded and Development

(Humphreys, 1996: 48). This untapped market will sooner or later attract attention (if it has not already done so) and it is becoming apparent to many South African companies, as illustrated in Figure 1:1, that they can no longer focus on the “domestic” side of their activities, to the exclusion of the “international arena”, because if they do not proactively reach out to the world, it will be only a matter of time before the ‘world’ reaches them (Ekanayake & Halkides, 2000: 3).

**Figure 1:1 Increasing World Trade**

Chart II.2  
World merchandise trade by major product group, 1950-04



Adapted from: World Trade Organisation (2005)

From the above it is clear that the next decade promises to be an interesting time for business. The world’s major economies are expected to expand, organisational earnings and share prices will hopefully increase, and growth opportunities should be plentiful at home and abroad. Executives will have to rediscover their appetite for risk, with innovation and the globalisation of

business operations returning as corporate priorities. Yet executives are fully aware that the decade ahead will hold at least as many strategic challenges as opportunities, as they will also need to steer their companies through a range of risks and uncertainties in the global marketplace.

Last year's CEO<sup>3</sup> Briefing white paper draws on a major survey of 500 senior executives, as well as in-depth interviews with more than 20 global business leaders in order to provide an insight into the trends and issues that will shape the corporate agenda over the next ten years. The paper arrives at a number of interesting conclusions about the future, such as:

**“Companies [will] strive for growth in an uncertain environment.** Executives are becoming more ambitious in their plans for expansion, ... but achieving that growth may not be easy. ... [and] developing a strategy in this uncertain environment becomes even more of a fine art than usual.

**Competition for off-shoring intensifies.** ... India is by far the most attractive off-shoring location, owing to its English-speaking, low-cost labour force, and common law legal system. In second place, China is to manufacturing what India has become to the service economy. ...

**China as opportunity, risk and competitive threat.** ... China is cited ... as the country offering the greatest opportunities for business expansion. ... However, executives know that any turbulence in China's economy could have major repercussions for the global business environment. ... In addition, some Western executives believe it is only a matter of time before Chinese companies come to compete 'in their own backyards'.

**Technology:** ... advances in technology are seen as the single most important driver of change. Fostering innovation is also a key strategic focus ... and a stream of new ideas look set to fuel growth in industries ranging from biotechnology and energy to telecoms and information technology.

**Managing scarcity.** ... executives surveyed cite rising commodity prices as a critical driver of change in the next three years. ... Concerns over scarcity

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<sup>3</sup> Chief Executive Officer

extend to people as well as to commodities: attracting skills is getting harder for many employers, with failure to attract talent cited as a major business risk.

**Governance goes global.** ... executives believe there will be a greater move towards a command-and-control style of management. In this context, imposing financial discipline and standardised processes across operations in far-flung countries is seen as an important challenge. ... [and finally]

**Corporate agility as pre-requisite for survival.** Failure to keep pace with change is one of the top three risks facing businesses... It is no surprise, then, to find that many executives in the survey emphasise the virtues of corporate agility” (Economist Intelligence Unit. 2005).

In brief, the world today is characterized by constant change, be it social, economic or political. In order to survive these changes, multi-national enterprises need an adapting strategy. A strategic process that will not only allow a firm to adapt to changes, but will also allow the firm to proactively create changes. This study will thus explore the relationship between contemporary strategic management processes and organisational competence (in a global business environment), and will test the theories and models generated from first world thinking, for relevance and applicability, in a South African multi-national enterprise / global business context. It will furthermore provide an intellectual backdrop for further discussion on the global business strategies.

Wright (1994: 690) further motivates the need for such research by stating that there is “a need for more research that would bridge the functional areas to look more broadly at international business firms as complete systems, [and how these firms respond] to the increasing complexities of the global environment”.

Thus far, much research has focused on contemporary strategic management theories, a few examples include the following works: David FR. 2001; Pearce II JA & Robinson Jr RB. 2003; Strickland AJ & Thompson AA. 2003. However, comparatively little attention has been focused on the complexity of globalisation and its influence on contemporary strategic management theory.

It is for this reason that this study has been undertaken to attain a complete understanding of the strategic management process, and the effectiveness of this process in creating competent multi-national enterprises, within a global business environment.

## **1.2 RESEARCH QUESTION**

Based on the foregoing background, the research question for this study can be formulated as follows:

*Would a multinational enterprise be able to improve its competence in a global business environment by using the strategic management process?*

The researcher believes that this topic to be of relevance owing to the fact that global business is characterised by general uncertainty, complexity and discontinuous change: factors which I believe can be mitigated by using an appropriate strategic management process, to create competent multi-national enterprises. This research will thus test the creation of competent global businesses using the strategic management process and theories.

## **1.3 RESEARCH AIMS AND OBJECTIVES**

The researcher will examine various issues that influence improvement of the competence of a multi-national enterprise in a global business environment. This was achieved through various objectives, which included at least the following:

- To examine how global business presents multi-national enterprises with a continuously-changing environment.
- To examine how contemporary strategic management theories may be considered inadequate in a continuously-changing environment.
- To examine how contemporary strategic management processes may evolve, or adapt, in light of these continuously-changing environments.

- To examine how change is an inevitable consequence of operating in a dynamic environment and how organisations can benefit by introducing an evolved, strategic management process to address this change.
- To examine how this evolved strategic management process can improve the competence of a multi-national enterprise in a dynamic global business environment.

#### **1.4 UNDERLYING THEORETICAL ORIENTATION**

A theoretical orientation is important when undertaking qualitative research as this serves as a framework from which the collected data can be analysed. The framework that will inform this study is the system theory.

Systems theory's most immediate relevance has been in developing our understanding of the strategic management process, as well as its external and internal environmental context. Thus, it can be implied that the functioning of the system is dependent upon the interaction between all the parts; consequently, whatever happens in one part will influence the other parts. However, influence is not causal in a one-directional manner as the interaction occurs more in cycles. Repeated cycles of interaction can form the unwritten rules of interaction within the system.

Therefore, the strategic management process may be regarded as a system; the strategic management process is a system structured by rules, patterns of communication and positions of power. Thus it can be seen that the components of the strategic management system are influenced by their interactions with one another as well as with the other management systems / theories beyond the strategic management framework.

#### **1.5 CONCEPT CLARIFICATION**

For the purpose of this study the following meanings will apply to key concepts, used throughout my research. It is important to note that multiple denotations and connotations may be attached to these words in the relevant

literature dependent upon the author's particular discourse and orientation towards the notion of "strategic management process" and "global business".

Strategists: "Strategists are individuals who are most responsible for the success or failure of an organisation. Strategists have various job titles, such as chief executive officer, president, owner, chair of the board, executive director, chancellor, dean, or entrepreneur. ... Strategists help an organisation gather, analyse, and organisation information. They track industry and competitive trends, develop forecasting models and scenario analysis, evaluate corporate and divisional performance, spot emerging market opportunities, identify business threats, and develop creative action plans" (David, 2001: 8).

Vision Statement: A vision statement "answers the question, what do we [the organisation] want to become?" (David, 2001: 8).

Mission Statement: "Mission statements are enduring statements of purpose that distinguish one business from other similar firms. A mission statement identifies the scope of a firm's operations in product and market terms" (David, 2001: 8).

External opportunities and threats: "External opportunities and external threats refer to economic, social, cultural, demographic, environmental, political, legal, governmental, technological, and competitive trends and events that could significantly benefit or harm an organisation in the future. Opportunities and threats are largely beyond the control of a single organisation, thus the term external" (David, 2001: 8).

Internal strengths and weaknesses: "Internal strengths and internal weaknesses are an organisation's controllable activities that are performed especially well or poorly. They arise in management, marketing, finance/accounting, productions/operations, research and development, and computer information systems activities of a business. Strengths and weaknesses are determined relative to competitors" (David, 2001: 8).



Long-term objectives: “Objectives can be defined as specific results that an organisation seeks to achieve in pursuing its basic mission. Long-term is more than one year. Objectives are essential for organisational success because they state direction; aid in evaluation; create synergy; reveal priorities; focus coordination; and provide a basis for effective planning, organizing, motivating, and controlling activities” (David, 2001: 8).

Strategies: “Strategies are the means by which long-term objectives will be achieved. Business strategy may include geographic expansion, diversification, acquisition, product development, market penetration, retrenchment, divestiture, liquidation, and joint venture. ... Strategies are potential actions that require top management decisions and large amounts of the firm’s resources. In addition, strategies affect an organisation’s long-term prosperity, typically for at least five years, and thus are future-oriented. Strategies have multifunctional or multidivisional consequences and require consideration of both external and internal factors facing the firm” (David, 2001: 8).

Annual objectives: “Annual objectives are short-term milestones that organisations must achieve to reach long-term objectives. Like long-term objectives, annual objectives should be measurable, quantitative, challenging, realistic, consistent, and prioritized. They should be established at corporate, divisional, and functional levels in a large organisation” (David, 2001: 8).

Policies: “Policies are the means by which annual objectives will be achieved. Policies include guidelines, rules, and procedures established to support efforts to achieve stated objectives. Policies are guides to decision making and address repetitive or recurring situations” (David, 2001: 8).

Global: “[Global] employs a world-wide strategy, with a standard mix of products, meeting national segmentation requirements” (Dorweiler & Yakhou, 2006: 189).

International: “[International] employs products meeting similarities in countries in which operations are carried out” (Dorweiler & Yakhou, 2006: 189).

Multinational: “[Multinational] employs a different strategy for each country of operations, striving for efficiency of scale” (Dorweiler & Yakhou, 2006: 189).

Transnational: “[Transnational employs an individual strategy for each country, each strategy independent of [each] other” (Dorweiler & Yakhou, 2006: 189).

## **1.6 RESEARCH DESIGN**

The research design is intended to be exploratory in nature. Exploratory research means the research was focused on the understanding of the research dilemma by gathering background information.

A literature review was completed as a theoretical framework in order to compare established thinking with the subject selected. Textbooks, research reports and publications relevant to strategic management and global business were researched and compared and their viewpoints related to the subject selected and discussed.

This theoretical framework was then formed as a frame of reference for a case study with a successful South African based multi-national enterprise (namely SABMiller plc). This case study can be seen to satisfy the three tenets of the qualitative method: describing, understanding and explaining.

A generic qualitative research design places emphasis on the processes and meanings that are explored, in this case the experiences of a South African based multi-national enterprise, their personal insights acquired and from their experience in dealing with international strategic issues, hereby gaining a rich description of the participant’s perceptions.

### **1.6.1 Sampling Procedure**

The research included a single case study of an organisation which met the following criteria:

- South African based organisation.
- Operating as a multi-national enterprise.

- Illustrating a clear track record as a successful organisation with,
- An annual turnover of at least \$ 5 000 000.00.

### **1.6.2 Data Collection**

Although data collection and analysis is an integrated process, for the purpose of clarity these two issues will be discussed separately.

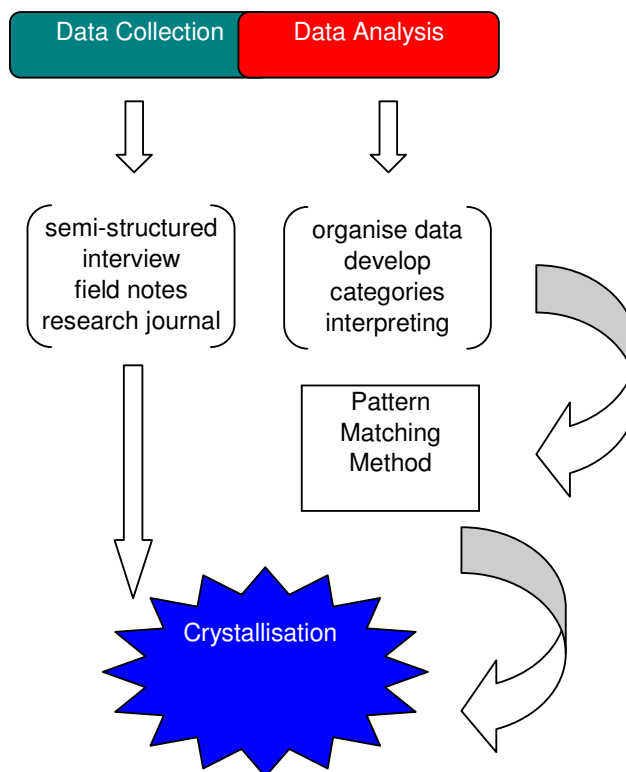
The researcher made use of multiple methods of data collection which included semi-structured interviewing and the use of other documentation as a springboard to facilitate the interview, which can be described as a conversation with a purpose. To further supplement observations, the researcher, during the interview, made use of a Dictaphone. Furthermore, field notes of observations, impressions and events occurring during the interview, were made in a researcher's journal.

Interviewing continued until such time as saturation occurred, i.e. information being repeated and previously gathered information confirmed. At this stage, the researcher believed the data to be adequate and appropriate.

### **1.6.3 Data Analysis**

Data collection and analysis were dove-tailed in order to build a rational interpretation of the data. Although guided by initial concepts brought about through the literature review, these were modified as further data was collected and analysed. The analysis of data involved organizing of categories, developing of themes and interpreting of data collected.

**Figure 1:2 Data Collection and Analysis – An Overview**



Adapted from: Wright-Scott (2005)

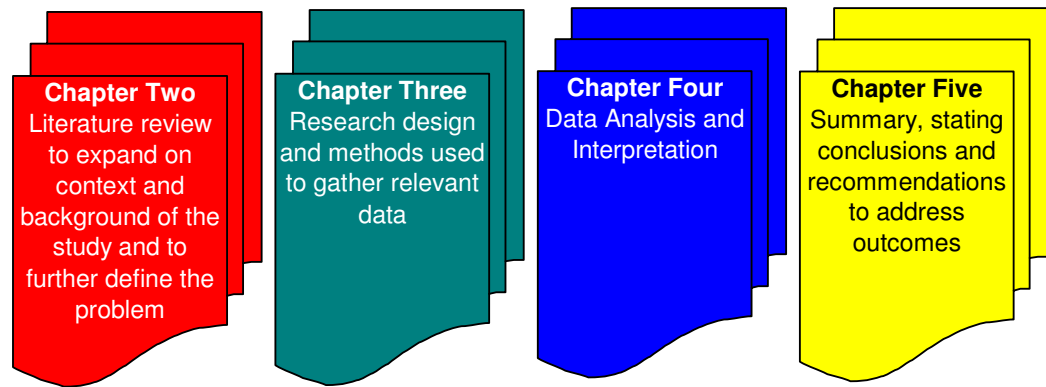
## **1.7 NATURE AND FORM OF RESULTS**

The aim of qualitative research is not to generalise but to analyse and describe the specific experiences of participants in context in order to generate theory. However, once results had been achieved, which will be a blend of description and analysis, the researcher made an assessment of the findings compared with those obtained through various sources, so as to compare the theory of the strategic management process with actual management activities of a successful multi-national enterprise in South Africa. The researcher, furthermore, presents a summation of how this research relates to previous and future research.

## **1.8 PLAN OF THE STUDY**

Figure 1:3, displays the various chapters of this research report, and shows the logical progression in determining the results of this study.

**Figure 1:3 Plan of the Study**



Adapted from: Wright-Scott (2005)

## **1.9 CONCLUSION**

We can only but pity the CEOs of today's global businesses. While keeping ahead in fast-moving markets has never been easy, it becomes doubly challenging in a climate of uncertainty. Fortunately, most executives will probably not allow an unpredictable business environment to paralyse the strategic agenda. The next few years will test executives' leadership skills to the utmost. Competition from traditional sources, as well as the emergence of new international challengers from China and India, will only raise the bar higher. With a to-do list ranging from cost-savings to value-creation, from strategy setting to flawless implementation, who could envy their tasks?

With this backdrop, the researcher believes this topic to be of relevance owing to the fact that global business is characterised by general uncertainty, complexity and discontinuous change; factors which can be mitigated by using an appropriate strategic management process in order to create competent multi-national enterprises. This research, as laid out the chapters ahead, will thus test the creation of competent global businesses using the strategic management process and theories.

## 2 THEORETICAL FRAMEWORK AND LITERATURE REVIEW

*“If strategists are to think differently about their companies and how they compete, they must begin by thinking differently about strategy itself. It makes no sense to use old weapons in a new war ... But face the facts: yesterday’s ... formulas may be today’s surest route to disaster.”*

*Tony Manning 1998*

### 2.1 INTRODUCTION

In recent years globalisation has challenged the conventional approaches to strategy formulation. Critics have found the contemporary strategic management process to be unyielding and inflexible, and incapable of effectively adapting to dynamic circumstances typically prevalent in the global business environment. Schoenberg (2003) adds that many strategists suffer from a mindset paralysis and often their analysis of environmental conditions suffers from “the implicit assumption that historical trends will continue into the future [and that] industry evolution will be linear”.

Further, strategic management consists of three basic components: who to serve, what to offer, and how to deliver. Thus far, many companies have had a propensity to concentrate on the ‘how’ issue – they tend to take on an operational focus and compete through strategy implementation only (Egelhoff, 1993; Schoenberg, 2003). In addition, much of the global strategic management literature has focused on global strategic choices, be they international collaboration, modes of entry, or global integration versus local responsiveness, and little attention has focused on the implications of the new concepts of strategic innovation (Schoenberg, 2003), strategic flexibility (Hayes & Pisano, 1994), strategic entrepreneurship (Fernald, Sashkin, Solomon & Tarabishy, 2005) or strategic robustness (Beinhocker, 1997), concepts that represent a radical departure from conventional approaches to strategy formulation and could provide South African organisations with valuable insight into accommodating non-linear industry transformations.

With due regard to the above, this chapter will take cognisance of the research done to date, the results achieved, and will explore the concept of strategy dynamics (Ghemawat, 1999), predominantly from an international perspective, which will serve as a starting point from which to base my own research.

## **2.2 CONTEMPORARY STRATEGIC MANAGEMENT AND THEORY**

Strategic management (Brown & Eisenhardt, 1998; David, 2001; Ghemawat, 1999; Kedia BL, Kock N, Mukherji A, Parente R, 2004; Pearce & Robinson, 2003; Strickland & Thompson, 2003; Westhuyzen, 1999) is the process of specifying an organization's objectives, developing policies and plans to achieve these objectives, and allocating resources so as to implement the plans. It provides overall direction to the whole enterprise and is a tool to address "competition, change, and conditions for survival and success" (Chaharbaghi & Willis, 1998: 1011).

An organisation's strategy is therefore management's 'winning game plan' (Cronje, 2003) and indicates its chosen commitment to how it will, in the long-term, address its "specific markets, competitive advantages, and ways of operating" (Strickland & Thompson, 2003: 3).

Why strategic management? David (2001) identifies the biggest benefits of strategic management as creating a more pro-active shaping of an organisation's own future; it allows the influence and initiation of activities in order, to exert control over an organisation's own destiny. Strategic management, according to David (2001), helps to make better strategic decisions through more systematic, logical and rational approach to strategy, but more so, his research has proven that the process of strategic management has equal, if not more benefits to organisations – it would ensure that an organisation is prepared for all circumstances and thus guarantees better performance than an organisation without a strategy. Strategic management therefore has a role worth considering.

