SCENARIO PLANNING FOR THE SORGHUM INDUSTRY

BY

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9667467

Dissertation submitted in compliance with the requirements for the degree M (Tech) Business Administration at Technikon Witwatersrand, Johannesburg

For: Dr. v.d Wal
Supervisor
Department of Operations Management

Date: 28th February 2000
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Date: 28th February 2000
DECLARATION

I declare that this is my own unbiased work, it has never been submitted to any other University, Technikon or other institute for Degree or Diploma purposes. It is being submitted to the Technikon Witwatersrand in partial fulfillment of the M.Tech (Business Administration) course.

Sandeep K. Pathak

Signed at Johannesburg on this 28th day of February, 2000.
ACKNOWLEDGEMENTS

I would sincerely like to thank all the National Sorghum Breweries employees who have helped me in this project; their insights and experience were crucial in compiling this piece of work. Particular thanks to all the interviewed people who shared their honest opinions, in-depth knowledge and expert views.

Dr Van Der Wal, special thanks. Your patience and persistence helped me to finish this project.
CHAPTER ONE
INTRODUCTION

1.1 INTRODUCTION

The project aims at understanding the factors influencing the Sorghum Beer industry in the forthcoming five years. How can a company like NSB, which is the market leader with 73% market share, enhance its market base? To analyse the situation various tools like Scenario Planning, use of statistics, analytical data and interviewing techniques would be used. The company NSB should benefit from this research as it tries to seek out the basic factors responsible for impeding the growth sales of sorghum beer. The idea of this project has been shared amongst most of the top management at NSB. All the managers have shown great interest in the project and are waiting anxiously for its outcome.

1.2 AIM

The aim of the research is to determine the development of NSB (National Sorghum Breweries Limited) in the coming five years, in order to secure a larger base market share in South Africa.

The primary aim can be subdivided into various objectives, which will help reach the ultimate aim.
This book must be returned or renewed on or before the date stamped below. A fine will be calculated from the first overdue day at 8:00. For telephonic renewals please have your student number and the barcode number of the book ready. Books in demand will not be renewed. Only two renewals per book will be allowed.

The TWR reserves the right to recover the cost of the item from the user, should it be lost, stolen, or damaged in any way whilst charged out against a user's name.
a) To determine the current status of NSB in the market:
   - Market share
   - Brand loyalty
   - Internal strengths

b) To evaluate the external threats and opportunities facing NSB and their impact on NSB's future.

c) To investigate the home brew vs. industrially brewed beer market, can the homebrew market be penetrated with the same/similar product as what NSB is offering; price relevance.

d) To formulate the strategy against the competition which would include Home brew market.

e) To determine the viewpoint of the sorghum market experts about the future of the market?

f) The use of current sales data and interviewing technique to forecast market trends. (Quantitative analysis)

### 1.3 BACKGROUND

Sorghum beer industry faces many challenges due to the nature of the product. As the product has a short shelf life the product has to reach the market and the consumer quickly. It's a low profit, high volume-driven product. To make this product economically viable, high sales and prompt distribution system need to be in place. The target market for the product is constituted of the black African male. These people belong to the lowest strata of the economy. One of the missions of the NSB is to empower these people.
Nearly two thirds of the sorghum market is the informal market. If NSB can tap even 5% of informal market this would have a tremendous impact on sales. The only way to tap into this market is to find out more about this market. This would include determining consumption behaviours, the consumer profile, spending power, and preferences like flavour and taste.

The Sorghum beer industry comprises of various sectors:

- The home brewed sector
- The beer powder sector (also home brewed)
- The industrially brewed sector

The table (Appendix I) provides a brief description of each of these sectors. Volume sales per sector are estimated annual volumes calculated from published malt tonnage sales and excise figures published by The Department of Finance. The appendix II reflects the chart of the market break-up between formal and informal markets.

Very little research has been done to establish the patterns of consumption in the Sorghum beer industry. Researching the informal market is a prerequisite to achieving an increase in sales and predicting market size over the next five years.

1.4 METHODOLOGY

In order to investigate the possible future one has to depend on various forecasting and planning techniques. Mainly quantitative research would be
used in collecting relevant data in this research. The main tools used would be scenario planning and interviewing.

The main source of data would be the MIS department at NSB and its think-tank. The pool of intellectuals in Sorghum Industry will be used for their insight of the sorghum industry.

To find out the current status of NSB in the market, various field trips will be made. Field trips will also be made in order to find out more information about the informal market.

The interview technique will be used in order to gain market perspective from the top people who operate in the industrially brewed sorghum market. This will include the top management at NSB.

NSB MIS system would be used for the information that might be required to substantiate and gain information on research.

1.5 BENEFICIARY

Sole benefactor of the project would be NSB. TWR would benefit as the writer is a student of the institute and a successful research would be part of TWR as much as that of the writer. The findings would be given to the institute and the copy would be available to its students and staff at a later date.

The industry could also benefit as the finding aims at integrating the informal market into the formal and the ways of doing it.

If a blueprint can be formed on how to make inroads into the informal market, then this information could be used by the prospective entrants to use the vast, mostly untapped, informal market.
The community can benefit from the supply of hygienically packed and high-quality sorghum instead of drinking the home brew, which is sometimes non-hygienically brewed and consumed.
CHAPTER TWO

SCENARIO PLANNING

2.1 INTRODUCTION

Scenario Planning has a long history, emerging from its use by the military. In the civil domain its use was applied by the RAND Corporation during and after World War Two, it was subsequently developed by the Hudson Institute, set up by Herman Kahn after he resigned from RAND. In the late 1960s scenario planning became an important management process in the corporate world (Heijden, 1998: pg. 15).

The process of scenario planning was pioneered by the Royal Dutch Shell Company, and extensively used in its strategic planning programmes. Scenarios were introduced within the company as a way to plan without having to predict things that everyone knew were unpredictable (GBN, 1999: pg. 1). Pierre Wack introduced scenarios in Shell, based on the Kahn philosophy (Heijden 1998: pg 16).

A scenario is simply a description of one possible future. In contrast to traditional forecasters who spell out one path into the future, scenario planners typically present a number of contrasting scenarios. According to Wack (1985a), the reason for doing this is to show how different social and economic forces may interact to affect future developments, and to force people to confront a range of possible futures and thus ensure that they are better prepared for whatever does ultimately happen.

The scenario approach can be viewed as an acknowledgement that except in conditions of extraordinary stability attempts to accurately forecast one future are likely to be unsuccessful. More positively, scenario planning presents the
future as something that is not fixed (as traditional forecasting tends to do) but that can be acted upon and influenced by decision-makers. This was clearly the case with the well-known 'High Road/Low Road' scenarios that Clem Sunter developed in South Africa in the mid-eighties. These were intended to persuade key actors to initiate the political changes that would result in South Africa reaching the preferred High Road. Wack (1985a) terms scenarios of this sort 'decision scenarios' and he distinguishes them from 'conventional scenarios'.

Used correctly scenario planning can become a part of the culture in the organisation. The people throughout the company whom deal with significant decisions will think in terms of multiple, but equally plausible futures to provide a context for decisions making. The strategy thus formed will help decision-makers to look at a wider picture (Heijden, 1998: pg 21).

2.2 DEVELOPING SCENARIOS

In the early stages of the development of scenario planning methods, scenarios were generated by small number of talented people supported by significant environmental scanning. As the methodology has become clearer, the methods of constructing scenarios have become more accessible to groups of managers. Providing the need for unexpected components is respected, it is possible to develop DIY (do it yourself) scenario building (Idon, 1999: pg 1).

The broad stages of such a process tend to be:

a) identify people who will contribute a wide range of perspectives

b) either interview them or hold a workshop (or both) to elicit their views on many dimensions of the future
c) cluster or group these views into connected patterns

d) map these on a time line leaving scope for turning points

e) convert these time lines into coherent stories

f) cross check for internal consistency and areas of significant difference

g) illustrate with enrichment material and data

h) construct key diagrams that help to visualise interconnections.