### 2.2.1 Strategy and how it benefits Organisations

Several authors (Brown & Eisenhardt, 1998; David, 2001; Pearce & Robinson, 2003; Strickland & Thompson, 2003) agree that the successful crafting, implementing and executing of a strategy are a sign of good management. Without defining a clear and well established strategy, and merely allowing the passive development of strategy as part of the business process, is a recipe for inconsistent strategic actions, poor business performance and eventually un-competitiveness.

Pearce & Robinson (2003: 12) highlight “several behavioral effects of strategic management [which] improve the firm’s welfare”, namely:

- “Strategy formulation activities enhance the firm’s ability to prevent problems. Managers who encourage subordinates’ attention to planning are aided in their monitoring and forecasting responsibilities by subordinates who are aware of the needs of strategic planning.
- Group-based strategic decisions are likely to be drawn from the best available alternatives. The strategic management process results in better decisions because group interaction generates a greater variety of strategies and because forecasts based on the specialised perspectives of group members improve the screening of options.
- The involvement of employees in strategy formulation improves their understanding of the productivity-reward relationship in every strategic plan and, thus, heightens their motivation.
- Gaps and overlaps in activities among individuals and groups are reduced as participation in strategy formulation clarifies differences in roles; [and]
- Resistance to change is reduced. Though the participants in strategy formulation may be no more pleased with their own decisions than they would be with authoritarian decisions, their greater awareness of the parameters that limit the available options makes them more likely to accept those decisions”.



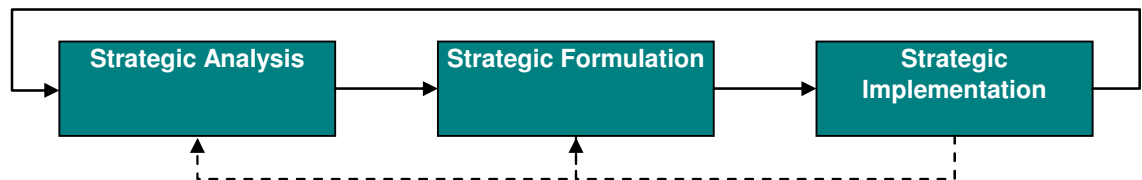
Considering the above, and despite the inherent deficiencies of strategic management processes in a dynamic business environment, it is obviously prudent to investigate further the benefits which strategic thinking may render for any organisation.

### 2.2.2 The Strategic Management Process

Broadly speaking, the strategic management process consists of three stages (David, 2001; Freedman, 2003; Pearce & Robinson, 2003; Strickland & Thompson, 2003). These stages hold for any strategic plan and form the backbone of the strategic management process, and include:

- **Strategic Analysis:** Strategic analysis includes (1) developing a strategic vision (and mission statement) of where the organisation is heading so as to provide long-term direction, and delineate what kind of enterprise the company is aiming to become, and to infuse the organisation with a sense of purposeful action, (2) establishing long-term objectives – converting the strategic vision into specific performance targets for the organisation to achieve, and (3) analysing the organisation’s environments – identifying an organisation’s external opportunities and threats, and determining their internal strengths and weaknesses.

**Figure 2:1 The Strategic Management Process**



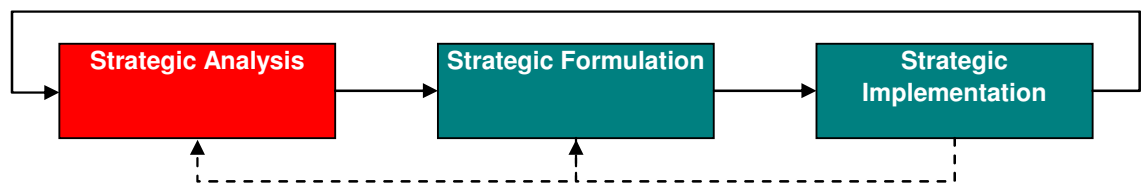
- **Strategic Formulation:** Strategic formulation includes ‘crafting a strategy’ to achieve the desired outcome, which entails generating various alternative strategies and choosing a particular strategy / strategies to pursue; and
- **Strategic Implementation:** Strategic implementation includes implementing and executing the chosen strategy efficiently and effectively, namely (1) establishing annual objectives, devising policies,

motivating employees, and allocating resources so that formulated strategies can be executed; strategy implementation includes developing a strategy-supportive culture, creating an effective organisational structure, redirecting marketing efforts, preparing budgets, developing and utilizing information systems, and linking employee compensation to organisational performance, as well as (2) reviewing external and internal factors that are the bases for current strategies, measuring their performance, and taking corrective action where necessary.

### 2.2.3 Strategic Analysis

Strategic analysis includes developing a strategic vision (and mission statement), establishing long-term objectives and analysing the organisation's environments, both external opportunities and threats, and internal strengths and weaknesses. These elements are discussed further hereunder.

**Figure 2:2 Stage 1: Strategic Analysis**



#### 2.2.3.1 Strategic Vision and Business Mission Formulation

David (2001), Pearce & Robinson (2003) and Strickland & Thompson (2003) define a strategic vision as forming a picture of what an organisation would be like in the future and where the organisation will be heading. It adds purpose and direction to the organisation. It enables employees to know where the organisation is and must be. If this vision is a shared vision, it encourages co-operative behaviour in order to reach this visionary state.

Strickland & Thompson (2003) continue that this is an almost impossible desired state. This desired state includes aspects such as the business in which we are competing, our customers, our suppliers, but even more so, our

own capabilities and culture. They add that the more employees of an organisation share the same vision, the stronger the vision will be and subsequently the more effective the strategy would be. Vision refers to a desired state, but makes no mention of how this state is going to be reached.

David (2001), Pearce & Robinson (2003) and Strickland & Thompson (2003), continue to define the business mission as addressing the details of reaching the visionary position. In essence, the mission statement defines the fundamental, unique purpose that sets a business apart from other firms of its type and identifies the scope of the business's operations in terms of its products / services offered and markets served.

They add that it is important for an organisation to develop a vision and mission statement for the following broad reasons:

- To ensure unanimity of purpose within the organisation.
- To provide a basis, or standard for allocating organisational resources.
- To establish a general tone or organisational climate.
- To serve as a focal point for individuals to identify with the organisation's purpose and direction and to deter those who cannot, from participating further in the organisations activities.
- To facilitate the translation of objectives into a work structure involving the assignment of tasks to responsible elements within the organisation; and
- To specify organisational purposes and the translation of this purpose into objectives in such a way that cost, time and performance parameters can be assessed and controlled.

### **2.2.3.2 Setting Objectives**

Setting objectives is a way in which management can measure the performance of the organisation. The objectives are set to achieve the vision and mission of the organisation (Strickland & Thompson, 2003).

David (2001: 162) argues that “objectives should be quantitative, measurable, realistic, understandable, challenging, hierarchical, obtainable and congruent among organisational units”. These objectives must be clear to the whole organisation, realistic and reachable. It is important that objectives include both financial and strategic objectives. Financial objectives can include higher production levels, lower per unit cost, more profit, whereas strategic objectives include the degree and nature of diversification, building a reputation in the market place, gaining a competitive advantage and degree and nature of vertical integration. It must be remembered that strategy is aimed at satisfying long-term vision and mission; in this context it is more important to ensure that long-term objectives are met.

### **2.2.3.3 Strategic Assessment of External / Internal Environments**

“[W]hat strategy to pursue needs to flow directly from solid analysis of a company’s external environment and internal situation. The two most important situational considerations are (1) industry and competitive conditions, and (2) a company’s own competitive capabilities, resources, internal strengths and weaknesses, and market position” (Strickland & Thompson, 2003: 73).

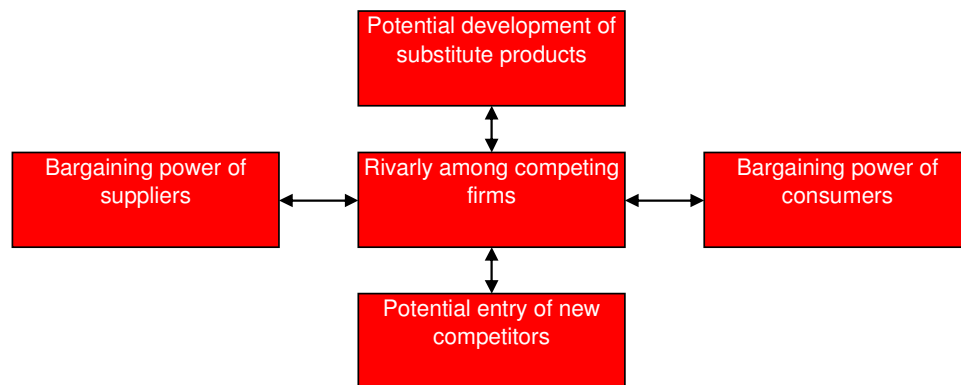
#### **Assessment of the External Environment**

The assessment involves examining a company’s business in the context of its wider environment. The assessment aims at developing insightful answers to seven questions (Strickland & Thompson, 2003: 111-112):

- “What are the industry’s dominant economic features? Industries differ significantly on such factors as market size and growth rate, the geographic scope of competitive rivalry, the number and relative sizes of both buyers and sellers, ease of entry and exit, whether sellers are vertically integrated, how fast basic technology is changing, the extent of scales of economies and experience curve effects, whether the products of rival sellers are standardised or differentiated, and overall profitability. An industry’s economic characteristics are important because of the implications they have for crafting strategy.

- What is competition like and how strong are each of these competitive forces? The strength of competition is a composite of five forces: the rivalry among competing sellers, the pressure of attractive substitutes, the potential for new entry, the competitive pressures stemming from supplier-seller collaboration and bargaining, and the competitive pressures stemming from seller-buyer collaboration and bargaining. The task of competitive analysis is to understand the competitive pressure associated with each force; determine whether these pressures add up to a strong or weak competitive force in the marketplace, and then think strategically about what sort of competitive strategy, given the rules of competition in the industry, the company will need to employ to [1] insulate the firm as much as possible from the five competitive forces, [2] influence the industry's competitive rules in the company's favour, and [3] gain a competitive edge.

**Figure 2:3 Comparing Competitive Forces with Porters 5-Forces Model**



Adapted from: David (2001: 100)

- What is causing the industry's competitive structure and business environments to change? Industry and competitive conditions change because forces are in motion that create incentives or pressures for change. The most common driving forces are the industry changes wrought by the Internet and mushrooming e-commerce transactions, globalisation of competition in the industry, changes in long-term industry growth rates, changes in buyer composition, product innovation, entry or exit of major firms, changes in cost and efficiency, changing buyer preferences for standardised or differentiated products

or services, regulatory influences and government policy changes, changing societal factors, and reductions in uncertainty and business risk. Sound analysis of driving forces and their implications for the industry is a prerequisite to sound strategy making.

- Which companies are in the strongest / weakest positions? Strategic group mapping is a valuable, if not necessary, tool for understanding the similarities, differences, strengths, and weaknesses inherent in the market position of rival companies. Rivals in the same or nearby strategic groups are close competitors, whereas companies in distant strategic groups usually pose little or no immediate threat.
- What strategic moves are rivals likely to make next? This analytical step involves identifying competitors' strengths, deciding which rivals are likely to be strong contenders and which weak contenders, evaluating their competitive options, and predicting what further moves they are likely to make. Scouting competitors well enough in anticipating their actions can help a company prepare effective counter moves (perhaps even beat a rival to the punch) and allows managers to take rivals' probable actions into account in designing their own company's best course of action. Managers who fail to study competitors closely risk being blind sided by surprise actions on the part of rivals. A company cannot expect to out-manoeuvre its rivals without monitoring their actions and anticipating their next moves.
- What are the key factors for competitive success? An industry's key success factors (KSFs) are the particular strategy element, product attributes, competitive capabilities, and business outcomes that spell the difference between profit and loss and, ultimately, between competitive success or failure. ... Frequently, a company can gain sustainable competitive advantage by training its strategy on industry KSFs and devoting its energies to being distinctively better than its rivals at succeeding on these factors. Companies that only dimly or incompletely perceive what factors are truly crucial to long-term competitive success are less likely to have winning strategies.
- Is the industry attractive and what are the prospects for above-average profitability? ... An assessment that the industry and competitive

environment is fundamentally attractive typically suggests employing a strategy calculated to build stronger competitive position in business, expanding sales efforts and investing in additional facilities and equipment as needed. If the industry is relatively unattractive, outsiders considering entry may decide against it and look elsewhere for opportunities; weak companies in the industry may merge with or be acquired by a rival, and strong companies may restrict further investments and employ cost-reduction strategies or product innovation strategies to boost long-term competitiveness and protect their profitability”.

Finally, the organisation must not only survive in its environment, it is also governed by it. Therefore the external environment plays arguably the biggest role in the existence and thus in the strategy crafting of the organisation.

### **Assessment of the Internal Environment**

The spotlight of company situational analysis is trained on five questions (Strickland et al, 2003: 146-147):

- “How well is the company’s present strategy working? This involves evaluating the strategy from a qualitative standpoint (completeness, internal consistency, rationale, and suitability to the situation) and also from a quantitative standpoint (the strategic and financial results the strategy is producing). The stronger a company’s current overall performance, the less likely the need for radical strategy changes. The weaker a company’s performance and/or the faster the changes in its external situation (which can be gleaned from industry and competitive analysis), the more its current strategy must be questioned.
- What are the company’s resource strengths and weaknesses and its external opportunities and threats? A SWOT analysis provides an overview of a firm’s situation and is an essential component of crafting a strategy tightly matched to the company’s situation. A company’s resource strengths, competencies, and competitive capabilities are

important because they are the most logical and appealing building blocks for strategy; resource weaknesses are important because they may represent vulnerabilities that need correction. External opportunities and threats come into play because a good strategy necessarily aims at capturing a company's most attractive opportunities and at defending against threats to its well-being.

- Are the company's prices and costs competitive? ... Strategic cost analysis and value chain analysis are essential tools in benchmarking a company's prices and costs against rivals, determining whether the company is performing particular functions and activities cost effectively, learning whether its costs are in line with competitors, and deciding which internal activities and business processes need to be evaluated for improvement. Value chain analysis teaches how competently a company manages its value chain activities relative to that of rivals is a key to building valuable competencies and competitive capabilities and then leveraging them into sustainable competitive advantage.
- How strong is the company's competitive position [relative to that of its rivals]? The key appraisals here involve whether or not the company's position is likely to improve or deteriorate should the present strategy be continued, how the company matches up against key rivals on industry key success factors and other chief determinants of competitive success, and whether and why the company has a competitive advantage or disadvantage. ... As a rule a company's competitive strategy should be built around its competitive strengths and should aim at shoring up areas where it is competitively vulnerable. Also, the areas where company strengths match up against competitor weaknesses represent the best potential for new offensive initiatives.
- What strategic issues does the company face? The purpose of this analytical step is to zero in on strategic challenges that stand as obstacles to the company's future success. It involves using the results of both company situation analysis and industry and competitive analysis to identify the issues and problems that management needs to address. The objective is to pin point the things that management



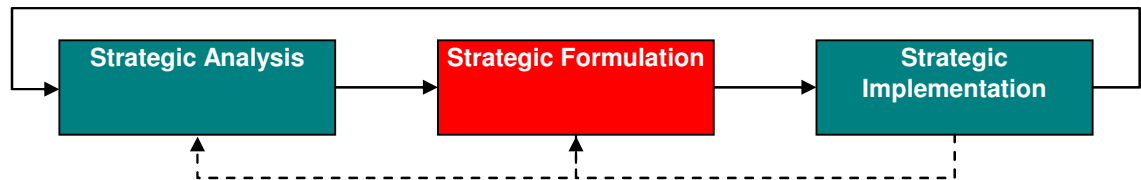
needs to worry about most. Identifying what challenges have to be overcome and what issues have to be resolved in order for the company to be financially and competitively successful in the years ahead frames the strategic agenda that management needs to act on” (Strickland et al, 2003: 146-147).

To conclude, it is impossible for managers to succeed in strategic planning and decision-making without an in-depth understanding of the strategic factors within the organisation.

## 2.2.4 Strategic Formulation

Strategic formulation includes ‘crafting a strategy’, which entails generating various alternative strategies, and choosing a particular strategy / strategies to pursue. This is discussed further hereunder.

**Figure 2:4 Stage 2: Strategic Formulation**



### 2.2.4.1 Crafting a Strategy

Strategy is achieved by evaluating the vision, mission and objectives of an organisation and then adjudicating what required action is necessary to obtain these results.

David (2001) and Strickland & Thompson (2003) agree that strategy reflects organisational choices among alternatives and signals organisational commitment to particular products, markets, competitive approaches, and ways of operating the organisation. They add, however, that strategy-making also involves developing an intended strategy, adapting it as events unfold (adaptive / reactive strategy) and the aligning the organisation’s business

approaches, actions, and competitive initiatives to its competencies and capabilities.

David (2001) and Strickland & Thompson (2003) argue that the actual strategy decided upon is a result of the planned strategy and also the “adaptive reactions to changing circumstances”. This is correctly based upon the fact that all circumstances cannot be predicted and thus creates uncertainty in the organisation. After encountering the unpredictable circumstances, the organisation adapts its strategy to accommodate the circumstances. In essence it is apparent that strategy has to adapt to internal and external influence; whether part of the evaluation process, or part of the crafting process, is insignificant.

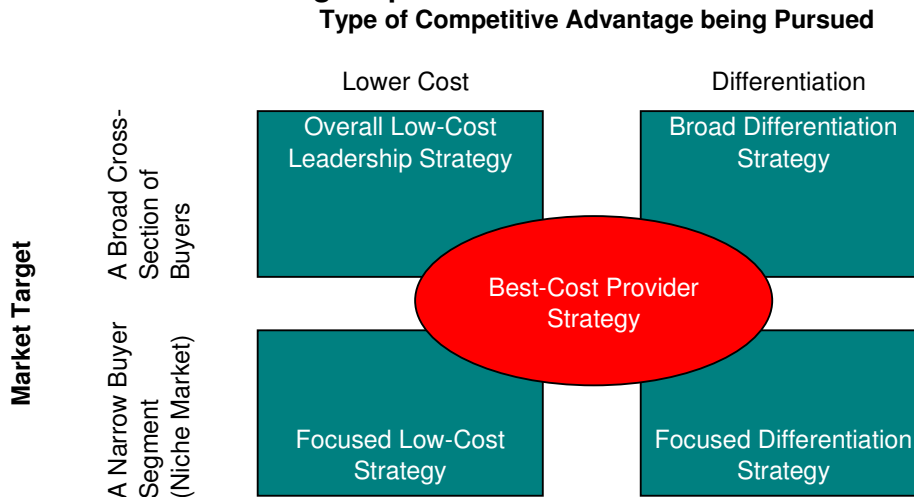
Good strategy does not mean that an organisation will continue in its planned strategy should circumstances change, but would rather imply that a different strategy is necessary – a key question, however (as we will see later), will be whether or not these corrections are identified and executed timeously.

#### **2.2.4.2 Strategic Choices**

Several authors (David, 2001; Pearce & Robinson, 2003; Strickland & Thompson, 2003) propose five generic strategies for outperforming other organisations:

- A low-cost provider strategy: appealing to a broad spectrum of customers based on being the overall low-cost provider of a product or service.
- A broad differentiation strategy: seeking to differentiate the company's product offering from rivals' in ways that will appeal to a broad spectrum of buyers.
- A best-cost provider strategy: giving customers more value for money by incorporating good-to-excellent product attributes at a lower cost than rivals; the target is to have the lowest (best) costs and prices compared with rivals offering products with comparable upscale attributes.

**Figure 2:5 Various Strategic Options**



Adapted from: Strickland & Thompson (2003: 151)

- A focused (or market niche) strategy based on lower cost: concentrating on a narrow buyer segment and out-competing rivals by serving niche members at a lower cost than rivals; and
- A focused (or niche market) strategy based on differentiation: concentrating on a narrow buyer segment and outperforming rivals by offering niche members customized attributes that meet their tastes and requirements better than the products of rivals.

In addition, Strickland & Thompson (2003: 69) detail three tests that can be used to evaluate the merits of one strategy over another:

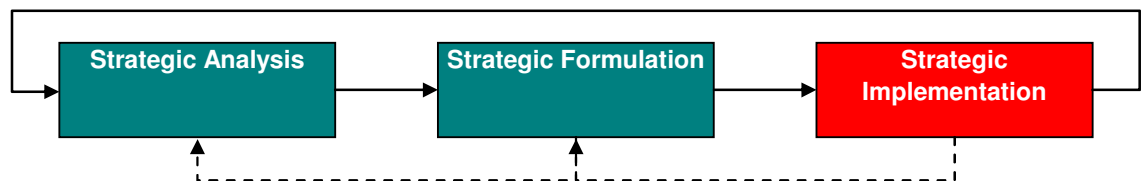
- “The goodness of fit test – a good strategy has to be well matched to industry and competitive conditions, market opportunities and threats, and other aspects of the enterprise’s external environment. At the same time, it has to be tailored to the company’s resource strengths and weaknesses, competencies, and competitive capabilities. Unless a strategy exhibits tight fit with a company’s external situation and internal circumstances, it is suspect and likely to produce less than the best possible business results.

- The competitive advantage test – a good strategy leads to sustainable competitive advantage. The bigger the competitive edge that a strategy helps build, the more powerful and effective it is; [and]
- The performance test – a good strategy boosts company performance. Two kinds of performance improvements are the most telling of a strategy’s calibre: gains in profitability and gains in the company’s competitive strength and long-term market position”.

## 2.2.5 Strategic Implementation

Finally, strategic implementation includes implementing and executing the chosen strategy efficiently and effectively, as well as reviewing external and internal factors that are the bases for current strategies, measuring their performance, and taking corrective action where necessary. These elements are further discussed hereunder.

**Figure 2:6 Stage 3: Strategic Implementation**



### 2.2.5.1 Strategy Implementation and Execution

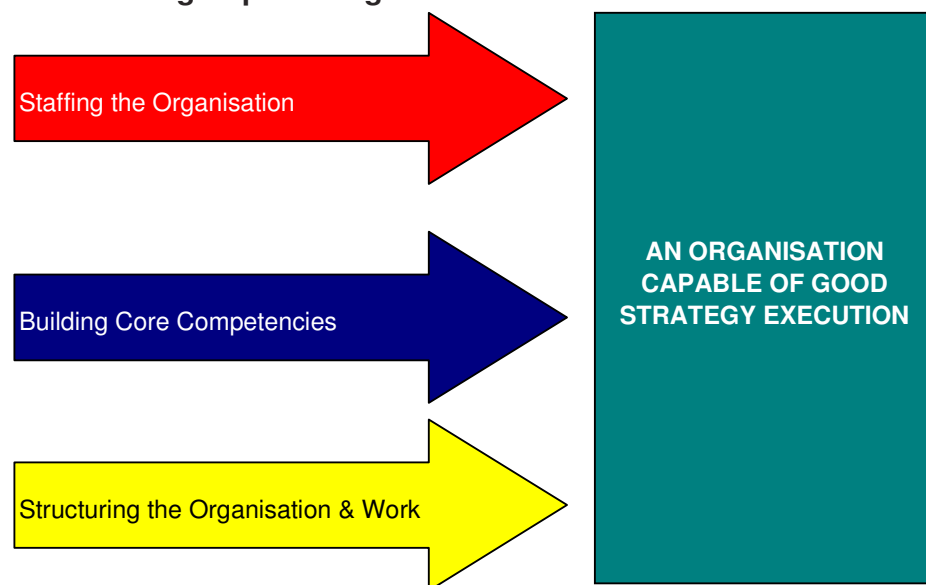
Implementing and executing the strategy is the managerial task of steering the vision and mission of the organisation into reality. It is essential that the correct steps are identified and implemented, in order to ensure the success of the strategy. The essential aspects of implementing and executing a strategy, as identified by Strickland & Thompson (2003: 19) are:

- “Building an organisation capable of carrying out the strategy successfully.
- Developing budgets that steer resources into those internal activities critical to strategy success.

- Establishing strategy supportive policies and operating procedures.
- Motivating people in ways that induce them to pursue the target objectives energetically, and if needed, modify their duties and job behaviour to better fit the requirements of successful strategy execution.
- Tying the reward structure to the achievement of targeted results.
- Creating a company culture and work climate conducive to successful strategy implementation and execution.
- Installing information, communication and operating systems that enable company personnel to carry out their strategy roles effectively day in and day out; [and]
- Instituting best practices and programs for continuous improvement. Exerting the internal leadership needed to drive implementation forward and to keep improving on how the strategy is being executed”.

Strickland & Thompson (2003: 359), indicate that there are three types of actions, for successful strategy execution, which are paramount:

**Figure 2:7 Building Capable Organisations**



Adapted from: Strickland & Thompson (2003: 360)

- “Staffing the organisation – includes putting together a strong management team, and recruiting and retaining employees with the needed expertise, technical skills and intellectual capital.
- Building core competencies and competitive capabilities – that will enable good strategy execution and then keeping the competence / capability portfolio updated as strategy and external conditions change; [and]
- Structuring the organisation and work effort – organising business functions and processes, value chain activities, and decision making in a manner conducive to successful strategy execution”.

To conclude, “the essence of good strategy execution [and implementation] is [to be continue] building and strengthening the company’s competencies and capabilities” (Strickland & Thompson, 2003: 367).

#### **2.2.5.2 Strategy Evaluation**

Finally, owing to the dynamic, ever evolving environment, it is important that the strategic management performance of an organisation is regularly evaluated, in order to optimise the organisational strategy. Strategic evaluation should be done as a continuing task as strategy development is a process without defined end; effective strategy must change continuously in order to adapt to changing circumstances and environments.

Pearce & Robinson (2003: 319) adds that “managers responsible for the success of a strategy [are] typically concerned with two sets of questions”:

- Are we moving in the proper direction? Are key issues falling into place? Are our assumptions regarding major trends and changes correct? Are we making the critical moves that need to be made? Should we adjust or abort the strategy?
- How are we performing? Are objectives and schedules being met? Are costs, revenues and cash flows matching projections? Do we need to make operational changes?

In conclusion, there is no value in establishing goals for the organisation if the progress in obtaining these goals is not monitored. This means that an organisation should compare their anticipated results with actual results, investigating deviations from plans, evaluating individual performances and examining progress being made towards meeting stated objectives. Failure to make satisfactory progress towards accomplishing long-term or annual objectives signals a need for corrective action.

## **2.3 GLOBALISATION: ITS IMPACT ON CONTEMPORARY STRATEGIC MANAGEMENT THEORY**

For centuries businesses have searched and will continue to search for new opportunities beyond their national boundaries. David (2001: 24) adds that, owing to this phenomenon of globalisation, “the strategic-management process ... is more complex for international firms because of the presence of more variables and relationships. Social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive opportunities and threats that face a multinational corporation are almost limitless, and the number and complexity of these factors increase dramatically with the number of products produced and the number of geographic areas served”.

Weinzimmer (1996: 267) continues that “the ability of many domestic corporations to isolate themselves from world economic problems faced by large multinational corporations has diminished as the economies from other countries become more interdependent”.

Globalisation, therefore, has an obvious impact on the strategic management process, the nature and affect of which is discussed below.

### **2.3.1 The Nature of Global Competition and Global Strategy**

Several authors (Bartlett & Ghoshal, 2000; Beinhocker, 1997; Brown & Eisenhardt, 1998; Carpano, Chrisman & Roth, 1994; Dorweiler & Yakhou, 2006; Eeden, 2003; Fernald et al, 2005; Froneman, 2004; Gelink, 2004; Johnson, 2006; Pascale, 1999; Pearce & Robinson, 2003; Tsosa, 2003;

Weeks, 2002) note that today's global environment presents organisations with problems not previously experienced. These problems result in global strategic planning being more complex than purely domestic strategic planning. There are at least five factors that contribute to this increase in complexity:

- Global organisations face multiple political, economic, legal, social, and cultural environments, as well as various rates of change within each of them.
- Interactions between the national and foreign environments are complex, because of national sovereignty issues and widely differing economic and social conditions.
- Geographic separation, cultural and national differences, and variations in business practices all tend to hinder communication and control efforts between headquarters and overseas affiliates.
- Global organisations face extreme competition because of differences in industry structures; and
- Global organisations are restricted in their selection of competitive strategies by various regional blocks and economic integrations.

They (Bartlett & Ghoshal, 2000; Beinhocker, 1997; Brown & Eisenhardt, 1998; Carpano, Chrisman & Roth, 1994; Dorweiler & Yakhou, 2006; Eeden, 2003; Fernald et al, 2005; Froneman, 2004; Gelink, 2004; Johnson, 2006; Pascale, 1999; Pearce & Robinson, 2003; Tsosa, 2003; Weeks, 2002) add that to exist in this environment of change, organisations must have the capacity to adapt or evolve. Change is an inevitable consequence of operating in a global environment and organisations must recognise this need for flexibility. Dorweiler & Yakhou (2006: 188) reiterate this point that the “rules for strategy are undergoing change, as the international business environment changes. Global competition requires responsiveness, even rapid and extreme responsiveness”.



To conclude, because of globalisation, change is occurring ever faster than before. It is becoming harder to determine how a rival's strategic move or a shift in customer preferences may affect one's business. It is therefore evident that tension exists between contemporary strategic management theory and practices, and its ability to continue to be effective in a dynamic global business environment.

### **2.3.2 Balancing the Conflict (the Strategic Management Process versus Globalisation)**

Several authors (Beinhocker, 1997; Beinhocker & Kaplan, 2006; Brown & Eisenhardt, 1998; Cavusgil, Deligonul & Yaprak, 2005; Cronje, 2003; Dobson, 2004; Dye, 2006; Richards & Starkey, 2004; Eeden, 2003; Freedman, 2003; Froneman, 2004; Pascale, 1999; Tsosa, 2003; Wall & Wall, 1995; Weeks, 2002) are concerned that strategic management processes are unable to deal effectively with the modern dilemma of globalisation. This dilemma is as a result of change: before a current scenario can be solved, the next evolution of scenarios is upon the business community. They (Beinhocker, 1997; Beinhocker & Kaplan, 2006; Brown & Eisenhardt, 1998; Cavusgil, Deligonul & Yaprak, 2005; Cronje, 2003; Dobson et al, 2004; Dye, 2006; Eeden, 2003; Freedman, 2003; Froneman, 2004; Pascale, 1999; Tsosa, 2003; Wall & Wall, 1995; Weeks, 2002) continue to add that organisations have been caught in the trap set by the modern world economies, where competitive advantage is regarded as temporary and market positioning can be copied by competitors. This viewpoint, and the perception that strategy is too static to adapt to changing economies, has led to the diminishing importance of strategic planning as a management process and thus invalidated many of the fundamental assumptions underlying the traditional strategic management process.

Wall & Wall (1995: 6) argue that strategic "planning's inherently programmatic nature is at fault. ... Strategic planning, by its very nature, is prone to devolving into an overly rigid focus on analysis and quantification; thus, it is innately inflexible and incapable of predicting crucial market shifts or of encouraging timely adaptation to them once they occur. Planning's artificially

linear systems are blamed for the long time lags that can occur between intention and execution, and for a myopic, short-term financial orientation among top managers". Wall & Wall (1995) continue that the contemporary strategic management process was built on an implicit assumption: that the process could often achieve the desired results – as long as the external environment in which the organisation operated stayed fairly stable.

Today much of the former environmental stability has vanished. In its wake has come a highly competitive and volatile global marketplace in which the time frames for responding to changing needs have been radically shortened. Given this loss of stability, it is no wonder that faith in the efficiency of traditional strategic planning has substantially eroded. The idea of planning as an ordered process rested, after all, on certain assumptions regarding what could be known about the future – that the future would represent, in certain fundamental ways, a continuation of the present, or at least a slow predictable shift that left plenty of time to adapt. In many industries, of course, that assumption has been rendered invalid.

Still, most organisations are resisting the temptation to discard strategic planning in its entirety. Even critics of planning agree that every organisation needs a sense of focus and direction. Thus, the strategic planning process, rather than being wholly abandoned, is being revitalized and reshaped. The changes under way reflect less a conscious effort than a natural evolution, part of the adaptation to external conditions that organisations make in order to survive. Specifically, strategic planning is evolving owing to the increasingly urgent need for responsiveness to market changes.

In short, modern organisations are discarding strategic planning as a mechanical task, and are rather viewing it as a thought process, looking to the benefits of a more evolutionary, participatory approach to strategy making to help them achieve a flexible and renewable source of competitive advantage.

### **2.3.3 Strategic Innovation, Flexibility, Entrepreneurship, Robustness and the barriers to Adaptability**

In response to the current evolutionary pressures, for contemporary strategic management to be more innovative, flexible and robust, several authors (Beinhocker, 1997; Brown & Eisenhardt, 1998; Fernald et al, 2005; Hayes & Pisano, 1994; Schoenberg, 2003; Tsosa, 2003) agree that organisations need to become adaptable. Several barriers exist, however, which need to be overcome in order to increase adaptability. Beinhocker (2006) defines these barriers as being:

- People and the price an organisation will pay because of their level of experience (mental modes become more rigid, more locked-in and more adverse to novelty, as we gain experience).
- Structure and the complexity of organisational structures (highly interdependent systems can sometimes become so complicated that they go into gridlock and change becomes impossible); and
- Resources and the development or availability of resources which create a path towards organisational dependence.

Beinhocker (2006) continues that in creating an adaptive organisational architecture, management need to address both the 'hardware' and 'software' of the organisation. The 'hardware' fixes for the adaptability program, though challenging, are in many ways the easier ones. Companies can use three key approaches: reduce hierarchy; increase autonomy; encourage diversity. The 'software' fixes are more complicated and would include:

- Addressing co-operating norms (one of the key roles of a hierarchy is to enforce co-operation among individuals. Norms that encourage trust, reciprocity and shared purpose can achieve the same effect, but in a more flexible way).
- Addressing performing norms (one of the arguments against increased autonomy is the diminution of management-centralised control over

performance. Companies can counter this problem by instilling norms that create strong expectations for individual performance, so that employees will go the extra mile, take the initiative, be honest and transparent, and believe that success will be rewarded); and

- Addressing innovating norms (structures and processes that support experimentation and diversity must have norms to back them up. Vital innovating norms include the belief that facts matter more than hierarchy, that good ideas can come from anywhere).

To conclude, traditional strategy tends to emphasize a focused single line of attack – a clear statement of where, how and when to compete. In a complex adaptive system, a focused strategy to dominate a niche is necessary for day-to-day survival, but not sufficient in the long run. Given an uncertain environment, strategies must also be robust – that is, able to perform well in a variety of possible future environments (Beinhocker, 1997; Brown & Eisenhardt, 1998; Defee & Stank, 2005; Tsosa, 2003). Beinhocker (1997) adds that a “robust strategy makes a company more like a market, with a population of strategies that cover a broad array of possibilities and evolve over time, some succeeding and some failing”. Therefore, the strategic process of today needs to balance the need for a focused versus robust strategy, a competitive advantage versus continuous adaptation and conservative operations versus being a radical innovator – strategic management will need to learn to manage change.

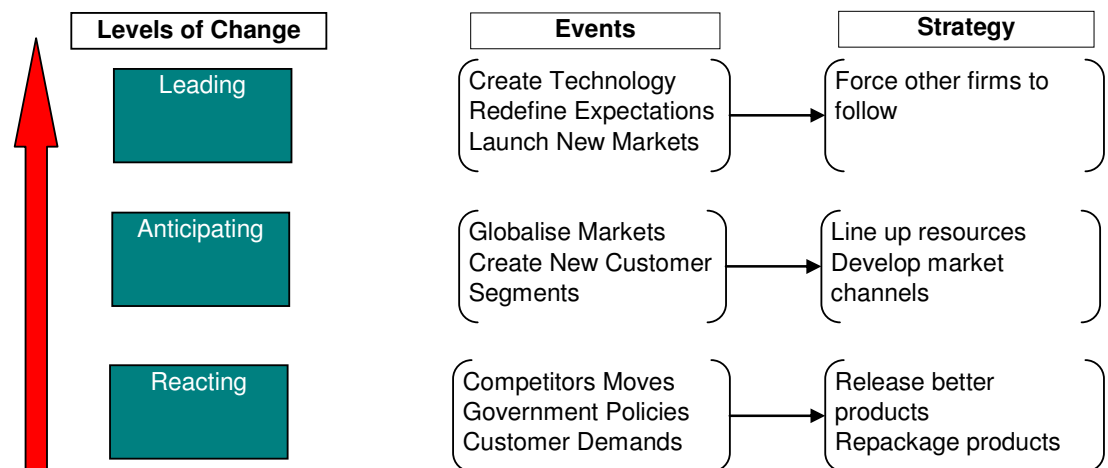
### **2.3.4 A new Role for Strategic Management (Managing Change)**

David (2001: 7) observes that “the strategic-management process is based on the belief that organisations should continually monitor internal and external events and trends so that timely changes can be made as needed. The rate and magnitude of changes that affect organisations are increasing dramatically, [and] to survive, all organisations must be capable of astutely identifying and adapting to change. [In future] the strategic-management process [would need to be] aimed at allowing organisations to adapt effectively to change over the long-run”.

Therefore, the central strategy-making challenge in a turbulent market environment is managing change. Several authors (Beinhocker, 1997; Brown & Eisenhardt, 1998; Charharbaghi, Distel & Feurer, 1995; Dobson et al, 2004; Chaharbaghi & Willis, 1998; Courtney, Kirkland & Viguerie, 2000; Eeden, 2003; Eisenhardt & Sull, 2001; Strickland & Thompson, 2003; Tsosa, 2003) state that an organisation can assume any one of three strategic postures (as illustrated in Figure 2:8) in dealing with environmental change:

- They can react to change. Reacting is a defensive strategy and is therefore unlikely to create fresh opportunity, but it is nonetheless a necessary component in a company's arsenal of options.