2.3 TEN IMPORTANT CATEGORIES USED WHEN SCENARIO PLANNING.

There are ten categories that are necessary when considering alternate futures through scenario planning (Top 10, 1997: pg 1).

1. Current Business Strategy
2. Desired Focal Point
3. Social Dynamics
4. Economics
5. Political developments
6. Technology
7. Demographics
8. Information Access
9. Knowledge of the future
10. Environmental Demands
2.3.1 Current Business Strategy

Current business strategy or the Business Idea is a rational explanation of why the organisation has been successful in the past, and how it will be successful in the future. The business idea must be unique, addressing the relative position vis-à-vis the potential competition.

The Business Idea is constituted of two important factors: - a) Profit Potential (value) and b) Distinctive Competencies.

a) Profit Potential: the organisation must produce sufficient value (profit or surplus), so that this can be reinvested to maintain its competence system. The surplus is also required for its own development and in order to defend its competitive emulation (Heijden, 1998: pg.59-60).

b) Distinctive Competencies: Distinctive Competencies refer to the unique advantages an organisation might have which make it difficult for others to copy it. According to Teece (1986) and Rumelt (1987, Rumelt et al. 1991) there are five fundamental sources of distinctiveness in two main categories:

I. Uncodified institutional knowledge
   
   In networked people
   
   In embedded processes

II. Sunk costs/irreversible investments

   Investments in reputation
   
   In legal protection
   
   In specialised assets
According to Heijden (1998), various areas where distinctive competencies can be reached are institutional knowledge, embedded processes, reputation and trust, legal protection and activity specific assets.

An organisation’s business ideas are derived from a set of competencies, which are unique because of the way they are combined systematically. Most strong business ideas contain Distinctive Competencies, which feed on each other.

Figure 2.1 illustrates the business idea of NSB. In the centre of the plan is 'Quality Sorghum Beer', which is the crux of the business plan. The distinctive competencies, which feed on each other in the plan, are indicated by the direction of the arrows. The quality sorghum beer in the market gains brand loyalty and is instrumental in gaining high volume sales. This helps in generating revenue, which is used to pay employee’s salaries and repayment of debt. Payment of debt results in satisfied suppliers/creditors, which entails on-time and reliable delivery of supplies.

Revenue generated can also be used to train employees who in turn are responsible for better service in the market, with the help of marketing, to increase product availability.
Figure 2.1 NSB Business Plan (Ndema P. 1999)
The revenue generated can be used to improve brewing facilities and for furthering the cause of black economic empowerment.

Other aspects of Business Idea which require attention are:

a) Competitive Advantage: This is created when Business Idea and Distinctive Competencies are effective.

b) Differentiation: A product that is distinguished in its characteristics from others in the market.

c) Cost Leadership: Creating a favourable cost position for the product/service or create a perceived unique customer value. This makes the product price inelastic creating brand loyalty.

Figure 2.2 The Generic Business Idea. (Heijden, 1998, pg. 69)

Similar to this idea of Heijden is the view shared by Porter (1980), in which he argues that the importance and relevance of generic strategies has become an important influence on the development of organisation’s strategies (Johnson & Scholes, 1993: pg. 204-205).
Porter argued that there are three fundamental ways in which firms can achieve sustainable competitive advantage. These are shown in figure 2.3 and are as follows (Johnson & Scholes, 1993: pg. 205): -

- A cost leadership strategy: - Is where a firm sets out to become the low-cost producer in its industry.

- A differentiation strategy: - which Porter defines as seeking ‘to be unique in its industry along some dimensions that are widely valued by buyers. It is rewarded for its uniqueness with a premium price. A firm that can achieve and sustain differentiation will be an above average performer in its industry if its price premium exceeds the extra costs incurred in being unique.’

- A focus strategy: - Is based on ‘the choice of a narrow competitive scope within an industry. The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others.’

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<td>Lower cost</td>
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<td>Cost Leadership</td>
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<tr>
<td>Narrow target</td>
<td>Differentiation</td>
</tr>
<tr>
<td>Cost focus</td>
<td>3A</td>
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<td></td>
<td>Differentiation focus</td>
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Figure 2.3 Three Generic Strategies (Johnson & Scholes, 1993: pg. 206)
It is upon a strategic manager to use or device a formula (mix of generic strategies) to suit an organisation.

Figure 2.4 The strategy clock (Johnson & Scholes 1993: pg. 211)

Perceived added value is defined as the value of products or services offered by business where either a) The price of the product or service is lower than that of another firm or b) if the product of one firm is more highly valued by a customer over the other. According to the strategy clock option three would be the best option for NSB as it has a low cost base and can afford to reinvest in low prices and still maintain product differentiation (Johnson & Scholes 1993: pg. 210).
2.3.2 Desired Focal Point

Desired focal point can be described as one of the most important category, which the organisation has to concentrate on to achieve its business plans (Top Ten, 1999: pg. 1).

Operating only under high volume and low margin principle can generate profits in the industrially brewed sorghum industry. The reason behind this is that sorghum beer consumer is a very price sensitive, poor and person of very low education qualification. The average household income of these people is R557 per month (Walt, Strydom, Marx & Jooste 1996: pg. 118). As the margins are low, high volumes need to be sold to cover all operating costs and make profits.

The sorghum beer market is not a growing market. It has remained stagnant or marginally grown in the last three years (Alcoholic Beverage Review, 1998: pg. 64).

In order for NSB to realise its business plan of delivering good quality, hygienically packed beer to its consumers at an affordable price, it is imperative that it captures most of the market for it to derive economies of scale. It is with this background that NSB has decided to merge with its biggest competitor, TBI (Traditional Beer Investments), who have around 20% of the industrially brewed sorghum beer market. (Star, 1999: pg. 8). If this proposal gets the Competition Commission’s approval, then the joint share of the market for industrially brewed sorghum would be close to 90%. Therefore this scenario in itself would be of single most important focus.

The other way of finding out the desired focal point for NSB is to evaluate its role as a market leader. A market leader can consolidate its position by gaining competitive advantage through the following:
Superior Cost Structure: Ideally a market leader can exploit its position by devising a competitive cost structure. This can be done by reducing costs and deriving the economies of scale.

Structural Barriers: An organisation can raise the structural barriers through high levels of marketing, geographical spread, blocking access to distribution channels or suppliers, or even encouraging government policies (e.g. new regulations) which would make entry more difficult.

Make industry less attractive: This is done by directly challenging others by threatening retaliation, or by promising to match any offering of the competitors.

Buying Competitors: This is particularly a very good strategy in a declining market, it means if the competitor is weak it can be coerced or lured into selling its business to the bigger player at the market place.

It is important to find out one area where more attention is needed and to concentrate the limited available resources in that direction. The focus of an organisation like NSB can be narrowed down to two points, building a superior cost structure and gaining market share by buying out competitors.

The other focal point of importance for NSB is to consider refocusing efforts to increase its sales. The sales in the sorghum industry have remained more or less stagnant since early 1992. If we consider the wet based sales to be a total of 1bn litres and another 1.5bn litres in the dry based market the total size of the market is likely to be near 2.5bn litres (Alcoholic Beverage Review 1999, pg. 44). Of this total market size NSB would roughly have only around 25% share. Even if 1% of this additional market were captured the increase in sales would be by 25million litres and the additional revenue of R60million would be generated.

The key to capturing additional market is obtaining new customers and retaining them through prompt and proper service. There is sufficient scope to
increase the level of sales representatives through proper training. The sales team needs to be trained on customer handling and if necessary to be send to training sessions or courses. The focus of increasing sales cannot be realised unless and until the sales force is revitalised and their calibre and motivational level is raised to a new height.