**Figure 2:8 Managing the Strategic Challenge of Change**



Adapted from: Brown & Eisenhardt (1998: 5)

- They can anticipate change. Anticipation entails looking ahead to analyze what is likely to occur and then preparing and positioning for that future. Anticipating change is fundamentally defensive in that forces outside the enterprise are in the driver's seat; and
- They can lead change. Leading change entails initiating the market and competitive forces to which others must react and respond – it is an offensive strategy aimed at putting a company in the driver's seat. It means proactively seeking to shape the rule of the game.

They (Beinhocker, 1997; Brown & Eisenhardt, 1998; Charharbaghi et al, 1995; Chaharbaghi & Willis, 1998; Courtney, Kirkland & Viguerie, 2000; Dobson et al, 2004; Eeden, 2003; Eisenhardt & Sull, 2001; Strickland & Thompson, 2003; Tsosa, 2003) continue that success in fast-changing markets tends to hinge on an organisation's ability to improvise, experiment, adapt, reinvent, and regenerate as market and competitive conditions shift rapidly and sometimes unpredictably. It has to constantly reshape its strategy and its basis for competitive advantage. This dynamic capability to change can constitute a core competence (Dobson et al, 2004).

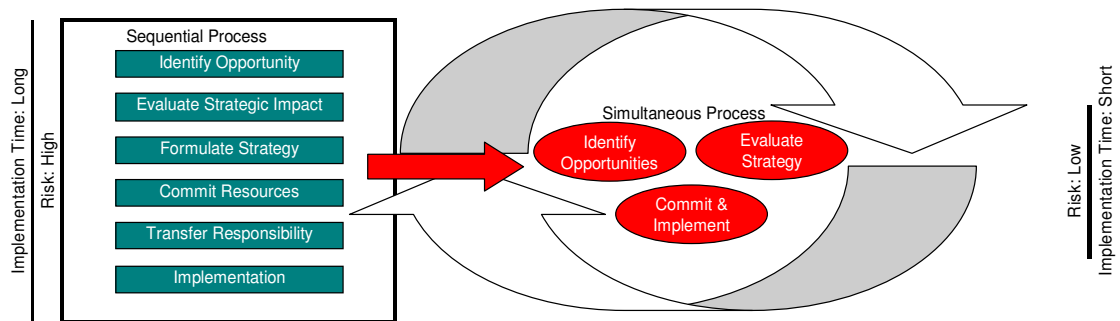
Beinhocker & Kaplan (2006) add that the strategic management process should not be designed to make strategy, rather it is to build "prepared minds" – that is, to ensure that decision-makers have a solid understanding of the business, its strategy and the assumptions behind that strategy, thereby making it possible for managers to respond swiftly to challenges and opportunities the moment they occur in real time – and to "encourage creative minds" – companies can create conditions in which creative accidents are more likely to happen.

Morris & Jamieson (2005) add that strategy formulation and implementation should rather be more incremental, where results are regularly appraised against benefits, and changes are made and managed against an evolving picture of performance. Notwithstanding the foregoing, however, a formal strategy-planning process is still important as it brings clarity and discipline to the process.

In the face of a high level of uncertainty and change within competitive environments, strategy formulation and implementation should represent a continuous and simultaneous process. This simultaneous approach brings about three major benefits to organisations when compared with the sequential approach. Firstly, it reduces the time window between opportunity identification and exploitation, which is one of the most important considerations when operating in a highly dynamic environment. Secondly, it reduces risk. This is because the sequential approach requires committing, at a very early stage, investments in terms of capital, people and time, whereas

simultaneous approach continually evaluates and dynamically adjusts resource commitments. Thirdly, the simultaneous process continually adjusts strategies according to the change in the competitive environment (Charharbaghi, Distel & Feurer, 1995). This concept of a dynamic, almost simultaneous, strategic management process, versus the contemporary sequential strategic management process, is illustrated in Figure 2:9 below.

**Figure 2:9 Sequential versus Dynamic Strategic Management Process**



Adapted from: Charharbaghi, Distel & Feurer (1995: 13)

They (Charharbaghi, Distel & Feurer, 1995) do add, however, that the type of strategic management process used is determined by the resultant dynamics of competition and strategic resource input. For projects or activities that have a high strategic resource impact and for which the dynamics of change are low, strategy formulation and implementation should be maintained centrally (i.e. similarly to the contemporary strategic management process), while projects with little strategic resource impact in highly dynamic environments should be managed at lower levels in the organisation (i.e. the strategic management process as evolutionary). To achieve this, companies must have qualities of innovativeness, risk-taking and proactiveness (Fernald et al, 2005).

To conclude, the strongest impetus that modern organisations are experiencing, as a result of globalisation, has come from the need to respond quickly to changing market needs, resulting in strategists now needing to pay more attention to the fluid dynamics of planning. In brief, the more evolutionary the strategy management process becomes, the more flexible and responsive the organisation, the more likely the organisation will succeed.

## **2.4 CONCLUSION**

In this chapter, the traditional approaches to the strategic management process were explored, as well as the danger of thinking of the process as an orderly sequence of steps, or as a planning process in the form of neat sequence of steps building on objective-setting and analysis of different options, and ending with the careful planning of strategic implementation. The literature review further highlighted how this process often collapses in the face of rapidly and unpredictably changing environments, particularly prevalent in a global environment. We then raised the issue of change, because change is the striking feature of contemporary business. Change is ubiquitous – in every industry, in society, and in every firm. Given the pervasiveness of change, the key strategic challenge is managing that change. This idea that strategic management should not be seen as a formal planning process, but rather an adaptive process, resilient in the face of setbacks, deserves attention so as to gain a deeper understanding of the impact globalisation and the impact made on the contemporary strategic management process.

The next chapter will place emphasis on the research methodology used in order to gain insight into the experiences of a South African multi-national enterprise and their use of the strategic management process.



### **3 RESEARCH METHODOLOGY**

*“It’s not what you look at that matters, it’s what you see...”*

*Henry David Thoreau*

#### **3.1 INTRODUCTION**

This chapter describes the case study research design and methodology that was utilised to investigate the experiences of SABMiller, regarding their strategic management experience in the global business environment. Firstly, a detailed sketch of the context of inquiry will be given. Thereafter, the research plan will be clarified. Also included is further elaboration on the manner in which the participant was identified and the ethical considerations necessary. Next, a detailed account of the various data collection, as well as data analysis methods, will be explored. This chapter will conclude with a description as to how the findings made at the end of this research were obtained.

#### **3.2 THE CONTEXT OF THE INQUIRY**

Strategic management, within the global business setting, has brought about a need for this new context to be studied. It is important to note what came before and what surrounds the study in order to encapsulate the meaning assigned to the current situation. It is also imperative to note that the context of strategic management, in which this research is conducted, fits into a much larger context of management sciences, and for this reason, ecosystemic theory is borne in mind (Neuman, 1997).

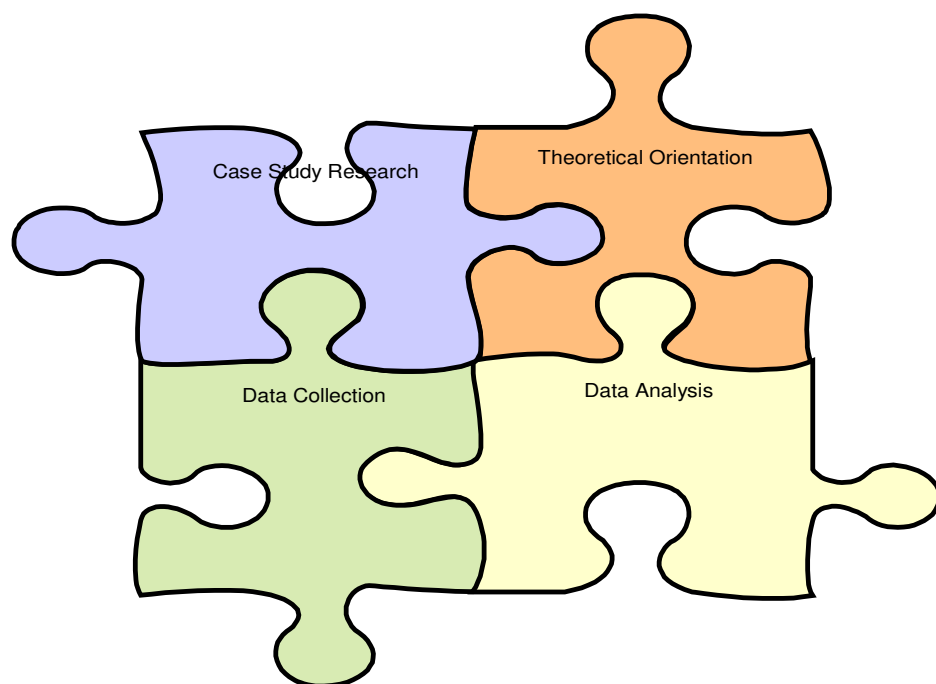
To date much of the global strategic management literature has focused on global strategic choices, be they international collaboration, modes of entry, or global integration versus local responsiveness. By comparison, the new concepts of strategic innovation (Schoenberg, 2003), strategic flexibility (Hayes & Pisano, 1994), strategic entrepreneurship (Fernald et al, 2005) or strategic robustness (Beinhocker, 1997), have been relatively ignored.

In order to appreciate the participant's perspective, it is important to be familiar with the context in which he finds himself. The participant is a successful South African multi-national enterprise and it is the aim to obtain the subjective meaning which this participant attributes to his strategic management activities within their global business environment. Thus, in order to make sense of the participant's perspective, the researcher needed to be fully aware of their context so as to make their meaning comprehensible (Denzin & Lincoln, 1998) and avoid creating a "fictitious non-existent world" (Hitzler & Eberle, 2004). The context of this inquiry will also be of relevance when comparing the data collected, in order to determine whether or not their experiences are comparable with the literature and theoretical framework already reviewed.

### 3.3 THE RESEARCH DESIGN

Figure 3.1 aims to provide an overview of the research design. The puzzle pieces demonstrate how each of the separate pieces is not independent but interlinks with other pieces in creating a particular picture. This symbolizes synergy, the manner in which each component of the research design contributes to the whole, yet is discussed separately for simplicity.

**Figure 3:1 The Research Design**



Adapted from: Wright-Scott (2005)

### **3.3.1 Conceptual Framework**

This study is located within the science of strategic management, with an influence from the global business environment which is resulting in changes taking place that are often rapid and unpredictable. Thus far very little research has explored the new role of strategic management within this environment of change. The researcher believes that this has left a gap in the research, which this study undertook to satisfy in an endeavour to determine if strategic management (in whatever form) still has a role to play in a global environment, and to establish whether or not this role differs from contemporary strategic management theory.

### **3.3.2 Underlying Assumptions**

It can be asserted that the participant's experiences are subjective, multiple and socially constructed and through this study the researcher identified the meaning this participant attributes to the role of strategic management within the global environment.

Epistemology deals with how we come to know what we know (Patton, 2002), relating to objectivity, subjectivity, causality, validity and generalisability. As a case study researcher the world was viewed as holistic, and was sensitive to the participant's views as these subjective experiences reflect the individual's reality and are what shaped this research (Marshall & Rossman, 1999). These multiple experiences were conflicting at times due to "different experiences, knowledge and opinions" (Rubin & Rubin, 2005). Despite this, patterns of meaning were deduced by integrating detailed experiences and accounts.

The prevailing assumptions provide motivation for the methodology of this study, based on case study research. It was the aim to quantify the participant's experiences as the nature of people is such that they cannot be defined by a single value, one objective truth. An interview was chosen as a means of collecting data as it is believed that an open-ended, interactive approach would bring understanding of the experiences of the participant more closely in line with their unique perceptions.

### **3.3.3 Underlying Theoretical Orientation**

The study made use of an ecosystemic framework, so as to gain an understanding and draw conclusions regarding this research topic. It is believed that this is important, as one cannot study the participants in isolation from the systems to which they belong, as they are interconnected and interdependent, where changes in one part result in changes in other parts and in the system as a whole. Consequently, the function and meaning of the parts are lost should they be separated from the whole to which they belong (Patton, 2002).

The participant was studied from the context in which he finds himself. Thus although the researcher was exploring the experiences of this organisation within the global environment, patterns of their interaction within this organisation in other business contexts were also discussed so as to gain a more holistic understanding.

### **3.3.4 Case Study Research**

Case study research seeks to discover and understand a phenomenon through the perspectives of the people involved, hereby meaning was mediated through myself as researcher. In the instance of this study, the phenomenon being investigated is the strategic management experiences of the participant in a global business context in an attempt to determine the new role of the strategic management process in dealing with the concept of dynamic change. Through the use of multiple methods of data collection, the researcher achieved both crystallisation as well as determined recurring patterns in the experience of this participant, which led to a rich, descriptive account (Wright-Scott, 2005).

A single case study was selected, so as to confirm and challenge a theory, namely the strategic management process in the context of a global business environment (Trellis, 1997).

### **3.4 IDENTIFYING A PARTICIPANT**

#### **3.4.1 Sampling Technique**

Purposeful sampling was used to satisfy the ends of this research. This implies sampling that shall assist in “discover[ing], understand[ing] and gain[ing] insight ... from which the most can be learned” (Merriam, 1998). This is dependent upon selecting an information-rich participant, who would provide adequate experiences and information to satisfy the requirements of this study. To identify a participant who met the requirements of supplying information-rich data, as well as using profitability, growth, market share, and general industry reputation as a measure, this participant needed to conform to the following criteria, hence criterion sampling was utilised (Patton, 2002). The participant needed to:

- Be a South African based organisation.
- Operate as a multi-national enterprise.
- Illustrate a clear track-record as a successful organisation; with
- An annual turnover of at least \$ 5 000 000.00.

This method of sampling has also been selected, as it is the most convenient form of sampling, and based on the researcher’s time available, the safety of the interview location, and cost of travelling to reach the participant.

#### **3.4.2 Participant Selection**

To find likely participants, the researcher electronically completed a search of successful South African multi-nationals registered with the Department of Trade and Industry, as well as the JSE<sup>4</sup>. Thereafter, a screening process was completed to determine the suitability of each participant, with regard to the sample criteria list above, the locality of their head offices and ease of accessibility, the likelihood that they embraced strategic management

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<sup>4</sup> Johannesburg Stock Exchange

processes in their businesses, and the ease with which the researcher would be able to garnish support through established business networks.

In total, approximately 10 different organisations were contemplated, 1 was approached successfully (during a meeting the research was explained in more detail - see Appendix 1).

Following this positive response, an appointment was set up with the participant to explain my research needs with the proviso that any of the organisation's trade secrets, intellectual property or confidential information would be withheld from my research findings (Appendix 1).

### **3.4.3 Brief overview of the Participant**

SABMiller traces its origins back to 1895 when its earliest predecessor company was registered in London by a syndicate of investors from the United Kingdom and South Africa who had raised an initial capital of £350,000. In 1898, a predecessor company of SABMiller was listed on the London Stock Exchange, having first been listed on the Johannesburg Stock Exchange in 1897. In 1970, its primary listing was moved to the Johannesburg Stock Exchange and it maintained a secondary listing on the London Stock Exchange until 26 February 1999. In 1999, SABMiller moved its primary listing back to London, raising £300 million in international markets, and retained a secondary listing on the Johannesburg Stock Exchange.

SABMiller's main interest has been in the beer and beverage industries and has embarked on several major expansions in its history since the launch of Castle Lager in 1898. The growth of its brand portfolio and international footprint through acquisitions and joint ventures has accelerated since 1999.

SABMiller continues to grow and now the Group employs over 40,000 people and operates in over 40 countries (as illustrated in Figure 3:2) around the world, providing a wide range of beverage products.

Figure 3:2 SABMiller Worldwide Structure



Adapted from: SABMiller (2005)

In 1949, the Group embarked on a major expansion programme, involving significant investments in breweries, small hotels and pubs in South Africa. In 1951, the Group transferred its head office from London to Johannesburg. After punitive excise duties were imposed by the Government in the early 1950s, putting pressure on prices and profits and leading to a decline in beer volumes, a merger of the three largest South African brewers, the Group, Ohlsson's and Chandlers Union Breweries, took place.

The expansion of the Group's South African beer interests during the 1960s was marked by the Group's commencement of brewing under licence of Guinness and Amstel, in 1964 and 1965, respectively. The Group also began brewing Carling Black Label during this period. Competition from the Group in brewing and production led in 1979 to the exit of SABMiller's main competitors and a realignment of the South African liquor industry. SABMiller's wine and spirit interests were limited to minority holdings in each of SFW and Distillers Corporation, in exchange for the acquisition by the Group of the beer interests of the Rembrandt group of companies, its leading competitor, providing the Group with almost all of the South African beer market.

The South African political environment, its effect on the liquor industry in South Africa and the restrictions imposed by growing trade and financial sanctions, led to the Group expanding domestically from the 1960s to the 1990s into CSDs, hotels and gaming and various manufacturing and retail industries. Having first invested in the South African CSD market by its acquisition of a stake in Schweppes CSDs in 1925, the Group, through Amalgamated Beverage Industries (“ABI”), opened its first CSD canning plant in 1970 and commenced bottling Coca-Cola in 1977. In 1969, the Group rationalised its hotel interests in South Africa and launched its Southern Sun brand.

In 1974, the Group began its diversification into mass market retailing with the acquisition of OK Bazaars, followed by the acquisition of Edgars Consolidated Stores Ltd. (“Edcon”) in 1982. Its interest in Plate Glass and Shatterprufe Industries Limited was acquired in 1992. In 1979, the Group moved into fruit juices by its acquisition of a 49% interest in Appletiser SA, which it has subsequently increased to 100%. In 1988, the Group made its first brewing acquisition in Europe when it purchased Companhia Cervejeira de Canarias S.A. (“CCC”) in the Canary Islands. An investment in Hungary followed in 1993.

After South Africa’s first democratic elections in 1994, the African continent opened up to the Group and it quickly followed with investments in Mozambique, Tanzania, Zambia and, more recently, in Kenya, Uganda and Ghana. The mid-1990s saw a rapid expansion of the Group’s beer interests into Central and Eastern Europe—Poland, Romania, Slovakia and Russia—and into China. The past few years have also seen a re-focusing of the Group with management indicating that the Group’s core interests are now beverages. Pursuant to this strategy, the Group has now disposed of all of its retail and manufacturing operations and in 2003 disposed of a majority interest in the Hotels and Gaming business segment to local empowerment partners in South Africa.

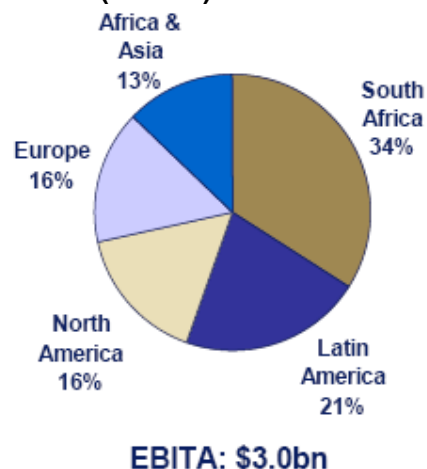
The Group is the second largest brewer in the world by volume, according to Plato Logic, with a brewing presence in over 40 countries and total lager



volumes in the year ended 31 March 2005 of 148 million hectolitres; it has become one of the world's most diverse international brewers, with a leading market position in the United States and certain countries in Europe, Central America, Asia and Africa and one of the largest bottlers and distributors of Coca-Cola products outside of the United States, with total CSD volumes (including non-Coca-Cola brand volumes), in the year ended 31 March 2005, of 24 million hectolitres.

Figure 3:3 illustrates the Group's business segments, which are North America (Miller), Beer South Africa, Europe, Africa and Asia, Central America, Other Beverages Interests and Hotels and Gaming. The Group has a diverse and comprehensive portfolio of local, regional and global brands. Its major brands include Miller Lite, Miller Genuine Draft, Pilsner Urquell, Castle Lager, Peroni Nastro Azzurro, Tyskie and Snow.

**Figure 3:3 SABMiller EBITA (Global)**



Adapted from: SABMiller (2004)

Interestingly, over two thirds of the world beer volume growth to 2010 is expected to come from 12 countries.

### **3.5 ETHICAL CONSIDERATIONS**

Ethics has been an important consideration throughout the duration of research, and are dependent upon the researcher having a strong moral code.

Ethical considerations should be maintained before, during and after the study to ensure no harm comes to the participant. This is easily achieved through conducting oneself in an open and honest manner (Neuman, 1997).

Firstly, consent was obtained from the participant (Appendix 1), who was fully aware of the nature of my research and their role as participant, hereby avoiding any form or manner of deception.

Secondly, it was made clear to the participant that confidentiality would be maintained at all times, thereby safeguarding the participant's confidentiality and ensuring no harm came to them as a result of these research undertakings. The participant was also made aware that they were under no obligation to participate and could withdraw from this study at any stage should they have wished to do so, and without repercussion. The researcher also undertook to ensure that trust was maintained with the participant so as to secure their participation in any future research projects, whether related to this one or not. In addition, it was important to represent the views of the participant as accurately as possible (Christians, 2000).

### **3.6 DATA COLLECTION**

Trellis (1997) identifies at least six sources of evidence in case studies. Documents and interviewing were used in this research:

- Documents – documents could be letters, memoranda, agenda, administrative documents, newspaper articles, or any document that is germane to the investigation. In the interest of triangulation of evidence, the documents serve to corroborate the evidence from other sources.
- Archival records – archival records can be service records, organisational records, lists of names, survey data, and other such records.
- Interviews – interviews are the most important sources of case study information. There are several forms of interviews: open-ended, focused, and structured interviews.

- Direct observation – direct observation occurs when a field visit is conducted during the case study. It could be as simple as casual data collection activities, or formal protocols to measure and record behaviours.
- Participant observation – participant observation converts the researcher into an active participant in the events being studied.
- Physical artefacts – physical artefacts can be tools, instruments, or some other physical evidence that may be collected as part of a field visit during the study.

Before the researcher began formal data collection, a meeting, lasting for approximately an hour, was held with the participant, explaining the research and commencing the development of a relationship with the participant. During this time, the researcher made use of field notes in noting the context in which the participant found themselves. This also served as an opportunity to hand over the questionnaire to the participant (refer to Appendix 2).

### **3.6.1 The Interview**

An interview was selected as it may be considered one of the most widespread and influential ways by which we come to understand another's perspective (Fontana & Frey, 2000). Thus the interview may be perceived as a data resource, where data reflects the participants' reality outside of the interview situation. As this data was based on descriptions obtained from the participant, the results achieved were subjective, as opposed to objective (Marshall & Rossman, 1999).

According to Kahn and Cannell (1957) as stated in Marshall and Rossman (1999), interviewing may be described as "...a conversation with a purpose..." the researcher engaged in conversations with the participant in an attempt to explore a few general topics in order to reveal the participant's strategic management experience in the context of the global business environment. The participant's perspective was most valuable in this research as it conveyed the meaning the participant attached to strategic management and

its new role in the global environment; thus the researcher only guided the conversation in an attempt to address the key issues of this study. It was imperative to ensure that the participants' feelings and experiences were captured verbatim and viewed as paramount; after all, no information could be collected without the participant. In this manner the researcher undertook to achieve the essence of the semi-structured interview as described by Fontana & Frey (2000). This was further facilitated by the ability of the interviewer to clarify statements on an immediate basis, or at future meetings (Wright-Scott, 2005).

Semi-structured interviews were chosen as most appropriate following the current belief that they yield the participant's views more readily than in a structured, standardised interview method (Flick, 1998), since the semi-structured interview denotes the information sought while leaving the participant free to respond in a manner preferable to them, literally giving the participant more freedom to answer in their own words. Although initial greetings and chitchat, along with the presence of the Dictaphone and interview schedule, helped to create a climate for the interview communication to commence, a list of questions (Appendix 2) was borne in mind in order to facilitate the interview process. This combination of open and closed questions was derived from relevant literature as well as personal ideas (Rapley, 2004). As researcher, however, there was a need to decide as to when to explore a topic further and when to progress to, or even skip, the following question, therefore it was important to be sensitive to the flow of conversation and the interview schedule (Flick, 1998). Thus at times the interview was researcher-led, while at others, participant-led (Arksey & Knight, 1999). By covering all components comprehensively, an umbrella format was used (Tripodi & Epstein, 1980). From time to time it was also useful to "probe", as described in Patton's work, stated in Maykut & Morehouse (1997), so as to "go deeper" into responses offered by the participant, thus gaining a richer understanding of the participant's experiences. These probes were used to glean more detail, elaborate on a point made, or clarify a statement (Wright-Scott, 2005).

Before initiating any interview the researcher took great care to reinforce the fact that the participant could terminate the interview at any stage, or refuse to answer questions, without any recourse whatsoever.

Data analysis and interpretation are void if they do not reflect with accuracy the data collected. It was therefore important to collect data that was an accurate interpretation of what the participant had said during the interview, and this as fully and fairly as possible (Patton, 2002). As the process continued, the focal point was highlighted through the participants' perspectives and the focus of inquiry shifted according to prominent features found within the data gathered (Maykut & Morehouse, 1997).

As it would seem a deterrent to the participant to have his or her every word openly written down during the interview session, information was gathered by the use of a Dictaphone, which was less obtrusive but of which the participant was aware (Tripodi & Epstein, 1980).

Directly after an interview, the researcher would check as to whether or not the conversation had been recorded, thus determining any necessity to make immediate notes of all that could be recalled. Information gathered during interviews on the recording device could not be interpreted until it had been transcribed. Interviews were transcribed as soon after the interview as possible, using a word-processing computer programme so as to make editing and back-up easier (Maykut & Morehouse, 1997). A copy of the original transcript was saved on to disk for reference at a later stage, should clarification be necessary (Maykut & Morehouse, 1997). An excerpt from the semi-structured interview is contained in Appendix 4 of this report.

### **3.6.2 Field Notes**

During the interview it was also necessary to make condensed field notes in a researcher journal in order to document observations and information on events occurring in the interview, as well as impressions gained (Morse & Field, 1996), after which an expanded account could be documented, so as to prevent interruption in the flow of data-gathering. Marshall & Rossman (1999) describe field notes as "...detailed, non-judgemental, concrete descriptions of

what has been observed”; these may include body language and emotions, as well as the researcher’s personal feelings and reflections (Patton, 2002). Notes also served as back-up should the recording have failed or have been inadvertently erased before being transcribed. It was also important to take down regular notes while at the same time not being seen to place too much emphasis on this activity; one should write down everything that happens, regardless of how insignificant it may seem at the time, and analyse the field notes frequently (Richardson, 2000). While taking notes, one indirectly indicates to the participants that what is being said is noteworthy, thus encouraging them to continue in the direction of conversation in which they are engaged (Patton, 2002). Field notes are a useful system for remembering observations and can be called upon during the data analysis phase.

Also, additional documentation and records (published by the participant) were complimentary in that they provided supportive data. In the initial meeting before the actual interviews took place, the participant provided information regarding the background of their organisation. After the interviews had taken place and data analysis had begun, the researcher discussed the findings with the participant, who further verified those observations.

### **3.7 DATA ANALYSIS**

As mentioned previously, data collection and analysis are not separate entities. Analysis began with the collection of data in response to the problem statement, namely, *creating global business competence: The role of strategic management*.

#### **3.7.1 Method of Analysis**

Pattern-matching was used as the method of analysis. According to Trellis (1999) pattern-matching is a useful technique to link data to the propositions. Pattern-matching is a situation where several pieces of information, from the same case, can be related to some theoretical proposition.

Analysis therefore relied on the theoretical propositions of the study, then analysed the evidence based on the proposition.

Before analysis began, the interview was transcribed and codes allocated; these were an adaptation of the suggestions made by Maykut & Morehouse (1997) and used by Wright-Scott (2005). They were allocated according to the type and source of data, as well as to the line in which the unit of meaning can be found. It was important that copies of the original transcript were used to make coding notes and when dividing the data into categories, so that the researcher was later able to refer to the original for clarification as required.

The first step of the pattern-matching analysis of data involved inductive category coding. This researcher began by reading through the transcribed interview, my primary data source, simultaneously making notes in the right-hand column of thoughts that had reference to the study. Words or phrases were then allocated to encapsulate the essence of each unit of meaning; these formed the provisional categories which denoted varying dimensions, conditions of being, major consequences, their relationship to other categories, and further properties (Glaser & Strauss, 1967). Transcribed material was thoroughly read and re-read to ensure that the researcher was constantly comparing existing data with new data. Field notes were viewed as supportive data sources (Wright-Scott, 2005).

After unitising (Maykut & Morehouse, 1997) the researcher cut the transcript into pieces indicating each unit of meaning (Glaser & Strauss, 1967). These were then pasted on to sheets of paper so as to group the units of meaning. It was important at this stage to make use of the idea in Maykut & Morehouse (1997) of setting aside a work area, at home, in order to display the data, thus creating an audit trail. The researcher then read and re-read other types of data, such as the field notes and the support documentation, in order to establish recurring themes.

The refining of categories began when analysing each new unit of meaning so as to group it with an existing unit of meaning or to form a new category (Maykut & Morehouse, 1997). This resulted in changing, merging and creating new categories. If the data being compared met the “look/feel-alike” criteria described by Lincoln & Guba (Maykut & Morehouse, 1997), it was placed within a category or referred to later when comparing data to correspond with

another category. Lincoln & Guba (1985) relate two criteria to which units of data should conform (Merriam, 1998). Firstly, they should be relevant to the study and, secondly, should be interpreted in isolation from any data, other than the context in which the study took place.

The second step entailed the refining of the provisional categories by creating rules for inclusion, thereby changing the provisional look/feel-alike coding categories into a pre-positional rule statement (Maykut & Morehouse, 1997). This was achieved by describing the properties or characteristics of the data collected within a particular category so as to convey the meaning. Finally, the data was analysed in a circular process to a point where it was deemed that the data collection process was saturated, or as is described by Lincoln & Guba in Maykut & Morehouse (1997) as reaching “redundancy”. At this point, codes were allocated to each of the categories as seen in Table 3.1 below.

**Table 3-1 Rules for Inclusion**

<p><b>Category Name &amp; Code:</b> Contemporary Strategic Management (CSM)</p> <p><b>Rules for Inclusion:</b> The participant describes their strategic management planning process in terms of contemporary strategic management theory.</p>
<p><b>Category Name &amp; Code:</b> Global Business Dynamics (GBD)</p> <p><b>Rules for Inclusion:</b> The participant describes their competitive global business environment, and how this environment has effected their strategic management planning process.</p>
<p><b>Category Name &amp; Code:</b> Strategic Management Agility (SMA)</p> <p><b>Rules for Inclusion:</b> The participant describes their ability to change, survive and reinvent the organisation constantly over time.</p>
<p><b>Category Name &amp; Code:</b> Future State of Being (FSB)</p> <p><b>Rules for Inclusion:</b> The participant describes their organisations future state of being, and how this future state will affect the organisation.</p>

Thereafter, categories were refined and relationships between categories established so that a thorough integration of the data led to a rich, substantial



description of the participant's experiences. These interpretations were tested through challenging the understanding, searching for negative instances of the pattern and incorporating these into larger constructs (Marshall & Rossman, 1999), so as to ensure an accurate reflection of the research topic.

This resulted in the final categories, each sub-divided into themes as shown in Table 3.2 below.

**Table 3-2 Final Categories Subdivided into Themes**

<b>Categories</b>	<b>Themes</b>
Contemporary Strategic Management	1. We do Strategic Analysis 2. We do Strategic Formulation 3. We do Strategic Implementation
Global Business Dynamics	4. We have had no choice but to go Global 5. We are subject to Global Business Risk and Uncertainty 6. We are subject to more Dynamic Strategic Planning
Strategic Management Agility	7. We are Learning, Adapting and Innovating 8. We are still Planning 9. We are leading Market Change
Future State of Being	10. It's our kind of Game 11. Here we go Again!

## **3.7.2 Reliability and Validity of the Study**

### **3.7.2.1 Reliability**

In Merriam (1998) as quoted by Wright-Scott (2005), reliability refers to the extent to which research findings can be replicated. This implies that results should be consistent and enduring over time, as well as across researcher methods (Miles & Huberman, 1994). However, people are not static, and the systems in which they find themselves, and by which they are influenced, are constantly changing. It is for this reason that Guba & Lincoln (1985: 288) refer to “consistency” or “dependability”. These terms imply that the results realized within a particular study should adequately reflect the data collected, as there can be many realities. This was achieved in this study through the quality of recording and documenting, writing rich, thick descriptions that are so detailed, rich and concrete that others are able to draw their own meaning and significance (Patton, 2002) and crystallisation whereby the same account will be given from various points of view in the same manner as a crystal creates patterns in varying directions (Richardson, 2000).

### **3.7.2.2 Validity**

Validity refers to whether or not the researcher accurately explored that which was intended to be determined, namely the experiences of SABMiller, with regard to their strategic management experience in the global business environment. This concept can be divided into two distinct yet related categories, namely internal and external validity, which is now to be discussed in greater detail (Wright-Scott, 2005).

Internal validity entails the degree to which the research findings are congruent with reality and for this reason it is based on the meaning of reality. Ratcliffe (1983) in Merriam (1998), identifies three techniques for determining the internal validity of research. Firstly, he makes known that all data is interpreted and thus subject to bias. It is thus important to reflect objectively on the interview transcripts and not to allow interviewer biases or clerical error to intervene (Bailey, 1987). The perceptions of the participant were regarded as paramount and any researcher opinions were silenced. Secondly, reality

cannot be observed without changing it. In this case the researcher guarded against doing so and took note of possible amendments made by the participant. Inaccurate responses may also be given for events that have occurred in the past. Thus it was important to ensure that each question was answered adequately and the researcher did not ask for perceptions of long past events, which could be subject to inaccuracy. Lastly, it should be remembered that the words used to reflect the experiences of the participant are merely representations of reality and not reality itself, as reality is always perceived through the eyes of people in a dynamic relationship with the systems of which they are part. Hence it was important to come to know the perspectives of the participant in the study within the context in which they find themselves, so as to represent a “holistic interpretation” of the phenomenon (Merriam, 1998:203).

Another method of assuring internal validity, as suggested by Merriam (1998), in Wright-Scott (2005) and which was put into practice, was triangulation. Triangulation, which was first referred to by Foremen in 1948, involves making use of multiple means of data collection, multiple investigators, multiples theories or multiple methods to confirm the perspectives presented by the participant (Merriam, 2002). However, this concept does not seem compelling in determining a “holistic understanding” as suggested by Mathison (1988) in Merriam (1998:204). For this reason the researcher transferred to what Richardson (2000) refers to as crystallisation, a more compelling argument for intertwining data collection methods. This bricolage of multiple methods adds rigor, breadth and depth (Hammersley, 2004:555). They make use of the crystal as a metaphor, as crystals combine “...symmetry and substance with an infinite variety of shapes, substances, transmutations, multi-dimensionality, and angles of approach.” The crystal also reflects externalities and refracts within itself, thus the perspectives are subjective depending on the framework from which we experience our world view. Thus it may be concluded that the findings validate themselves through the pattern-matching method and provide a deeper understanding of the perspectives of this participant within the context of the global environment.

Internal validity was further strengthened by articulating and clarifying any of the researcher's assumptions regarding the research topic (Merriam, 2002). The researcher also explained the basis for selecting the participant, the context of the study and any other factors which may influence data collection and analysis. By displaying "reflexivity", readers of this research will come to understand the way in which the data was interpreted.

External validity implies that the findings of one's study can be applied to other situations and thus generalisations made (Merriam, 1998). As a researcher, it was of prior importance to provide an in-depth description of the experiences of the participant in the study and not to apply the findings to all multi-national enterprises. For readers of this research to be able to determine whether or not the findings of this study can be applied in their situation, the following approaches were utilised (Merriam, 1998). A rich, substantial description was written so that a comparison between various situations could be made, as well as through the use of purposeful sampling where an information-rich participant was selected for maximum disclosure of his experiences relating to the aims of this study. Perhaps the statement made by Erikson (1986) in Merriam (2002:28) encapsulates this best, "the general lies in the particular; what we learn in a particular situation we can transfer to similar situations..."

In summary, these five general standards for validity, as stated by Eisenhart & Howe (1992:657-662), were borne in mind:

- The data collection methods were derived as a result of the research problem and have not led to the research problem.
- An appropriate description of the data collection and analysis techniques has been provided.
- The assumptions and goals of the research have been made clear.
- The study has been conducted in an ethical manner and would be able to provide worthwhile and useful information to all interested stakeholders; and lastly
- A balance has been achieved between the technical quality, the value or importance of the study, and risks involved in the study.

### **3.8 CONCLUSION**

This chapter described the research design utilised in determining the experiences of SABMiller, with regard to their strategic management experience in the global business environment. The various data collection techniques of semi-structured interview, as well as field notes, were described. Lastly, the reliability and validity of the study were discussed.

The categories mentioned above, which are the findings of this research, will be discussed within Chapter Four in the context of existing literature.

## 4 RESEARCH RESULTS

*“Strategic planning isn’t Dead – It’s Changed ... It has been successively a fad, an anathema, and just another management tool. It has bounced around the corporate hierarchy in search of a legitimate role and an appropriate home. Its obsession with a succession of planning methodologies has caused it to oscillate between qualitative and quantitative tools in its analyses, between external and internal emphasis in its situation assessment, between long-term and short-term focus in its goals and measurement.”*

Wilson 1998

### 4.1 INTRODUCTION

In the preceding chapters the researcher has explained the rationale for this research, presented a literature review and theoretical framework of the strategic management process, and the implications of globalisation on this process, and has explained the design of this research. In this chapter it is the aim to explore the findings of this research. After the participant was interviewed, his verbatim recordings were analysed in order to determine his perceptions of the strategic management process in a global business environment; this was done in conjunction with field notes, as well as with other supporting documentation. Categories were derived through the pattern-matching of data analysis and will now be discussed so as to describe in full the experiences of the participant’s strategic management process in a global business context, in order to gain insight into their strategic management framework; this is to be seen in Table 4.1.