2.3.3 Social Dynamics

The majority of the sorghum beer drinkers live in townships and rural areas. With the changing economic scene in South Africa they have shifted towards urban or semi urban areas. Although the lifestyles have changed with the changing of living conditions a lot of habits like sorghum drinking has remained very much part of their social behaviour and culture, especially among the Zulu culture. Being a part of African culture it is found that a substantial amount of sorghum beer is home brewed. It is difficult to quantify the South African home brew market but it is believed that two-third of the total sorghum beer brewed is at home. There are many reasons for high demand for the home brew. The main reason being the availability of the product. The other reasons for the good demand are reasonable price and quality of the product. There are distinct recipes of each home brew, which also find the taste of a few drinkers, and they get hooked to that particular taste. For roughly seventy-five litres of home brew the common recipe would be as below: -

**Ingredients**

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<tr>
<th>Ingredient</th>
<th>Quantity</th>
<th>Cost</th>
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<tr>
<td>12.5 Kg of Mielie Meal</td>
<td></td>
<td>Roughly R22.00</td>
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<td>6 packets of 1 Kg King Korn</td>
<td></td>
<td>1 Kg R4.00 each</td>
</tr>
<tr>
<td>2lt. of Industrially brewed beer</td>
<td></td>
<td>R5.00 (used as yeast, as industrially brewed sorghum is a live product)</td>
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</table>
Preparation

Take 25lts. of cold water and put the entire quantity of mielie meal in it and heat, stirring continuously till thick. Add 6 packets of King Korn while the drum in which it is being cooked is still under the cooking fire, keep stirring till thick. Extinguish the fire and let the mixture cool, when the mixture is luke warm add 2lts. of industrially brewed beer and stir well. The beer is drinkable on the fifth day. (Welkom, 1999).

This is one of the many recipes of home brew beer. The industrially brewed beer acts as yeast, as it is a live product.

When prepared the home brew is sold at an approximate cost of R3.50 per two-litre. The cost of making the beer is the cost of all the ingredients. As per this recipe the cost of making 75 litres to the home brew lady is roughly R60.00 (including the cost of wood/fuel). The sale of this brew would get revenue of roughly R135.00, so this means that the net profit would be R75.00, which is a good profit for the brewers.

These profit margins and the convenience, associated with culture are one of the prime reasons for the huge market of home brew sorghum.

Besides these cultural factors there are many other factors, which encourage people to refrain from industrially brewed sorghum beer. One of these factors is the economic status of the drinker. Sorghum beer carries a stigma of being a drink for the poor, unemployed and illiterate, therefore a lot of sorghum consumers convert to clear beer when they can afford to do so. South African statistics show that 24% of the South African population have received no education and another 28% have received only some or only primary education (Census 1996).

The changing lifestyle of people and the current economic conditions in the country are resulting in the stagnation of sorghum sales. This trend is relevant for the last two years and does not show any sign of change (NSB MIS).
Other social factors which could negatively impact on sorghum business include, HIV AIDS virus, population shift from rural to urban area, shift from sorghum beer drinking to clear beer drinking e.t.c. Albrecht (1979) has identified five major lifestyle changes that are currently taking place

- From rural living to urban living.
- From stationary to mobile.
- From self sufficient to interconnected.
- From isolated to interconnected.
- From physically active to sedentary.

The result is that with the changing social behaviour it is going to become more and more difficult to market sorghum beer unless new and innovative ways are considered.

One other social factor which is hampering sorghum business like many other businesses in South Africa is crime. NSB alone has lost R2 million in the last financial year due to fraud and theft.

2.3.4 Economics

Economic factors concern the nature and direction of the economy in which a firm operates. Because consumption patterns are affected by the relative affluence of various market segments, in its strategic planning each firm must consider economic trends in the segments that affects its industry. On both the national and international level, it must consider the general availability of credit, the level of disposable income, and the propensity of people to spend. Prime interest rates, inflation rates and trends in the growth of the gross national product are other economic factors it must consider (Pearce & Robinson, 1994: pg. 62).
Within the majority of small and medium sized firms, the economic environment is typically seen as a constraint, since the ability of a company to exert any sort of influence on this element of the environment is to all intents and purposes negligible. As a consequence, it is argued, firms are typically put into the position of responding to the state of the economy. The larger companies, especially Multi National Companies, on the other hand are in a better position to face the economic environment. They are often able to shift investment and marketing patterns from one market to another and from one part of the world to another in order to capitalise most fully on the opportunities that exist. For a purely domestic operator, however, the ability to do this is generally non-existent. It is in the interest of both type of company to understand how the economic environment is likely to affect their performance (Wilson et. al., 1995: pg. 177). Generally the changes that are currently taking place in the economic environment can be identified as:

- A slow down in real income growth
- Continuing inflationary pressures
- Changes in the savings / debt ratio
- Concerns over the levels of Third World debt
- Different consumer expenditure patterns

Therefore it is the current state of the economy that plays a major role in deciding the consumer purchasing behaviour. As sorghum beer is very price sensitive product even minor fluctuation in the purchasing power or the product price have tremendous effect on the sales.

Many international trends like the decision by the OPEC countries to limit the production of crude oil have resulted in the increase of petrol prices in South Africa. This would have a major impact on the transport charges of all general goods, which use transport. Although the consumer price index has remained low, but the increase in international oil prices is going to adversely affect it
sooner or later. In August '99 the annual Consumer Price Index was 3.2% compared to August '98 (Statistics 1999).

The other positive signs for the South African economy has been the 1.7% rise in the Gross Domestic Product (GDP) at market price to the figure of R590 577 million in the second quarter of 1999, it has increased from R588 011 million in the first quarter.

In the mining front the output of mining products has remained more or less constant in the second quarter of '99. Even if this trend continues South Africa is bound to gain tremendously as the bullion market is looking up since the increase in Gold prices from $250 per ounce in mid July to the record high for the last 18 months of $320 per ounce in international market. The prices of platinum are also on the rise. Therefore cost realisation per unit would be tremendously more than it was six months ago.

According to a study done by Prof. Lightem (Beeld, 1999), in South Africa micro retailer (people through whom most of the Sorghum Sales materialise) i.e. Spaza shops, hawkers and shebeeners (informal pubs) sales totalled R50 billion. This is almost one and a half times more than the total turnover of the three largest retail groups (Shoprite Checkers/O.K) R 16 billion, pick 'n pay R10 billion and SPAR R6 billion.

Lightelm says the R50 billion is equivalent at 9.5 percent of the Gross National Product or 15.7 percent of private consumer spending. The study shows that 13.2% of the turnover is generated from the sale of alcoholic beverages. This implies that there is a great potential to exploit this channel if considered properly (Beeld, 1999).

Other recent developments on the economic front, which might prove helpful for sorghum industry, are the rise in the international gold prices and the strong Rand (Star October 5, 1999). If this trend continues the mines in South Africa, which have huge sorghum consumers, will still be considered a good
market and might help steady the drop in sales from this sector. Other economic indicators are also very supportive to the sorghum market.

2.3.5 Political developments

Political factors define the legal and regulatory parameters within which firms must operate. Political constraints are placed on firms through trade deals, tax programs, minimum wage legislation, pollution and pricing policies, administrative jawboning, and many other actions aimed at protecting employees, consumers, the general public, and the environment. Since such laws and regulations are most commonly restrictive, they tend to reduce the potential profits of the firms. However, some political actions are designed to benefit and protect firms. Such action includes patent laws, government subsidies, and product research grants. Thus, political factors either may limit or benefit the firms they influence (Pearce & Robinson, 1997: pg. 66-67).

One of the major political issues, which the business in South Africa is facing, is the Employment Equity Bill. This legislation compels private companies to employ at least 75 percent Blacks, 50 percent women and 5 percent disabled people.