**Table 4-1 Main Categories for Interpretation**

- |   |
|---|
| <ol style="list-style-type: none"><li>1. CSM – Contemporary Strategic Management</li><li>2. GBD – Global Business Dynamics</li><li>3. SMA – Strategic Management Agility</li><li>4. FSB – Future State of Being</li></ol> |
|---|

## 4.2 FINDINGS

In the sections that follow, the results of this study are discussed. The researcher explores the categories, which are further subdivided into themes (Table 4.2) that were achieved through the data analysis and interpretation process. Firstly, the study discusses the participant's use of contemporary strategic management process. Thereafter, it looks at the influence of global business pressures on the participant and how this has affected his strategic management process. Lastly, we investigated the future sustainability of the participant's business in light of global business trends and its possible ramifications.

**Table 4-2 The Subdivision of Categories into Themes**

Categories	Themes
Contemporary Strategic Management	1. We do Strategic Analysis 2. We do Strategic Formulation 3. We do Strategic Implementation
Global Business Dynamics	4. We have had no choice but to go Global 5. We are subject to Global Business Risk and Uncertainty 6. We are subject to more Dynamic Strategic Planning
Strategic Management Agility	7. We are Learning, Adapting and Innovating 8. We are still Planning 9. We are leading Market Change
Future State of Being	10. It's our kind of Game 11. Here we go Again!

## **4.2.1 Contemporary Strategic Management (CSM)**

A prominent category which emerged from the data analysis was that the participant does in fact follow contemporary strategic management processes, stating that the SABMiller board of directors sets the strategic objectives of the group, determines investment policies, agrees on performance criteria and delegates to management the detailed planning and implementation of those objectives and policies in accordance with appropriate risk parameters. The board then monitors compliance with policies and achievement against objectives by holding management accountable for its activity through monthly and quarterly performance reporting and budget updates (SABMiller, 2005). It is evident from the foregoing that the participant follows the three phases of strategic analysis, formulation and implementation. This is further evident from the following:

### **4.2.1.1 We do Strategic Analysis**

During analysis, supporting documentation indicates that the participant seeks to live out his values and follow a set of guiding principles and corporate policies – arguably, this could be interpreted as the participant’s strategic vision and mission statements. In addition, SABMiller state that they are operationally very much decentralised, so these core statements provide the guidance to their local companies, as they run their businesses in the light of their own circumstances, and the needs and views of their stakeholders. From the supporting documentation it is evident that these statements are developed by their CEO, currently Graham Mackay (SABMiller, 2004). During the interview<sup>5</sup>, the participant supported this view point stating “that the vision and mission statement of SABMiller is tactile and used to guide, galvanise and mobilize staff”.

Complementing the theme further, SABMillers Managing Director (European Region), Mr Alan Clark was recently quoted as saying that SABMiller “have outperformed the market for a number of years. [SABMiller] are not arrogant, but [they] have a good strategy” (Business Day, 2006: 12), suggesting a clear link between their chosen strategy and the context in which they operate.

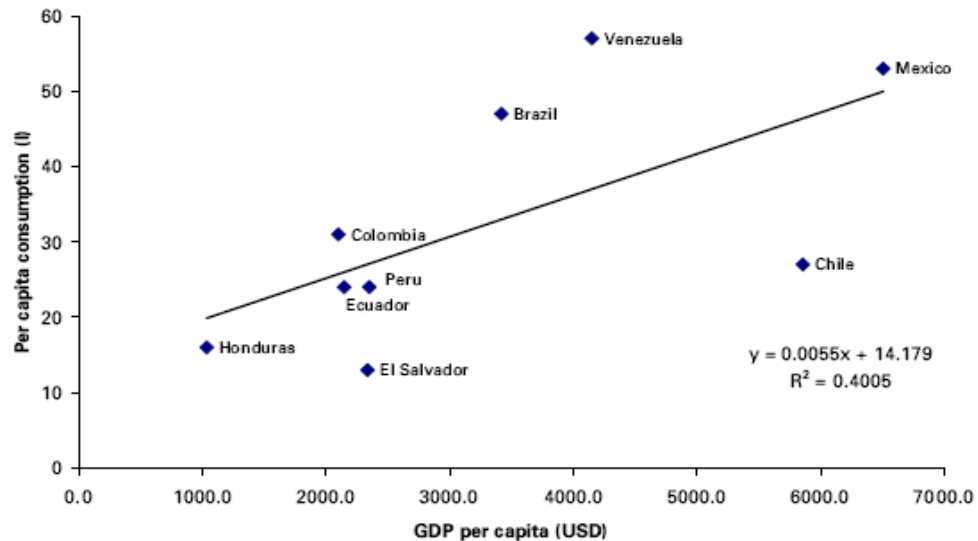
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<sup>5</sup> Interview with Brian Ireland (SABMiller)



In addition, SABMiller has argued that there is a strong relationship between the Gross Domestic Profit (GDP) per capita of its countries of operation and the per capita consumption of alcoholic beverages (Bevan, Eadie & Meurs, 2005). The foregoing statement is indicative that the participant undertakes a process to determine strategic objectives; however, this determination of objectives seems to be driven more by the identification of opportunities – that is, opportunities are identified in countries with a high disposable income (i.e. high GDP per capita), and strategic objectives are then formed to exploit these opportunities. Subject to further investigation, this participant may be confusing the concept of strategic management with operational efficiency.

**Figure 4:1 Correlation: Beer consumption and GDP**



Adapted from: Bevan, Eadie & Meurs (2005)

This phenomenon was also evident during the interview<sup>5</sup>, during which the participant stated that opportunities are identified and prioritised, following which strategies are crafted to exploit these opportunities.

Finally, in assessing their external environment, the global beer market, the participant has identified that to ensure business growth they need to not only drive the growth in beer volumes, but must also ensure that beer is affordable, or, alternatively, capture value through premium pricing, which requires very good product branding to create premium offerings (Bevan et al, 2005). The foregoing supports the participant’s extract from an interview held:

*P: And that then basically, at its simplest level, is a **five year revenue and profit forecast ... with supporting plans.***

The extract hereunder, recorded later during the same interview, substantiates the above:

*P: Ok ... so at the end of the day each business unit will be responsible for the development of their own plan and does that on a, you have gone through in your introduction the strategic management process which is very similar to what we do ... **we do assessments, what we call a enviro-scan, we then distil that down to core issues facing you ... SWAT is still one of the better frameworks for that,** and then you come up with a whole bunch of ideas, or options of things you can potentially do, to resolve each, and then you try find some mechanism to ... quantify the relative benefits of each alternative ... you pick your options ... fine tune the finances ... 'whoa-bang' you have a plan.*

The participant (during the same interview) was also clear in pointing out that the global beer market is in fact regionally based, with each region having its own particular tastes, which results in the identification of opportunities, and the crafting of strategies, being local market driven. Alan Clark further supports this observation stating that “we deliberately focus on local [and] beer is a local industry” (Business Times, 2006: 7). This further highlights SABMillers thorough environmental assessments that are undertaken.

#### **4.2.1.2 We do Strategic Formulation**

Further to the above, the participant has indicated that increasing the consumption of beer increases profitability. They indicate that there are three ways to improve consumption in this environment:

- Increase per capita consumption.
- Persuade consumers to allocate a bigger portion of their wallet to beer; and

- Provide consumers with a better value proposition (Bevan et al, 2005).

These environmental parameters are pertinent in the participant firstly crafting a business strategy and, secondly deciding on a business strategy. The boundary limits in this strategic formulation process are further determined knowing what their core competencies are. These core competencies, which are leverage points during strategic formulation, can briefly be described as follows:

- **Leading market positions:** The Group is the world's second largest brewer by volume and is one of the largest bottlers and distributors of Coca-Cola products outside the United States. Group companies occupy the top two market position by volume in 20 countries and the Group is one of the major players in the rapidly consolidating brewing industry. Group companies hold the number two position in the two largest markets for beer globally, China and the United States. The US market accounts for the largest profit pool in the beer market and the Chinese market is among the fastest growing market, globally, in terms of volume. The Group enjoys a leading position in South Africa, with a 98% market share by volume. The Group also holds strong market positions in the countries in which it operates in Central Europe, Central America, Asia and Africa, and in Western Europe the Group's subsidiary, Birra Peroni, is the second largest brewer, by volume, in the Italian market, according to Plato Logic.
- **Strong and comprehensive brand portfolio:** The Group has a broad portfolio of local beer brands and has more beer brands in the top 50 world ranking than any other brewer, according to Plato Logic. The Group has more than 150 brands and very strong regional and local market positions. Management believes that Miller Genuine Draft, Pilsner Urquell and Peroni Nastro Azzurro provide the Group with a strong international brand portfolio, well-placed to capture growth.
- **Geographic diversification:** Management believes that the Group has a well balanced spread of operations in over 40 countries, with an

attractive balance between fast growing developing markets and cash generative developed markets.

- Strong financial profile and cash flow generation with conservative financial policies: The Group has traditionally maintained a strong financial profile and has consistently implemented conservative financial policies. The Group has negative working capital requirements, strong interest cover and relatively low capital expenditure requirements. The Group maintains a strong liquidity position with cash balances and short-term investments totalling US\$1.143 billion and access to undrawn committed borrowing facilities in excess of US\$1.69 billion as at 31 March 2005, allowing the Group a high degree of financial flexibility.
- Highly experienced management team: The current management team is highly experienced and is recognised within the industry for successfully driving the Group's strong growth in recent years through organic growth and acquisitions (SABMiller, 2004).

#### 4.2.1.3 We do Strategic Implementation

During data analysis it was evident that the participant goes to great lengths to implement and execute their strategic plans. This is evident not only by the thorough attention to the development of core competencies (as has been described above), the structuring and then restructuring of the organisation and business process, as well as attention to staffing with the best human resource talent, but is also evident by the relentless pursuit of operational excellence during execution. The concept of continually revisiting the structure or the organisation and its business processes can be further supported by the following interview extract:

*P: No, the group head office is now in London. In the past it was here ... the best way of thinking about it is that the group head office, or central office, that has **changed through time as the company has grown**, has moved from north and south regions in the country, to separate regional offices and we have created one head office and*

*then we created two separate head offices for South Africa, and African and Asia and then the group head office was then more closely linked to African major operations and then when we moved to London, we moved the group head office to London, but kept all the operating units in different parts of the world. So the concept of the center and the business units has been the enduring philosophy ... so the business units derive their business plans.*

In fact, it is well known that SABMiller has an outstanding record in developing and managing businesses in high growth emerging markets, and of successfully introducing best operating practices, including realising scale efficiencies, reducing costs and increasing its share of the value chain (Bevan et al, 2005). This is evident from the data illustrated in Figure 4:2.

**Figure 4:2 SABMillers Financial History**



Adapted from: Bevan, Eadie & Meurs (2005)

From a point of view of strategic evaluation, the participant is extremely self-critical, continually focusing on possible improvements in performance, which are expected to be achieved, by harnessing a number of approaches and initiatives. These initiatives are illustrated in Figure 4:3, and include:

- Beverage category leadership: Improving the success of the Enlarged Group's brands through new marketing initiatives, upgrading of brand identities and packaging, increasing marketing investment, upgrading of returnable bottle quality, and better retail price management.

- Enhanced brand portfolio development: Maximising beer market coverage by deploying SABMiller's marketing expertise, developing differentiated and distinctive brand identities and using full brand portfolio management to exploit consumer and price segments.
- Distribution channel management: Improving brand equity and sales volume through increased presence and relevance at point of sale by building understanding of diverse consumers, channels and occasions, and by segmenting retail channels and allocating resources accordingly.
- Pricing management: Leveraging stronger point of sale and merchandising relationships to better manage pricing and achieve unit revenue improvement in line with brand equities, while constraining retail consumer pricing. In addition, by introducing more sophisticated pricing differentials and leveraging greater understanding of price and income elasticities; and
- Operational efficiencies: Improving procurement processes and discipline, reducing packaging fixed costs and rationalising distribution to generate savings (SABMiller, 2004).

**Figure 4:3 Core (Strategic) Focus Areas**



Adapted from: SABMiller (2004)

## **4.2.2 Global Business Dynamics (GBD)**

Another prominent category which emerged from the data analysis was that the participant was forced to become a multi-national enterprise with its resultant global challenges and, although they were highly aware of the purpose of the research, much of the conversations involved the challenges associated with a global business environment. The participant perceived that the challenges they faced in this global business environment were associated with the risks and constant environment dynamics, as well as how one adequately plans for such a situation. This is further evident from the following:

### **4.2.2.1 We have had no choice but to go Global**

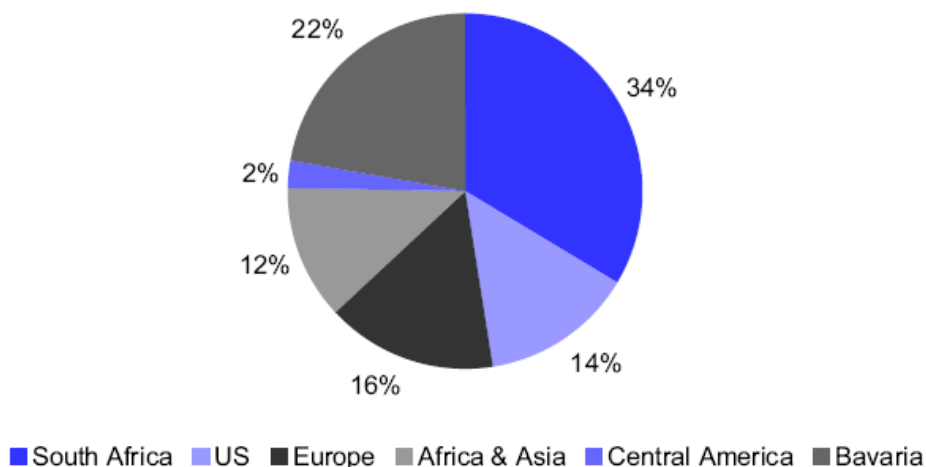
During the interview, the participant clearly stated the dilemma facing SAB during the 1990's, and the 'no choice' option but to explore global growth. This included the fact the SAB held 98% market share in South Africa, which in itself presented very little future growth potential. Secondly, and more importantly, the global brewing industry, at that stage, was largely unconsolidated, and SAB was of the opinion that the opening of global markets after the fall of communism would result in market consolidation and the creation of a few brewing 'elephants'. SAB were further convinced that this consolidation would end in large brewing 'elephants' battling it out at "final dance of the elephants<sup>6</sup>", and to be at that dance you would have to be an 'elephant'. This left SAB no option but to grow, which could only be done by going global (which resulted in their global growth strategy of acquisitions and mergers). A final reason was to exploit the concept of 'first-mover advantage', which meant moving quickly into Africa, and beyond. The timing was perfect, SAB crept in "under the radar<sup>6</sup>", and no other major player saw them coming.

Illustrated in Figure 4:4, SABMiller generates around 85% of Group profits from emerging markets, 44% derived in Africa, 24% in Latin America, 2% in Asia and 15% in Eastern Europe – now a truly global portfolio (Bevan et al, 2005).

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<sup>6</sup> As quoted by Graham Mackay (CEO SABMiller)

**Figure 4:4 SABMillers Global Portfolio**



Adapted from: SABMiller (2004)

In addition, the participant has indicated that continued success requires a balance between the immediate demands of their current markets, and the long-term sustainability of increasing their global business (SABMiller, 2004). This long-term sustainability would be dependant on who is still standing at the “final dance of the elephants<sup>6</sup>”.

#### **4.2.2.2 We are subject to Global Business Risk and Uncertainty**

Further to the above, and taking due cognisance of SABMillers business focus on targeting developing countries, it was evident that the participant is subject to the usual political and economic uncertainty which surrounds any emerging market (Bevan et al, 2005). They (Bevan et al, 2005) continue that the increased volatility of emerging markets means that this trend is likely to continue indefinitely. From a SABMiller business perspective, the main risks are an increase in price discounting in the US beer market, an entry by AmBev into Colombia and a failure to successfully restructure their Italian operations.

Other challenges arise as a consequence of SABMillers’ African roots and the type of markets in which we operate today – i.e. normally merging markets (SABMiller, 2004). In addition, it is a know fact that SABMiller factors fierce competition into all its business case calculations (The Economist, 2005).



Investors are often informed to consider the risks associated with SABMiller Transactions. These risks include:

- Failure to achieve the anticipated levels of growth.
- Political, social and economic instability in the markets in which they operate; and
- The introduction of new competition in the markets in which they operate.

Interestingly, however, perceptions concerning risk in South Africa have decreased during the past six years (illustrated in Figure 4:5), but this is unfortunately not similar for all markets in which SABMiller operates.

**Figure 4:5 South African Sovereign Risk Ranking**

**Figure 2: South African sovereign risk (basis points)**



Source: Bloomberg, FNET

Adapted from: The Economist (2005)

Investors are often requested to consider the risks normally associated with companies of a similar nature to the SABMiller Group. The risks are many and include the following:

- The Enlarged Group's future capital needs may require that the Enlarged Group seek debt financing, refinancing or additional equity funding which may not be available.
- Natural and other disasters.
- Fluctuations in exchange rates.
- The Enlarged Group operates in many developing markets, which exposes it to certain political and economic risks in this arena.
- Inability to influence effectively the Enlarged Group's strategic partnerships.
- The Enlarged Group is exposed to the risks of economic recession and to falls in per capita income which could adversely affect the demand for its products.
- Failure to identify, develop and retain the Enlarged Group's current and future global management capability.
- Increased competition in the Enlarged Group's markets.
- The jurisdictions in which the Enlarged Group operates may adopt regulations that could increase costs and liabilities or could limit business activities.
- Tax and excise costs in excess of existing provisions may arise from fiscal reforms, discriminatory excise taxes and restrictive legislative environment.
- Increasing restrictions on the marketing, distribution and sale of alcohol.
- Exposure to the risk of litigation.
- The Enlarged Group is subject to environmental regulation by national, state and local agencies, including, in certain cases, regulations that impose liability without regard to fault.
- Change in the competition regulations in certain jurisdictions in which the Enlarged Group has a leading market share.
- Availability of raw materials.

- Certain of the Enlarged Group's operations dependence on independent distributors to sell its products.
- Dependence on sole suppliers for some of the Enlarged Group's key materials.
- If any of the Enlarged Group's products are found to contain contaminants, the Enlarged Group may be subject to product recalls or other liabilities which could cause it to incur significant additional costs.
- The Enlarged Group's results of operations depend heavily on maintaining good relations with its workforce.
- The high incidence of HIV/AIDS in certain of the developing markets in which the Enlarged Group operates.
- The Enlarged Group is reliant on the reputation of its brands and the protection of its intellectual property rights.
- Adverse weather conditions may reduce the demand for the Enlarged Group's products; and
- Failure to achieve combined benefits (SABMiller, 2004).

#### **4.2.2.3 We are subject to more Dynamic Strategic Planning**

Given the specific nature of the global business challenges the participant has outlined, that it is hard for them to follow a "one size fits all" strategic management planning framework (SABMiller, 2004). This is indicative that their strategic management process is now more dynamic, and more aligned with the driving forces which influence their current business processes (namely the various regional markets in which they operate). This concept of dynamic strategic planning is further supported by the following interview extract:

*P: Ok ... so that is a relatively generic process and you can follow it very linearly or **you can do it quite intricately ... you can take ideas, take cognisance of the consequence, go back and re-engineer, and you can go through quite a few permutations,***

*also you can run work scenes in parallel and consider a whole bunch of different ideas, take them right through to the logical conclusion and then look across them and see what are the common areas, the weak areas, and start to apply more portfolio or platform type thinking ... and then you start to get the benefit of the sum of the parts being greater than the parts. Our strategic planning process, at its simplest level is exactly as I have described, at a complex level you are going to apply different application for each situation you find, so for example in going to the enviro-scan you will find one issue is very much profit related, two or three are market related ... what is my product portfolio, what are you going to do with this brand, where are these consumers going, what do they want from us, hypothetically ...*

#### **4.2.3 Strategic Management Agility (SMA)**

During the interview the participant did indicate that SAB's initial global manoeuvres caught the market off-guard, and the company was almost able to establish itself, as a global brewing player, comfortably. This success, however, very quickly attracted attention, especially following the acquisition of Millers<sup>7</sup>. This has resulted in fierce competition, as well as the realisation, "probably by most global players<sup>8</sup>" that there is going to be a "final dance of the elephants<sup>6</sup>". What will this last dance be? A fight to the death? Fierce competition in local markets? Nobody knows, but it is making the brewing market extremely unstable, and is resulting in difficult planning. This is discussed further hereunder:

##### **4.2.3.1 We are Learning, Adapting and Innovating**

In having entered a dynamic global environment, the participant has realised that it is a prerequisite to constantly review and recalibrate the organisation's strategies (Nelson, 2005). Similarly, the management of SABMiller has taken several concrete steps forward to facilitate the organisation's development as an adaptable, learning and innovative enterprise. This includes:

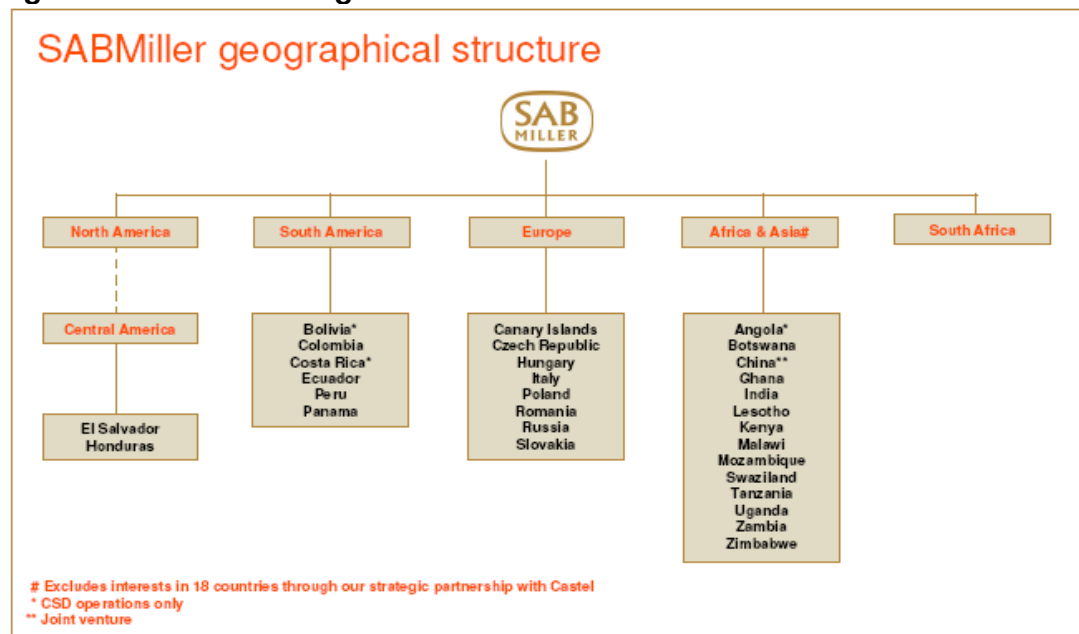
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<sup>7</sup> USA Brewing Giant

<sup>8</sup> Quote Brian Ireland (SABMiller)

- Realising that they do not need to be the biggest brewer, but must be the most successful.
- Focusing on the development of people, core competencies, and developing team building.
- Encouraging the SABMiller management teams appetite for risk; and
- Unlike other global brewers, decentralising the organisation for better local responsiveness. The head office (in London), in fact, employs only 30 staff members (Davidson, 2006). Figure 4:6 aims to illustrate the decentralised framework of the SABMiller Group.

**Figure 4:6 SABMiller Organisational Structure**



Adapted from: SABMiller (2004)

The latter statement is further supported by the following interview extract:

*P: Ok ... the ... process is, as I mentioned to you at a prior time, relatively generic, so what it does ... **it's very much business unit led, so South Africa, North America, South America, Europe, Africa and Asia ... are each responsible for compiling a five year***

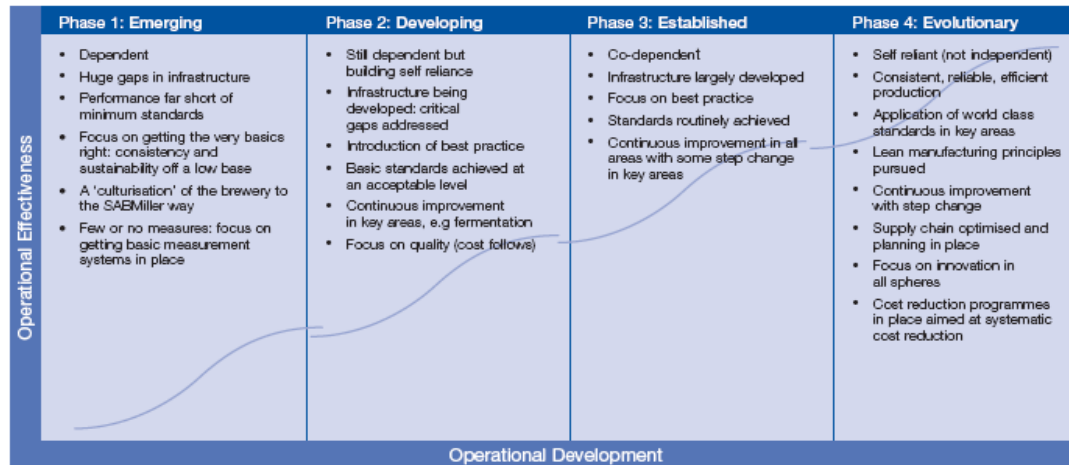
**strategy document, that gets collated, assimilated, by the group head office ...**

The interview further supported the above, identifying that SABMiller were focusing on several competencies in order to ensure continued business survival. This included attention to operational excellence, developing a corporate appetite for risk, ensuring a continued understanding (in depth) of the markets in which they operate, and developing entrepreneurial skills and the ability to spot an opportunity.

In addition, it's interesting to note that the basis of their approach to raising manufacturing performance to new levels, and a core tenet of their 'Manufacturing Excellence Programme', is to define four phases for the development of a brewery: Phase 1: Emerging, Phase 2: Developing, Phase 3: Established, and Phase 4: **Evolutionary** (SABMiller, 2004). Figure 4:7 illustrates this concept of evolutionary development.

**Figure 4:7 Phases of SABMiller Brewer Development**

Figure 1 Phases of brewery development



Adapted from: SABMiller (2004)

An additional indicator of organisational adaptation and learning is investment in research and development, and whilst the Group does not incur any material research and development expenditure, it continues to invest in new products and processes, as well as in new technologies in order to improve

overall operational effectiveness. The Group's scientific research continues to yield solid progress in brewing, raw materials, new products and brands, also packaging, and in proprietary technologies (SABMiller, 2004).

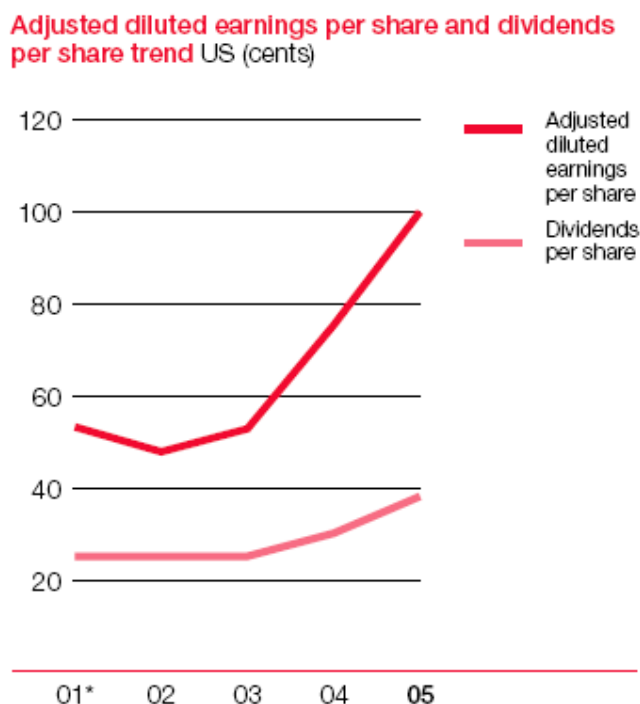
Finally, Alan Clark correctly identifies the concept of strategic adaptation when he was quoted as saying that SABMiller have previously followed "a complex and almost ruthless strategy of acquisitions and cost-cuttings over the past decade [and] now [that] its asset pieces are virtually all in place, [the strategy must be adapted to one] more familiar to SA consumers – establishing the dominant brand" (Business Times, 2006: 7).

#### **4.2.3.2 We are still Planning**

Notwithstanding the above, and the difficulty in planning in a dynamic global business environment, SABMiller still believe an effective balance is possible between the challenges of successful entrepreneurship (an the encouragement of learning, adaptability and innovation), and remaining accountable to our stakeholders for the strategic planning and management of the resources of the business (SABMiller, 2004).

In fact, during 2004, SABMiller announced a three-stage strategy for increasing their earnings in the future (Figure 4:8 above, can attest to this growth). "Firstly, we see gains to be made in the near-term from our strong, established operations in growth markets – South Africa, the rest of Africa, Europe and Central America. Later on, we see growth coming from our recent big acquisitions, Miller in the USA, Peroni in Italy and from our new operations in South America. Finally, in the longer term, we look to the developing markets of China and India and the growing contribution of our international brands" (Positioned for growth, 2005). The foregoing is indicative that despite the difficulty of strategic planning in the global business environment, SABMiller still partake in a formal strategic management process. The following extract, however, highlights the difficulty in keeping strategic plans relevant during periods of constant change.

**Figure 4:8 SABMiller Share Values and Dividends**



Adapted from: SABMiller (2005)

*P: So the leveling ground, and **the intent, of all of that activity is to come up with a better business plan, and therefore better profitability and better money** ... and as you can imagine in those plans, because of the time frame, there is a key trade off are between money now or future value.*

*I: Ok.*

*P: So ... all that then has to ... so that's the output and that's very important to understand. What are we striving at ... **I'm striving to give you a business plan well substantiated.** Ok ... so someone in the centre takes one, two, three, four, five, adds them all up and says this is how our business is going to work, where the opportunity lies in the future, and if you have five rigorous processes surely when they are added together could be more rigorous and that is where we are headed. So ... each of the business units have a relatively*



*generic strategic development process. It happens at most once a year, sometimes once every two to three years.*

*I: What distinguishes that?*

*P: More readiness and the need for it, so ... it's a time consuming process, so there have been times, in our businesses life, where we have elected not to go through full planning process ... just because of us being in a **position to use the information, or the value in getting the information**, ... just wasn't worth the effort.*

*I: Ok.*

*P: It's not often ... in the past few years, we were given grace, so we didn't need to submit a plan.*

*I: When you say time consuming ... what sort of ... critically, how long does that take to do, are we talking a couple of months?*

*P: A couple of months ... there is a lot of thinking time.*

*I: Ok.*

The participant believes that the above will strengthen SABMillers global strategic position as a leading global market player, with critical mass across regions and 12% of the worldwide beer market (Positioned for growth, 2005).

#### **4.2.3.3 We are leading Market Change**

In keeping with the theme of managing constant environmental change, the participant is currently leading market change – in fact “the group has an ability to outperform its rivals” (Business Day, 2006: 12). This includes initiating the market and competitive forces to which other brewers must react and respond – it is evident by SABMillers attitude to adopting an “able challenger” approach to its strategic planning, competing on terms favourable to SABMiller, and not to be a follower and not try to emulate competitors (Grant & Wiggins, 2005).

During the interview the participant supported this theme, stating that during SAB's globalisation drive they caught the market off-guard, and "upset the existing game plan in the market<sup>8</sup>". He was quick to add, however, that competitors have started to adapt.

SABMiller believe they are able, in the short term, to maintain the lead by leveraging the following competencies:

- One is the global spread of our operations: They now have a continuum of businesses from emerging to mature, enabling them to benefit from both value and volume growth in beer sales.
- A second reason is their strong market positions and the benefits that come from having market leadership in nearly every case.
- Thirdly, they continue to benefit from their skills in turning around previously under-performing businesses. "We've done it several times over in Europe and the team at Miller are now producing good results from their turnaround programme"; and
- Finally, they will continue to reap the rewards of their relentless focus on operating performance (SABMiller, 2005).

In conclusion, the participant believes that the Group has the global scale, geographic balance, quality brand portfolio, extensive distribution network and financial strength to enhance its continued future competitiveness (Positioned for growth, 2005).

#### **4.2.4 The Future State of Being (FSB)**

Almost a billion new consumers will enter the global market-place in the next decade as economic growth in emerging markets pushes them beyond the threshold level of \$ 5,000 in annual household income – a point when people generally begin to spend on discretionary goods (such as beer). From now until 2015, the consumers' spending power in emerging economies will increase from \$4 trillion to more than \$9 trillion – nearly the current spending

power of Western Europe (Davis & Stephenson, 2006). What does the future hold for SABMiller?

#### **4.2.4.1 It's our kind of Game**

"It's our kind of game" is how SABMiller describes their \$7.8 billion purchase of Grupo Empresarial Bavaria, South America's second largest brewer. The deal will give SABMiller access to the fastest growing beer market at a time when more sophisticated western drinkers are turning to wine and spirits (The Economist, 2005).

SABMiller believes that this most recent transaction represents a unique opportunity to gain ownership of a high quality business built upon strong brands, scale and market leadership in a region with excellent volume and value growth prospects. They are confident that SABMiller's successful track record and experience in the management of comparable operations in developing markets will enable SABMiller to realise significant incremental value by the application of its best operating practices and management techniques (Positioned for growth, 2005).

They believe the transaction will enhance SABMiller's exposure to some of the fastest growing beer markets, which further diversifies SABMiller's global position and provides a strong growth platform in the region. But how long will this kind of game last?

#### **4.2.4.2 Here we go Again!**

Graham Mackay (SABMiller CEO) argued last year that the global beer industry had largely completed its first phase of consolidation – the acquisition of local businesses by larger players – and was now entering a second phase consisting of mergers of relative equals. The Miller transaction was the first of this new wave and has now been followed by the Interbrew and Ambev deal and the merger between Coors and Molson. Global consolidation continues to gather pace. In his view, SABMiller have the scale needed to execute their business strategy without being constrained by their size. They therefore do not need another landscape-changing deal on the scale of Miller. Any

acquisitions they do decide to make will be determined solely by their ability to add value. The imperative from here on is to keep building brands that consumers love and to market them superbly. It's also to make each operation work better – that relentless focus on performance the participant has mentioned earlier – while making the whole greater than the sum of its parts, so generating ever-greater value from their worldwide portfolio. There is underlying momentum in most of their major markets, and they can expect further steady organic volume growth for the group, supported by significant ongoing market-place investments.

**Figure 4:9 Lining Up Leading Global Brewers**



Adapted from: SABMiller (2005)

Following a number of years of exceptional rates of profit growth delivered by the group, earnings per share for the coming years can be expected to continue to grow at a more moderate rate from this higher base (SABMiller, 2005).

In conclusion, with the land-grab almost over, the big four companies are looking for a take-over or merger (Davidson, 2006), and it is anyone's guess how this 'elephant dance' will end – "so, here we go again!<sup>8</sup>"

### **4.3 CONCLUSION**

In this chapter the researcher has described the various categories into which the findings can be divided, and these are: contemporary strategic management, global business dynamics, strategic management agility, and a future state of being. These results were conveyed to the participant of this study during discussion meetings held with the participant. This was also an opportunity to determine the participant's acceptance of the findings and to gain supportive data.

Chapter five will examine the findings in the context of the literature review and the theoretical framework for this study; recommendations for further research will be made, as well as those for practices that should be established to facilitate improvement in strategic planning of global businesses.

## **5 DISCUSSION, CONCLUSION AND RECOMMENDATIONS**

*“Nothing stops a firm faster than people who believe that the way they worked yesterday is the best way to work tomorrow. To succeed, not only do your people have to change the way they act, they’ve got to change the way they think about the past.”*

*Blanchard & Waghorn 1997*

### **5.1 INTRODUCTION**

It was the intention, through this study, to reveal the experiences of a large successful South African multi-national enterprise and the impact global business has had on them, so as to determine the continued suitability of contemporary strategic management practices. In this final chapter, the researcher will share the meaning that has been derived from this study by contrasting the findings with those found in the relevant literature and theoretical framework. Thereafter, this chapter shall progress to describe the limitations of this study and make suggestions for further research, before a final conclusion is provided.

### **5.2 DISCUSSION**

Although it was the objective to describe the impact global business has had on contemporary strategic management processes, it became apparent that it is impossible to isolate, to a particular setting, the relationship between an organisation’s environment (be it an external or internal environment) and strategic management theory. Hence, the experiences of a large South African multi-national organisation, within a global business environment (external environment only), was an overriding feature.

In addition, although this study has separated the participants’ experiences into various categories and themes, they are completely intertwined as they contribute to the whole experience of the participant, hereby reflecting the age-old adage of systems theory that the whole is greater than the sum of its parts.

### 5.2.1 Contemporary Strategic Management (CSM)

The general perception is that the purpose of strategy management process is as a management tool to address competition, change, and the conditions for organisational survival and success.

Several authors (Brown & Eisenhardt, 1998; David, 2001; Pearce & Robinson, 2003; Strickland & Thompson, 2003), as well as research completed by David (2001), support the idea that strategic management assists in making better strategic decisions through a more systematic, logical and rational approach to strategy, but more so, it ensures that an organisation is prepared for most circumstances and thus guarantees better performance than an organisation without a strategy. Strategic management, therefore, has a role worth considering.