The mainly white opposition parties in South Africa see it as 'reverse racism' but the ruling African National Congress (ANC) says it is the only way to deal with centuries of discriminatory policies and affirmative action that has brought Afrikaner males to the top of the economic ladder.

Across the Atlantic in the United States, affirmative action remains a much-discussed subject, with some singing its praises while others have reservations about its merits. "There is no one view on affirmative action among African Americans," says Ronald Gault, managing director of JP Morgan, a firm of
investment bankers. 'Many of us Blacks and Whites are looking at ways to refine and redefine affirmative action.'

"Many of us are realising that promoting diversity promotes good business," adds Gault, himself an African-American working in South Africa. "Is this an answer for everyone?"

South Africa is taking a cue from the successes and shortcomings of affirmative action policies in the United States as it moves away from a society largely dominated by Whites.

The Employment Equity law requires anyone who employs 50 people or more to monitor his/her workforce by race, gender and disability, identify any underrepresentation and make reasonable progress in achieving employment equity within five years.

The law empower the state to impose fines of up to 100,000 U.S. dollars in the first year on employers who do not comply with it. The penalty becomes 120,000 dollars in year two, increasing progressively up to 185,000 in the fifth year.

Another deterrent is that the award of government tenders will also depend on whether a company has an employment equity plan.

"Affirmative action is the route towards employment equity -- a situation where there is no discrimination on the labour market," says Guy Mhone, director in the Department of Labour. But, he adds, "the current bill only deals with affirmative action in the labour market."
"It is not a policy of total social transformation. It is therefore inadequate to deal with the problems at hand," explains Mhone, who argues that affirmative action is a must, but has to be accompanied by broader policy proposals to deal with unequal access to land, assets, finance, human resource development, broken families, education and training.

Blacks constitute 76 percent of South Africa's 37.9 million people while Whites are 12 percent, but about 95 out of every 100 poor South Africans are Black. The average White earns more than nine times the income of the average Black. And the unemployment rates are four percent for Whites as against more than 40 percent among Blacks.

These are just a few examples of the disparities that the ruling African National Congress (ANC) seeks to redress through affirmative action policies.

"The sheer number of poor people in South Africa is shocking," says Jeffrey Humber, chief executive of the securities firm Merrill Lynch. "The requirements of equity become harder to make work when you are dealing with a majority. But I don't know a better way to do it other than affirmative action."

Humber, also an African American, says one variable that needs to be considered is whether America and South Africa are comparable? "The answer is yes and no," he feels.

Both countries suffered from government-supported racial divisions. However these ended at different points -- with a relatively large middle class in America and a small one in South Africa. Blacks in America are a minority in a very rich country whereas in South Africa they are a majority in a nation whose economy is stagnant.
Whites are increasingly feeling pressured. 'Are white males an endangered species?' is a question often heard as fears of Whites being replaced by Blacks grow. On the other hand, proponents of affirmative action stress that it isn't just about race.

"We are not saying being black should be the be-all and end-all," says Jimmy Manyi of South Africa's Black Management Forum. "We are putting competence as well as a criteria for affirmation."

Some critics of the Employment Equity bill say it's because general elections are due next year that the ANC -- not having done much for black economic empowerment -- is now in a hurry to ensure the corporate workforce mirrors national and regional demographics. (Economy 1999)

NSB is very much aware of its responsibility to be a part of the Black Economic Empowerment principal and has shrined this in its mission statement. A concept of 'Zozo' retailing was given big impetus by NSB in order to empower the poor unemployed people. Zozo is a branded hut, which is placed in the informal market. The operator is selected by the NSB staff, who looks for a reliable hard working person who is genuinely interested in uplifting its economic condition. The hut is given to him free of cost and also serviced with the sorghum beer on a regular basis. The only condition placed on the zozo operator is that they must not sell NSB competitor's goods or any such product, which is perceived to be a direct competition to sorghum beer.

Sorghum industry can be classified as a price sensitive market. The product being used as a nutritional drink with low alcohol level and low cost (R2.40 per litre) is considered an ideal food for the poor. Recently government has been trying to control the market by treating it at par with the clear beer market. This has created a lot of external threats for the sorghum beer industry
as a whole. Although the government has allowed wide exemptions to Sorghum Industry in the proposed Liquor Bill under Section No. 50, it is still not enough.

If the proposed bill were passed it would have a detrimental effect on the sorghum business. It would require small operators to posses a legal liquor license in order to trade. Looking at the social condition of these people it is evident that it would be very difficult to implement this, as they are mostly illiterate/semi literate people who deal in sorghum trading very informally. NSB has close to 350 zozo operators (these are huts installed in many informal settlement in order to sell sorghum) who sell beer all over the country. These operators would also require licenses, which would again harm NSB’s selling interests.

2.3.6 Technology

To avoid obsolescence and promote innovation, a firm must be aware of technological changes that might influence its industry. Creative technological adaptations can suggest possibilities for new products, for improvement in existing products, in manufacturing and marketing techniques.

Technological advances sometimes need to be seen as a force for 'creative destruction', in that the development of new products or concepts has an often fatal knock out effect on an existing product. The creation of the xerography photocopying process for example destroyed the market for carbon paper, while the development of cars damaged the demand for railways (Wilson, Gilligan & Pearson, 1995: pg. 183).
According to Kotler (1988, pp 154-6) a marketing planner should pay attention to:

- Accelerating pace of technological change: This is necessary so the organisation can accelerate the thrust in the invention, exploitation, diffusion and acceptance of new technologies. The idea is to reduce the time period between their development and implementation.

- Exploit the unlimited innovation opportunities: With major advances being made in all field, electronics, robotics, material sciences and biotechnology, there is always some innovation one can use to get a competitive advantage over its rivals.

- Higher research and development budgets: Organisations are forced to spend ever-greater amounts on R & D simply to keep up with their competitors. At NSB research had improved the traditional sorghum shelf life from 3-4 days to six months. This product was later improved upon and now is selling very well under the brand name of Nini Nanini.

- A concentration of effort in some industries in minor product improvements that are essentially defensive, rather than on the riskier and more offensive major product advances.

- A greater emphasis on the regulation of technological change in order to minimise the undesirable effects of some new products upon society.

Technology can be used in the development of a formal forecasting system. The forecasting systems developed can then be used in the process of developing marketing strategy.

An organisation’s infrastructure needs to be technologically sound if it is able to thrive in the new economic environment of more efficient entities. NSB
currently has few of the most technologically advanced sorghum brewing plants in the country. A lot of these plants need to be upgraded in order to maintain their efficiency and effectiveness.

Technology can be used in many ways to improve business, new technology like smart cards can be used to fight crime. Technology can be used to bring all breweries on-line with each other this will save on fax costs and cut down the high telephone costs.

2.3.7 Demographics

Demographic variables are most commonly used to differentiate groups of present or potential customers. Demographic information (e.g., information on sex, age, marital status, income and occupation) is comparatively easy to collect, quantify, and use in strategic forecasting, and such information is the minimum basis for a customer profile (Pearce & Robinson, 1994: pg. 91).

Demographic change is readily identifiable, and it is the size, structure and trends of a population that ultimately exert the greatest influence on demand. Therefore it is important from a marketing point of view to be informed of the demographic trends all the time.

There are various demographic changes, which are taking place throughout the world:

- The growth in the number of one-person household.
- Rise in the number of two-person cohabitant household.
- Increase in-group households, where three or more people of the same or different sex living together, particularly in the bigger cities.
The other significant demographic changes taking place throughout the world are:

- An explosion in the world population.
- A slowdown in birth rates in the developed countries.
- An ageing population, as advances in medical care allows people to live longer.
- Changing family structure as a result of:
  a) later marriage
  b) fewer children
  c) increased divorce rates
  d) more working wives
  e) an increase in the number of career women.
    - Higher levels of education
    - Geographical shifts in population
    - A growth in the number of people willing to commute long distances to work

The net change of these changes is significant and it will affect the marketing strategies of nearly all companies in one way or another. At their most fundamental, these changes have led to a shift from a small number of mass markets to an infinitely larger number of micro markets differentiated by age, sex, lifestyles, education and so on. Each of these groups differs in terms of its preferences and characteristics, and as a consequence requires different, more flexible and more precise approach to marketing which no longer takes for granted the long established assumptions and conventions of marketing practice (Wilson et. al, 1995: pg. 178-179).
The sorghum beer drinker is an African, predominantly rural black. The age group is between 35 to 50 (NSB MIS). They have the lowest level of literacy with three out of five either never having been to school or only having some primary education. The majority is either unemployed or retired. These are the people with an average household income of R557 per month (Walt et al, 1996, pg. 118-119).

With increasing change in population demographics it is becoming more and more prevalent that the old age group or the sorghum beer target market is on the decline. In 1996, only 3 million (20%) of NSB target market of the total 15 million black/African male population were in the age group of 35 – 59. The majority of the populations i.e. 50% were less than 20 years old. (Census 1996). This is in line with the population trend all over the developing world. This trend has been one of the major reasons for the stagnation or even decline of sorghum beer market.

To grow the market it is imperative for the sorghum business leaders to tap the market, which is formed by the young African males. The step in the right direction was taken by the introduction of Nini Nanini, a long life sorghum beer with the shelf life of six months. It’s packaging and marketing strategy aims at patronising young African males/females who have aspiration, modern outlook and at the same time in touch with their tradition. More research needs to be conducted to find out the ways in which to appeal to the young Africans to sorghum beer drinking.

2.3.8 Information access

In today’s date and age one thing, which has become easy is information access. This has happened mainly due to the availability and relative user friendliness of the new technology. Services like internet and e-mail has made the flow of information easier, faster and cheaper. The Information
Technology has come to stay and is more widely used in business and commerce. In academic field as well this has become an indispensable tool.

Computers, faxes, copiers, video conferencing and tools like cellphones have made the flow of information clear, unambiguous and effective in the last five years. The whole shift in paradigm has enabled industries to reconsider the old ways of working. This has led to an entire change in the outlook to sensitive information. The information like financial reports, organisation structure and sales figures, which were difficult to come by a few years ago, are now available at a touch of a button on internet.

Besides these developments the information on the various facets of sorghum beer industry is difficult and at times very unreliable. There are various reasons for this, the main one being the lack of interest shown by the sorghum industry. Simple information like what is the actual size of the industry is not confirmed.

NSB has an advantage when it comes to gathering information because of its vast accumulated knowledge and the information of MIS department.

Newspapers and magazines play a major role in the quest to gather useful information. Weekly and monthly periodicals carry extensive coverage of major stories, which are impacting the political, economic or technological front. These are cheap, information rich and readily available from any magazine shop, bookstore or even supermarkets.

Libraries also carry periodicals and good books on almost all topics and are a warehouse of knowledge. Some academic institutions maintain up-to-date libraries with the latest literature and current affairs magazines. Municipal libraries are also good in content and their advantage is the close proximity to various residential areas.
Other sources of information include intellectuals, professors, experts and consultants. These people have in-depth knowledge on specific topics and can be approached for detailed knowledge on the topic or for consultation.

2.3.9 Knowledge of the future

No one can predict the future but intelligent guesses can be made by the people, about the industry, who deal and work in it. It is important to have the knowledge about the future events, which might affect the industry, these can be anything from the forthcoming government legislation which might have an influence on the industry to competitors plans of launching new products in the market. The knowledge on the future events is necessary so to plan counter actions for the same.

The useful future knowledge which a company can make use of includes:-

- Changing political scenario in the country.
- Corporate strategies of the rivals.
- Climatic changes, which might have overwhelming emphasis on the economy.
- Technological innovation which could be used to increase efficiency and hence gain competitive advantage.
- Changing taste and lifestyle of the society.
- The financial and strategic strengths of clients and suppliers.

The key to gathering future knowledge is the role of environmental scanning. This task is done by the entire organisation, which include marketing, sales and even operations department.
The advantages of scanning are:

- An increased general awareness by management of environmental changes.
- Better planning and strategic decision making
- Better industry and market analysis
- Better results in foreign business
- Improvements in diversification and resource allocations
- Better energy planning

The above points help organisations in future planning and improve their thinking strategy.

2.3.10 Environmental demands

Strategic managers are frequently frustrated in their attempts to anticipate the environment's changing influences. Different external elements affect different strategies at different times and with varying strengths. The only certainty is that the impact of the remote and operating environments will be uncertain until a strategy is implemented. This leads many managers, particularly in less-powerful or smaller firms to minimise long term planning, which requires a commitment of resources. This commitment can come forward from well-established and big firms. The real advantage of indulging in the exercise of assessing the potential impact of changes in the external environment enables decision makers to narrow the range of the available options and to eliminate options that are clearly inconsistent with the forecasted opportunities. Environmental assessment seldom identifies the best strategy, but it generally leads to the elimination of all but the most promising options.
It is for this reason that one department of the organisation must be dedicated in looking after the happenings at environmental level.

Not only the general environment but also the marketing environment plays a major role in strategy formation for the organisation. According to Kotler (1988, p.135): The company’s marketing environment is made up of the sectors and forces outside the firm’s marketing function which infringe upon the ability of marketing management to develop and maintain a successful relationship with the firm’s target group.

Within the environment there are two distinct components: the microenvironment and the macro environment.

Figure 2.5 The organisation’s marketing environment (Wilson et. al, 1995: pg. 168)
The microenvironment is made up of those elements which are closest to the company and which exert the greatest and most direct influence over its ability to deal with its markets. This includes the organisation itself, its suppliers, its distribution network, customers, competitors, and the public at large. The macroenvironment consists of the rather broader set of forces that have a bearing upon the company, including economic, demographic, technological, political, legal, social and cultural factors. Together, these elements of the environment combine to form the non-controllable elements of marketing which, in many ways, act as a series of constraints on the parameters within which the marketing planner is required to operate.

NSB is very much aware of the environmental demands and has done very well to be environmentally friendly. All of its packaging except 2 litre non-returnable bottles use recyclable material, but the percentage of sales of 2 lt. non-returnable-bottle is very low. Offices use a special bin, which keeps waste paper for recycling purposes.
CHAPTER THREE

SCENARIOS AND THE BUSINESS PLAN

3.1 INTRODUCTION

Business idea states the "action plan" of the organisation. It reflects its strengths and possible threats. For an organisation to realise its goals it has to see that the business idea stays relevant all the time.

As scenarios are the possible futures, it is upto an organisation to see that scenarios and business ideas form a degree of fit, so as to form an awareness in the organisation that if a certain scenario comes true, then this would be the plan of action. Hence the business idea would be adjusted like wise.

In the process of testing a Business Idea in a set of scenarios, strategist often develops a value judgement for the scenarios in the set. This is mostly related to the degree of change that a scenario requires in the business idea. If a little change is required the scenario is considered a "good future", in which growth is possible on the basis of exploitation of existing strengths. If the existing formula does not do so well, the particular scenario is seen as less friendly (Heijden, 1998: pg 109). The narrower the business definition the more likely it is that certain futures are seen as uncomfortable.
3.2 SCENARIO PLANNING PROCESS

Scenarios are generated with the help of information, which is gathered through the relevant people who have the knowledge of the industry they work in. It is very important to approach the right people who can throw some light on the topic and contact people who are influential enough to make useful contribution to the industry.

3.2.1 Gathering useful information

There are two ways in which this useful information can be gathered:

a) Workshop Session

b) Interviewing

3.2.1.1 Workshop Session

This is a process in which all the relevant people are called in together where a facilitator would ask business leaders to express concerns and anxieties about the future. This is done by the facilitator who initiates the talks with asking simple questions like the thoughts, worries and anxieties about the NSB business idea and perceived reality.