The analysis completed during this study further supports this thinking, and in the participant's case, from two predominant perspectives, namely:

- SABMiller is registered on the London Stock Exchange and thus accountable to its shareholders. In line with new corporate governance trends, the board of directors are held accountable for ensuring strategic objectives of the group are set and met, and are therefore bound to use some form of formal strategic management process.
- In addition, during analysis of the data it was apparent that SABMillers market is regionally based, with each region having its own particular tastes, which resulted in the identification of opportunities and the crafting of strategies, being local market driven. Co-ordinating all these regional strategies requires a common framework which ultimately facilitates the combination of regional strategies into a holistic group strategy.

Notwithstanding the above, there is a danger of thinking of the process of strategic management as an orderly sequence of steps, in the form of a neat sequence of steps building on objective setting and analysis of different options, and ending with the careful planning of the strategy implementation.

Several authors (David, 2001; Strickland & Thompson, 2003), as well as SABMiller, have realised that strategy-making also involves developing an intended strategy, adapting it as events unfold (adaptive / reactive strategy) and the aligning of the organisation's business approaches, actions, and competitive initiatives, to its competencies and capabilities.

They (David, 2001; Strickland & Thompson, 2003) argue that the actual strategy decided upon is a result of the planned strategy and also the "adaptive reactions to changing circumstances". Good strategy does not mean that an organisation will continue in their planned strategy should circumstances change, but would rather implicate that a different strategy is necessary.

Likewise, this study supports the foregoing, highlighting that in the participants' context it is difficult for them to follow a "one size fits all" strategic management planning framework between regional markets (SABMiller, 2004). This is indicative that their strategic management process is now more dynamic and more aligned with the driving forces which influence their current business processes. This is further evident by the participants' statement that their strategic management process "can [be done] quite intricately ... you can take ideas, take cognisance of the consequence, go back and re-engineer, and you can go through quite a few permutations, also you can run work scenes in parallel and consider a whole bunch of different ideas, take them right through to the logical conclusion and then look across them and see what are the common areas, the weak areas, and start to apply more portfolio or platform type thinking ... and then you start to get the benefit of the sum of the parts being greater than the parts.<sup>5</sup>" This concept of dynamic strategic planning is discussed under item 5.2.3.

## **5.2.2 Global Business Dynamics (GBD)**

Business, and especially global business, is always a gamble. Managers always lay bets on a future they can't clearly see, and no amount of environmental analysis or scenario-planning will give them certainty or eliminate all risks. But today their task is more difficult than ever. This is the time of extraordinary uncertainty, unusual complexity, and unprecedented



danger. Unfortunately, though, companies cannot ride out uncertainty by doing nothing. Managers cannot put things on hold while they wait for clarity. They have to keep laying bets, some of which will not pay off for years, and many of which will be difficult – or even impossible – to reverse (Manning: 2003).

Further to the above, and taking due cognisance of SABMiller's business focus on targeting developing countries, it was evident that the participant is subject to the usual political and economic uncertainty which surrounds any emerging market (Bevan et al, 2005). Other challenges arise as a consequence of SABMiller's African roots and the type of markets in which they operate today, these being predominantly emerging / developing markets (SABMiller, 2004). In addition, it is a known fact that SABMiller factors fierce competition into all its business case calculations, testifying to the complexity of doing business in the global arena, at least for this participant (The Economist, 2005).

This viewpoint regarding the complexity of the global business environment, and the perception that strategic management is too static to adapt to these changing economies, has led to the diminishing importance of strategic planning as a management process and thus invalidated many of the fundamental assumptions underlying the traditional strategic management process.

Substantiating the foregoing, Wall & Wall (1995: 7) highlight that the contemporary strategic management "process was built on an implicit assumption: planning is separate from doing. Senior management's role was to conceptualise and make decisions; the task of execution fell to lower level managers. ... and despite all its potential flaws, the process could often achieve the desired results – as long as the external environment in which the organisation operated stayed fairly stable". This is obviously no longer possible in a global business environment.

The options for organisations are either: invalidate the need for any strategic management process and rather concentrate on operational efficiency (these organisations are bound to become followers, however, which may affect the long-term sustainability of their respective organisations, or, alternatively

nurture the benefits that a strategic management process has proven to provide, adapt it, and evolve it, into the context in which you, as an organisation, find yourself.

### **5.2.3 Strategic Management Agility (SMA)**

Notwithstanding the above, most organisations are resisting the temptation to discard strategic planning in its entirety. Even critics of planning agree that every organisation needs a sense of focus and direction. Thus, the strategic planning process, rather than being wholly abandoned, is being revitalized and reshaped. The changes under way reflect less a conscious effort than a natural evolution, part of the adaptation to external conditions that organisations make in order to survive. Specifically, strategic planning is evolving owing to the increasingly urgent need for responsiveness to market changes.

In having entered a dynamic global environment, the participant has realised that it is a prerequisite to constantly review and recalibrate the organisation's strategies (Nelson, 2005). Similarly, it is evident that the management of SABMiller has taken several concrete steps to facilitate the organisation's development as an adaptable, learning and innovative enterprise.

To add to the above, several authors (Beinhocker, 1997; Brown & Eisenhardt, 1998; Defee & Stank, 2005; Tsosa, 2003) agree that the central strategy-making challenge in a turbulent market environment is managing change.

In keeping with the theme of managing constant environmental change, the participant is currently leading market change. This includes initiating the market and competitive forces to which other brewers must react and respond – it is evident by SABMiller's attitude to adopting an "able challenger" approach in its strategic planning, competing on terms favourable to SABMiller, neither being follower, nor trying to emulate competitors (Grant & Wiggins, 2005).

In short, modern organisations are discarding strategic planning as a mechanical task, and are rather viewing it as a thought process, looking to the

benefits of a more evolutionary, participatory approach to strategy-making in order to help them achieve a flexible and renewable source of competitive advantage.

Following due process in this study, it can be argued that SABMiller's success is partly a result of using an evolved strategic management process; evolved in the sense that it has been made to adjust to the particular context in which they find themselves: being a globalised organisation, but, focusing on regional customer preferences; being subject to inherent business risks as a result of the peculiar markets that they serve; and traveling along a road to an 'end-game', with the last three big brewing giants, towards a 'game' nobody yet knows how to play to win. This 'end-game', and future state in which SABMiller may shortly find themselves, adds weight to the argument that their current strategies, which were successful yesterday, may need to evolve to ensure future success.

#### **5.2.4 Future State of Being (FSB)**

The decade ahead will see companies striving to restore balance to their businesses. Managers continue to preach the gospel of cost-efficiency, almost half of those surveyed citing lowering costs and maximising competencies as strategic priorities, but as the major economies have strengthened, business horizons have expanded. There is a renewed determination to pursue growth. Companies are again looking overseas for new opportunities, with many citing international expansion and globalisation of their business operations as a strategic priority. How do companies reconcile a continued focus on cost savings with the need to create value in their businesses? The answer may lie in the third most commonly-cited strategic priority in this year's survey: executives surveyed see performance and process improvements as being a key source of value in the years ahead. This is prompting executives to pursue two distinct agendas - firstly, to make global processes more transparent and standardised, and secondly, to make them more responsive to changing market needs (Economist Intelligence Unit, 2005).

Likewise, as Graham Mackay has stated, with the land grab (for global beer markets) almost over, and the big four brewing companies looking for a take-

over or merger amongst themselves (Davidson, 2006), it is anyone's guess how this 'elephant dance' will end. This just seems to suggest that just as this study has highlighted the need for organisations to evolve on a constant basis, and change to be able to ride the crest of the wave, so SABMiller's future is unclear – thus to survive they will need to continue exploring the creation of competitive advantages, which, when packaged together will form some semi-coherent strategic direction for SABMiller.

This need to keep exploring possible competitive advantage lends itself to the concept of change to survive, the need to consistently reinvent the firm over time. This key driver for superior performance, and SABMiller's aspirations to be the last one standing at the 'elephant dance', will include being able to lead their market, spearheading the advance into the future and uncharted territory, being ahead of the pack – ultimately having the ability to change.

### **5.3 RECOMMENDATIONS**

Because the future is unknowable, and because surprises are certain, one's chances of developing the "right" strategy are not good. Survival and growth in these turbulent times depend partly on *what* you do (strategy) and largely on *how* you do it (implementation). The ability to change direction fast, realign resources and move forward aggressively, is vital. Now, as never before, deep introspection, hard trade-offs and creative thinking are keys to creating an organisation that is at once disciplined and flexible, single-minded and open-minded, patient and aggressive, cautious and bold (Manning: 2003).

In view of the complex environmental conditions confronting South African organisations and the rapid changes taking place within this environment, many organisations will no longer be able to rely on traditional ways of managing themselves. The importance of strategic management will increase dramatically and organisations need, as a matter of urgency, to implement strategic management systems within their respective organisations. However, these organisations must ensure they apply the principles of strategic management correctly, and do not relegate strategic management to a sequential, neat, planning process. These organisations need to understand that in the light of global business complexity, industry transformations are no

longer progressive, or linear, but are in fact non-linear, erratic and complex, almost illogical at times, and likewise strategic management needs to be innovative, flexible, robust and display the characteristics of entrepreneurship.

Manning (2003) quite correctly states that theorists, organisations, strategists will continue searching for the “silver bullet” that will solve all strategic management problems, but when you get down to basics, there are two things that really count – get your organisation fit for the future and keep it that way.

#### **5.4 FURTHER RESEARCH RECOMMENDATIONS**

Owing to limited time and space, themes arising from this study which require further exploration include, namely:

**Managing Change:** Strategic Management is about change, and making this happen requires leadership. Leadership is not only about creating strategy, but is also about implementing change. Change management is an outcome of strategy, and therefore the basic leadership challenge.

**Environmental Complexity:** A company’s degree of complexity depends, firstly, on external factors such as the difficulty or ease in reaching customers and of contracting with outside suppliers. It also depends, in large part, on internal considerations, including the nature and organisation of work that employees perform.

**Organisational Culture:** Business strategic management practitioners and researchers should include the concept of organisational culture as a key component of the strategic management process, owing to the extensive interaction that takes place between the organisational strategy and culture in the implementation of strategy.

In addition, topics revealed through the literature review which could lead to future research studies include monitoring the continued effectiveness of SABMiller’s management team and the concept of how often ‘change’ should be initiated. It could be argued that a leadership team, and their competences, result in the successes enjoyed by an organisation. It may be interesting in the

future, as an organisation's leadership portfolio evolves, to research the future leadership qualities that evolve, and how they affect the sustainability of a given organisation. During this study, the researcher was unable to determine at what inflexion points 'change' should be initiated, rather it seemed as if it were determined by market movements. This concept, however, contradicts the theme that SABMiller have formed their own future. Therefore, it may be of interest to research at what critical points a typical organisation should consider 'change'.

## **5.5 LIMITATIONS OF THE STUDY**

A frequent criticism of case study methodology is that it is dependent on a single case, which renders it incapable of providing a generalised conclusion.

In addition, the generalisation of the results, from a single case study design, is made to theory and not to population. Multiple case studies strengthen the results by replicating the pattern-matching, thus increasing confidence in the robustness of the theory.

Strategy ownership is potentially a vast subject area and, as such, work described in this research report has provided a platform on which further research can be carried out.

## **5.6 CONCLUSION**

"Today much of the former environmental stability has vanished. In its wake has come a terrifically competitive and volatile global marketplace in which the time frames for responding to changing customer needs have been radically shortened. Given this loss of stability, it is no wonder that faith in the efficiency of traditional strategic planning has substantially eroded. The idea of planning as an ordered process rested, after all, on certain assumptions regarding what could be known about the future – that the future would represent, in certain fundamental ways, a continuation of the present, or at least a slow predictable shift that left plenty of time to adapt. In many industries, of course, that assumption has been rendered invalid" (Wall & Wall, 1995: 8).

In response, organisations, such as has been seen with SABMiller, “need to anticipate change by developing a culture of continual re-invention” (Eeden, 2003: 18). To develop such a culture an organisation will need to find the ‘sweet-spot’ in balancing; too much organisational structure (which would stifle creativity), versus total chaos (which would result in no organisational focus whatsoever); too much focus on past experiences (which would hamper new thought), versus no focus on past experiences (which would nullify lessons learnt); too much change (which will destroy organisational stability), versus too little change (which will result in an organisation incapable of change).

In conclusion, using an appropriate strategic management process, organisational leaders need to ensure the correct structuring of the organisation and work effort, staff the organisation with a diverse management team and portfolio of employees, as well as continually develop core competencies and competitive capabilities, thus creating the ability to change.

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## 7 APPENDICES

### 7.1 APPENDIX 1 – LETTER OF CONSENT

Dear Sir,

In order to conclude my Masters Degree in Business Leadership (MBL), at the University of South Africa (UNISA), I need to complete a Research Report under the supervision of Dr. M. H. Crosbie.

I have chosen to research the topic “Creating global business competence: The role of strategic management”. I believe this topic to be of relevance owing to the fact that global business is characterised by general uncertainty, complexity and discontinuous change: factors which I believe can be mitigated by using an appropriate strategic management process, to create competent multinational enterprises. This research will thus test the creation of competent global businesses using the strategic management process and theories.

I would like to take this opportunity to invite SABMiller to become involved in my study. All ethical considerations will be taken into account and the wellbeing of SABMiller will always be of paramount importance. These findings will be made available for your perusal should you wish to examine them. I shall neither directly or indirectly use for my own benefit or for the benefit of any other person and shall keep confidential and not disclose any trade secrets, intellectual property or confidential information of SABMiller to which I have privy during the course of my association with SABMiller. My association with SABMiller will only be used for the purposes of this ‘Research Report’ – hence will be reviewed by myself and my ‘Study Leader’ only. It shall not be divulged to any 3<sup>rd</sup> party without SABMillers consent.

I am aware that I am asking to explore areas that may be unknown or difficult to deal with, but will apply care and consideration in my research. However, should SABMiller feel the need to withdraw from the research you may do so at any time. Should you have any further queries, please do not hesitate to contact me.



Yours faithfully,

George Scott

We SABMiller, hereby consent to participate in the above-mentioned research.

Signed:

.....

Date:

.....

## **7.2 APPENDIX 2 – QUESTIONS FOR SEMI-STRUCTURED INTERVIEW**

This list of questions was developed through my literature review and was reflected upon as necessary during the interview process.

- Question 1: Describe SABMillers strategic management process.
- Question 2: During this process, describe how SABMiller determines 'where they want to go' and how 'they are going to get where they want to go'.
- Question 3: Describe SABMillers competitive, global, environment.
- Question 4: Describe how your competitive environment affects your strategic management processes (if at all).
- Question 5: Describe SABMillers key elements, which have determined its current superior performance and success.
- Question 6: Describe SABMillers future competitive environment.
- Question 7: In this future environment, describe what key elements would be important to ensure continued performance and success.
- Question 8: Describe how this future environment would affect your current strategic management processes.

### 7.3 APPENDIX 3 – SYMBOLS USED

#### Types of Data:

T Transcript from Interview

R Researcher's Journal

F Field Notes

#### Sources of Data:

P Participant

I Interviewer

#### In Transcript:

/?/ Inaudible Utterance

... Pause

(In brackets) My thoughts and notes made during the interview

## 7.4 APPENDIX 4 – TRANSCRIPTION EXTRACT

### Participant Interview – 4 July 2006

I: Question 1 was, describe SABMillers strategic management process?

P: Ok ... the ... process is, as I mentioned to you at a prior time, relatively generic, so what it does ... its very much business unit led, so South Africa, North America, South America, Europe, Africa and Asia ... are each responsible for compiling a five year strategy document, that gets collated, assimilated, by the group head office ...

I: That's here?

P: No, the group head office is now in London. In the past it was here ... the best way of thinking about it is that the group head office, or central office, that has changed through time as the company has grown, has moved from north and south regions in the country, to separate regional offices and we have created one head office and then we created two separate head offices for South Africa, and African and Asia and then the group head office was then more closely linked to African major operations and then when we moved to London, we moved the group head office to London, but kept all the operating units in different parts of the world. So the concept of the center and the business units has been the enduring philosophy ... so the business units derive their business plans.

I: Ok.

P: And that then basically, at its simplest level, a five year revenue and profit forecast ... with supporting plans.

I: Is the process then purely motivated by ... from a point of view of money?

P: The output ... is all quantified in monetary terms.

I: Ok. How does that then link to ... creating core competences or building on what you are already good at ... is there some kind of link in the process?

P: That is then all the supporting discussion work, that leads to the supporting documentation for the money.

I: Ok.

P: So the leveling ground, and the intent, of all of that activity is to come up with a better business plan, and therefore better profitability and better money ... and as you can imagine in those plans, because of the time frame, there is a key trade off are between money now or future value.

I: Ok.

P: So ... all that then has to ... so that's the output and that's very important to understand. What are we striving at ... I'm striving to give you a business plan well substantiated. Ok ... so someone in the centre takes one, two, three, four, five, adds them all up and says this is how our business is going to work, where the opportunity lies in the future, and if you have five rigorous processes surely when they are added together could be more rigorous and that is where we are headed. So ... each of the business units have a relatively generic strategic development process. It happens at most once a year, sometimes once every two to three years.

I: What distinguishes that?

P: More readiness and the need for it, so ... it's a time consuming process, so there have been times, in our businesses life, where we have elected not to go through full planning process ... just because of us being in a position to use the information, or the value in getting the information, ... just wasn't worth the effort.

I: Ok.

P: It's not often ... in the past few years, we were given grace, so we didn't need to submit a plan.

I: When you say time consuming X, what sort of ... critically, how long does that take to do, are we talking a couple of months?

P: A couple of months ... there is a lot of thinking time.

I: Ok.

P: Ok ... so at the end of the day each business unit will be responsible for the development of their own plan and does that on a, you have gone through in your introduction the strategic management process which is very similar to what we do ... we do assessment, what we call a enviro-scan, we then distil that down to core issues facing you ... SWAT is still one of the better frameworks for that, and then you come up with a whole bunch of ideas, or options of things you can potentially do, to resolve each, and then you try find some mechanism to ... quantify the relative benefits of each alternative ... you pick your options ... fine tune the finances ... 'whoa-bang' you have a plan.

I: Ok.

P: Ok ... so that is a relatively generic process and you can follow it very linearly or you can do it quite intricately ... you can take ideas, take cognisance of the consequence, go back and re-engineer, and you can go through quite a few permutations, also you can run work scenes in parallel and consider a whole bunch of different ideas, take them right through to the logical conclusion and then look across them and see what are the common areas, the weak areas, and start to apply more portfolio or platform type thinking ... and then you start to get the benefit of the sum of the parts being greater than the parts. Our strategic planning process, at its simplest level is exactly as I have described, at a complex level you are going to apply different application for each situation you find, so for example in going to the enviro-scan you will find one issue is very much profit related, two or three are market related ... what is my product portfolio, what are you going to do with this

brand, where are these consumers going, what do they want from us, hypothetically ...