After the initial discussions are over the next step is to evoke the business leaders with the question, what drives the success of their organisation? The idea of asking this question is to have a deep brainstorming session in which all the people share their views on the positive aspects of the organisation.
The idea of this process is to elicit from the mind of the client (NSB) what they believe is important in the strategic situation. The most effective triggering takes place in an open atmosphere, conducive to creating a free-flowing discussion. This generates responses, which need to be carefully recorded in a response database. Figure 3.1 shows an outline of the elicitation cycle.

Figure 3.1. The elicitation cycle. (Heijden, 1998: pg 139)

The process of elicitation is useful to gain access to the insights of business leaders. The idea is to elicit from the mind of the client (NSB) what they believe is important in the strategic situation. Not all aspects of the business
situation draw the attention of the client to the same extent. Some elements are
further away for the client while some are close in. The task is to build an
understanding of this and map out a representation of this thinking (Heijden,
1998: pg.139). The above figure shows an outline of the elicitation cycle.

3.2.1.2 Individual Interviews

An interview is a specialised form of oral, face-to-face communication
between people in an interpersonal relationship that is entered into for a
specific task related purpose associated with a particular subject matter
(Downs 1980).

Due to time constraints and non-availability of all important “think-tanks” at one
time at one place, a series of individual interviews were taken. The main idea
behind questions was to gather as much as relevant information as possible by
triggering a free-flowing conversation.

Each interview is opened by explaining the purpose of the exercise. It was
explained what would happen to the data collected and if desired, the
anonymity of the person /data world be kept.

The challenge for the interviewer is to establish himself/herself as a genuine
listener. Genuine listening involved paying attention to what arose in the mind
of the listener during the conversation, and feeding this back to the
interviewee. In this way the listener signals that he/she “cares”.

The start of the interview sets the tone for the rest. Some personal trust needs
to be established as quickly as possible. This is important to enable the
interviewee to express what he/she cares about, in his/her relation to the
business theme of the interview.

While interviewing the contribution of the interviewers needs careful
consideration. The objective of the interviewer is to engage in a conversation
with the client (interviewee) without directing what the client says. This is not
a simple matter. In principle, by participating in the conversation the
interviewer affects what is being said. In most cases the interviewer must
participate only in a reactive mode. This is done by means of questions of
clarification or feeding back what has just been heard. The art of this type of
interviewing is to do that in the least obtrusive way possible, such that the
effect on the clients’ line is minimised. Interviewers must be aware of what
they are doing while they are engaged in the conversation. They need to
continuously try to judge to what extent they are capable of keeping the
corveration natural and normal without steering. The challenge is to
participate in the conversation while standing apart from it at the same time.

The following type of questions were asked to extract the much needed
information from the interviewer:

Inheritance from the past: - What pivotal events can you identify in the past of
this organisation, good or bad, that should remain in our memories as
important lessons for the future.

Important decision ahead: - What major decisions with long term implications
is the organisation facing at the moment, decisions that need to be tackled in
the next few months.
Constraints in the system: - What major constraints are you experiencing inside or outside of your organisation that limit you in what you can achieve in your business situation.

The epitaph question: - Please consider the situation in the future when you will have moved on from your current position, to the next job or retirement, what do you hope to leave behind that people will associate with your period in office. What do you want to be remembered for?

3.3 INTERVIEW ANALYSIS

After elaborate note taking important insights of the interviewed people were surfaced. Typically, one interview may produce between 40 and 60 important insights that needs to be taken forward. The interviewer writes these down as short bullet-style statements, each expressing one significant thought. Only those thoughts where the view expressed are relevant and significant in the context of the organisation's position and behaviour in its business environment is considered. This includes internal issues if these are relevant to the way the organisation will react to the outside world. Any views on where the environment might be going are obviously important. (Heijden, 1998: pg. 151).

Any strategy an organisation makes ultimately is about considering the fit between the organisation and its environment. For this reason these two domains need to be separated as early as possible in the scenario building exercise.
Interviewees will not have made this distinction and the interview notes will be a mixture of external and internal points. The first step in the analyses is to separate statements into these two categories. The analysts need to create two data files, one including the statements about the external business environment, and one containing all other points relating to internal characteristics and phenomena in the organisation. The allocation interim is whether the company has control over the issue.

Once the statement have been divided between these two files, the data in each file need to be sorted and clustered. Initially the statements are unconnected, like a set of random thoughts. The subsequent analysis of these statements involves a process of clustering and linking. It is important that no clustering rules are laid down in advance. It is preferable to let cluster categories emerge naturally out of the material collected. Intuitive clustering will force the analyst to pay attention to conceptual meaning, for example through cause and effect reasoning. As a result clusters will start emerging which combine statements together in context. By over-viewing the total set of insights produced the analyst will start to see patterns, similarities and natural couplings. The material now needs to be arranged into these emerging categories. At this stage the purpose of the analysis is to cluster ideas and arrive at a smaller number of higher level concepts, which can be related to each other. Total overview is required in the early stages until the first level categories have emerged.

The clustering was done by writing statements on slips of paper and sorting them till a visible clear pattern has emerged. Initially there will be statements that do not seem to link up naturally. These may be put aside temporarily while progress is being made on the rest. Following completion of this stage further iterations are needed to try to integrate the odd statements that have been left out so far. The first clustering will be somewhat random, depending on what caught the eye
first, but it may not be the most effective way of incorporating as many of the insights as possible. If there are unconnected ideas left, the analysts need to try to find a home for these by re-clustering. They should consider whether any other higher level criteria can be found, on the basis of which the data can be re-clustered, which accommodates the so-far-unconnected ideas. It is worthwhile iterating a couple of times, until there is no further progress. (Heijden, 1998: pg. 152-153)

With the initial material divided into internal and external points, the analysis results in two sets of cluster hierarchies. Two products will emerge from the data structuring stage, the scenario agenda and the internal agents. Before the scenario agenda and the internal agenda can be further described, it is important to understand the business in its environment. The data collected in the interview can either be classified as internal or contextual data.

3.4 INTERNAL AND CONTEXTUAL DATA

The interviewees talked widely, dealing with external and internal issues, during the interviews. The issues concerned have been where the organisation has a great deal of control, to where the organisation can excessive little control. Some issues are strategic issues, including internal NSB policies, NSB business policies, action by other players that can be influenced, and "games" that are being played in the market place or with other stakeholders. Outside the areas where NSB as an organisation has a cheque of control, known as the transactional environment is the contextual environment where the control of NSB is insignificant, figure 3.2.
As discussed in chapter two scenarios address driving forces in the contextual environment. Any useful and productive conclusions in scenario planning will derive from the exploration of strategic options in possible future worlds expressed in the scenarios. For this to work it is essential that external issues are expressed and developed in scenarios separately from internal issues that are processed into strategic options.
3.5 THE SCENARIO AGENDA

The first product of the elicitation exercise is known as a scenario agenda. A scenario agenda is a list of typically up to four or five broad themes or areas of interest in the business environment where it has become clear that the project has the potential of helping the client. These are areas of major uncertainty that the client is significantly concerned about. Following the clustering exercise a larger number of agenda issues will tend to emerge. However, a scenario project should not attempt to, and mostly does not need to address more than five themes in its agenda. A good in-depth scenario exercise cannot really handle more than five broad themes simultaneously. More than that would make the outcome cognitively difficult to handle. Very few customised scenario exercises need to go beyond that if the agenda themes have been chosen reasonably orthogonally (mutually independent). In this respect uncertainty actually helps the scenario planner, in that more uncertainty tends to reduce the number of key uncertainties.

3.6 THE INTERNAL AGENDA

The second product of the elicitation exercise is a first cut at mapping the fundamentals of the organisation itself, the organisational “self”. Scenarios play out in the contextual environment. But the client has not only been talking about the contextual business environment during the interviews. A lot has been said about the organisation itself, in terms of problems and concerns, what is wrong and what is good, problems with other people, why the culture is not right and so on. Typically, more than half of the interview material contains data not about the contextual business environment, but about the
organisation itself. This part of the data is important as a starting point for mapping the strategic fundamentals of the organisation, ultimately to be expressed as its Business Idea.

A combination of both these methods would be used to gather information, workshop session and interviewing. The next step entails of drawing a SWOT analysis from the available information.

3.7 SWOT ANALYSIS

Organisations are faced with a constantly changing environment. Each trend or development can be categorised as an opportunity or a threat. An action plan taken by the organisation is either to capitalise upon the opportunity or minimise the impact of the threat. Organisations can capitalise upon opportunities only if they concentrate on their competitive advantages and make sure they remain sustainable. As each business is unique in its own way it is upon that business to see what are the aspects of their business that make them unique and how to sustain them (Wilson 1995). Basically there are three main groups which can derive competitive advantage:

1) Organisational Advantages:- These include features like Economies of scope, flexibility, Competitive stance and Size.

2) Departmental and Functional Advantages:- This group is made up of four aspects of organisation, a) Marketing, b) Research and Development, c) Production and d) Personnel.
3) Advantages Based On Relationships With External Bodies: These are items like customer loyalty, channel control, government assistant, cartels, access to preferential and flexible financial resources.

At the same time as generating opportunities, the external environment also presents a series of threats. Threats can be classified on the basis of their seriousness and the probability of their occurrence.

![Probability of occurrence table](image)

Figure 3.3 The threat matrix (Wilson et. al, 1995: pg. 35)

The cell 1 indicates that threats are serious and probability of occurrence is high, similarly cell 4 indicates the low seriousness and low probability of occurrence.

The other two aspects of SWOT analysis are the Strength and Weakness. The strategist should basically pay attention to the quality of interdepartmental and divisional relationships with a view to identifying any dysfunctional area.
Studying the interdepartmental strengths and weaknesses can do this. The five departments are Marketing, Sales, Production, Personnel and Finance (Wilson et. al, 1995: pg. 33-35).

The scenario-planning group can be quizzed on the following points to draw an accurate analysis.

a) Participants to be invited to write down individually any aspects of the company or its business environment that seems to them either good or bad.

b) What is the basis of the company’s competitive advantage? Group to formulate a sales pitch that clearly differentiates the offering in terms that motivate the customer to buy from NSB rather than another one.

c) What does this organisation have to do well in order to deliver on its promises?

d) True or False:- Success can be based on doing better things than others do or on doing the same things but at a lower cost?

e) What is more important:- product differentiation or cost leadership?

Hint: Product differentiation is followed if the nature of the market allows a price premium on the product. Does NSB have a system of distinctive competencies allowing it to put the product on the market with enough unique
features, in quality, support, availability and so on, to make the customers want to pay the premium price?

NSB can be a cost leader if it has a system of distinctive competencies, which allows it to make a product available at a cost consistently below any competitor.

Devil's advocate question: What are the unique factors that allow NSB to exploit this competitive advantage, and why are others unable to emulate it? (Heijden, 1998: pg. 161-162)

How are interdepartmental relations? How would they rate them for each department on to the scale of one to ten?

3.7.1 Analysis of SWOT

After the session is over the data collected must be refined and used to form a SWOT chart. This would be dealt with in detail in chapter five.
CHAPTER FOUR

ANALYSIS OF COLLECTED DATA

4.1 THE INSIGHT OF THE INTERVIEWED PEOPLE

The process of developing scenarios started with the identification of some talented people in the company. The criteria used for the selection of those people were quite simple. These people were either in a position to make decisions which affects the sorghum industry in any way or were managers who were effective in gathering information on the environment in which they worked. The information gathered is forwarded to the top management for them to scrutinise and take action on the information provided. There were 11 people interviewed in total. The interviewed included the Executive Vice President, Senior Vice President and various General Managers and Sales Managers. To get a holistic view of all the departments, people interviewed included Vice President Finance, Commercial Manager and even the Internal Auditor.

Various questions were designed with the aim to get the historical point of view, the current status and the special emphasis on the way the people view the future of NSB. Important aspects of thinking like:- their views on success, learning process and the way they view discussion processes were quizzed upon to get the overall and clear picture of their thinking.

In total usually 12 questions were asked. But sometimes to maintain the continuity of conversation some additional related questions were added or
subtracted. While asking question the relevance of pre-conceived questions was also judged prior to asking it. The questions asked were as follows.

Q 1. When did you join NSB?

Q 2. What attracted you to NSB?

Q 3. You have been working for the last ________ years, how have been your first half and how the second? (The blank is filled through question 1)

Q 4. There are ten different breweries all been treated as Strategic Business Units, do you feel NSB is working as a UNIT?

Q 5. This is our business plan, your thoughts, worries and anxieties about it and the perceived reality? (Business plan shown to the interviewee).

Q 6. What in your view derives the success of NSB? (People, product loyalty, distribution, sales staff, etc.)

Q 7. What significant events can you identify in the past of this organisation, good or bad, which should remain in our memories as important lessons for the future?

Q 8. What major decisions with long term implications is the organisation facing at the moment?
Q 9. What decisions need to be tackled in the next few months?

Q 10. What major constraints are you experiencing inside or outside of your organisation that limit you in what you can achieve in your business situation?

Q 11. How are the interdepartmental relations in the brewery?

Q 12. Please consider the future when you will have moved on from your current position, to the next job or retirement, what do you hope to leave behind that people will associate with your period in office. What do you want to be remembered for?

Two important aspects of all the interviews were the business plan and the ten points as discussed in chapter 2. The idea of sharing the business plan was to get the perspective view of the person being interviewed. A sales manager might consider focus on high volume sales as important aspect of a business plan where as a financial manager might consider collection of debt and repayment of debt or suppliers more important. Similarly the ten points (Chapter 2, 2.5) of business might draw different sentiments from different people.

Of the eleven people interviewed only two were taped by the help of Dictaphone, in the rest of the interviews notes were taken down while interviewing. In the Appendix III all the interviews are attached for reference.
After the process of interviewing all the data collected was scrutinised and the relevant points were broken down and written in bullet point form. Each interview generated 30-40 bullet points, which reflected the views or concerns of the interviewed.

Later on these points were further divided into two categories, external and internal points. According to the discussion in Chapter 2 point 2.3 the points taken under external factors were social dynamics, economics, political development, technology, demographics and environmental demands. The points taken under internal factors were current business strategy, defined focal point, information access and the knowledge of the future.

4.2 EXTERNAL VS INTERNAL POINTS

Any strategy project ultimately is about considering the fit between the organisation and its environment. For this relation these two domains need to be separated as early as possible in the project. The interviewed have not made this distinction while giving interviews, from the notes taken while interviewing a miniature list of external and external points is drawn. The first step in the analysis is to separate statements into these two categories. The process involves creating two data files; one including the statements about the external business environment and one contains all the other points relating to internal characteristics and phenomena in the organisation. The allocation criterion is whether the company has control over the issue. (Heijden, 1998: pg.151-152)
Once the statements have been divided between these two files, the data in each file need to be sorted and clustered. Initially the statements are unconnected, like a set of random thoughts. The subsequent analysis of these statements involves a process of clustering and linking. It is important that no clustering rules are laid down in advance. It is preferable to let cluster categories emerge naturally out of the material collected. Intuitive listening will force the analyst to pay attention to conceptual meaning, for example through cause and effect reasoning. As a result clusters will start emerging which combine statements together in context. By overviewing the total set of insights produced the analyst will start to see patterns, similarities and natural couplings. The information gathered was divided into the following internal and external points.

<table>
<thead>
<tr>
<th>Internal Concepts</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cash flow problems</td>
<td>2</td>
</tr>
<tr>
<td>2. Cost cutting</td>
<td>2</td>
</tr>
<tr>
<td>3. Using Consultation firms</td>
<td>1</td>
</tr>
<tr>
<td>4. Right sizing the company</td>
<td>4</td>
</tr>
<tr>
<td>5. Distribution</td>
<td>10</td>
</tr>
<tr>
<td>6. Service</td>
<td>2</td>
</tr>
<tr>
<td>7. Training</td>
<td>5</td>
</tr>
<tr>
<td>8. Payment to creditors</td>
<td>1</td>
</tr>
<tr>
<td>9. Employee care</td>
<td>7</td>
</tr>
<tr>
<td>10. Team work</td>
<td>6</td>
</tr>
<tr>
<td>11. Profit orientation</td>
<td>2</td>
</tr>
</tbody>
</table>
12. Flat organisational structure so there is not centralised power.
13. Use of alternative raw materials
14. All breweries and depots to be on-line
15. Internal vigilance on fraud
16. Sour beer
17. Adherence to policy (financial, or otherwise)
18. Bad debt problem
19. Ullages
20. Selling of unprofitable assets
21. Product development
22. Quarterly review meetings to be held regularly
23. Have inter-brewery competition
24. Hygiene and company image
25. Market leader
26. Brand loyalty
27. Communication
28. Top management to be goal orientated
29. Quality
30. Increase marketing
31. Repayment to banks
32. Central purchasing
33. Market intelligence
34. Rationalise capacity
<table>
<thead>
<tr>
<th></th>
<th>External Concepts</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Low sales of sorghum beer</td>
<td>6</td>
</tr>
<tr>
<td>2.</td>
<td>Home Brew</td>
<td>6</td>
</tr>
<tr>
<td>3.</td>
<td>Raw material</td>
<td>6</td>
</tr>
<tr>
<td>4.</td>
<td>Consumer is a connoisseur</td>
<td>2</td>
</tr>
<tr>
<td>5.</td>
<td>Technology</td>
<td>5</td>
</tr>
<tr>
<td>6.</td>
<td>Merger</td>
<td>8</td>
</tr>
<tr>
<td>7.</td>
<td>Government (taxes and levies)</td>
<td>1</td>
</tr>
<tr>
<td>8.</td>
<td>Image building</td>
<td>4</td>
</tr>
<tr>
<td>9.</td>
<td>Brand loyalty</td>
<td>2</td>
</tr>
<tr>
<td>10.</td>
<td>Legislation (Political environment)</td>
<td>4</td>
</tr>
<tr>
<td>11.</td>
<td>Economy</td>
<td>3</td>
</tr>
<tr>
<td>12.</td>
<td>Development of market</td>
<td>3</td>
</tr>
<tr>
<td>13.</td>
<td>Product development (nature/shelf life)</td>
<td>2</td>
</tr>
<tr>
<td>14.</td>
<td>Competition except home brew (cleer beer/ cheap wines)</td>
<td>4</td>
</tr>
<tr>
<td>15.</td>
<td>Price</td>
<td>5</td>
</tr>
<tr>
<td>16.</td>
<td>Demographics</td>
<td>1</td>
</tr>
<tr>
<td>17.</td>
<td>Social dynamics</td>
<td>1</td>
</tr>
<tr>
<td>18.</td>
<td>Listing on JSE</td>
<td>2</td>
</tr>
</tbody>
</table>

The points reflect the number of interviewers who have shared grave concern about the issue in the interview. There were in total 11 people who were interviewed.
These points were further filtered into the higher level concepts.

**HIGHER LEVEL CONCEPTS**

<table>
<thead>
<tr>
<th>Internal Higher Level Concepts</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Distribution</td>
<td>10</td>
</tr>
<tr>
<td>2. Training</td>
<td>5</td>
</tr>
<tr>
<td>3. Employee care</td>
<td>7</td>
</tr>
<tr>
<td>4. Team work</td>
<td>6</td>
</tr>
<tr>
<td>5. Adherence to policy</td>
<td>6</td>
</tr>
<tr>
<td>6. Marketing</td>
<td>5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>External Higher Level Concepts</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Sales</td>
<td>6</td>
</tr>
<tr>
<td>2. Home Brew</td>
<td>6</td>
</tr>
<tr>
<td>3. Raw Materials</td>
<td>6</td>
</tr>
<tr>
<td>4. Technology</td>
<td>5</td>
</tr>
<tr>
<td>5. Merger</td>
<td>8</td>
</tr>
<tr>
<td>6. Price</td>
<td>5</td>
</tr>
</tbody>
</table>

Once again the points reflect the number of interviewers who showed concern. In the bracket is the number of the person interviewed.
4.3 HIGHER LEVEL CONCEPTS

The process of clustering ideas is essential to refine the information to a greater extent. Initially a parallel visual approach is used to form main statement categories. There might be statements that do not seem to link up naturally. These are put aside temporarily while progress is being made on the rest. Following completion of this stage further iterations are needed to try to integrate the odd statements that have been left out so far.

The first clustering will be somewhat random, depending on what caught the eye first, but it may not be the most effective way of incorporating as many of the insights as possible. If there are unconnected ideas left, the need is to try and find home for these by reclustering. It should be considered if any other higher level criteria can be found, on the basis of which the data can be re-clustered, which accommodates the so-far-unconnected ideas. It is worthwhile iterating a couple of times, until there is no further progress (Heijden, 1998: pg. 153).

The data classified into internal and external higher concepts revealed the following points.

4.3.1 Internal higher level concepts (Transactional Environment)

The process of screening interviews helped to make a concise list of items, which were termed the internal higher level concepts and the external higher level concepts. The internal level concepts, which are affected by the
transactional environment only, are separated from the higher level concepts, which are affected by the contextual environment (Chapter 3, 3.4). The internal higher level concepts were those which came as concerns of most of the interviewees. The clustering method employed was simple. The various points, which indicated to the same concern area, were grouped under one heading, e.g. Distribution included transport problems, distance to be covered, the driver salesman problems etc. Hence, one point was made for all related problem/concern area.

After data analysis it was deducted that the following points formed the internal higher points.

a) Distribution

The main concern shared by almost all interviewed persons were the various aspects of distribution. Sorghum beer is a peculiar product with a shelf life of ±4-5 days. This peculiarity puts tremendous pressure on the sales team to forecast, plan, sell, distribute and service the markets in such a way that product is available at all possible times. The distribution system comes under tremendous pressure with breakdowns of vehicles, poor road conditions and ageing fleet. (Interview 1,2,3,5,6,7,8,9,10 and 11)

b) Training

The sorghum industry requires to be very efficient if it has to be a profitable one. From making the product to selling it and collecting money, all aspects require high efficiency, for the system to be efficient, the employees need to be well trained and of high calibre.
NSB, if it wants to fulfil its goals, needs a well-groomed workforce who could work as a team and feel part of a company who takes care of its employees. (Interview 1, 2, 4, 6 and 9)

c) Team work

Team work forms a part of ongoing training and employee care. A good team is imperative for goal realisation in sorghum industry. This can be any team from sales team, research and development team to marketing team. The sum of individual efforts is always less than the team effort if conducted properly. Yet again it is in the hands of top management to build, train and nurture them. (Interview 2, 4, 5, 6, 8 and 10)

d) Policy implications

This point includes various aspects from credit control to product. NSB is facing a situation where employees do not adhere to certain laid down rules or find it not relevant to do so. The result of this has been the many cases of fraud and the lack of accountability, which has crept into the system. Strict rules need to be laid down and all the employees educated on the purpose of adhering to them. Mutual trust needs to be build between the management and workers that rules are there for their and the company's benefit. (Interview 3, 4, 5, 7, 9 and 11)

e) Image building

Marketing is a very important tool for any organisation. It has been felt that not proper impetus has been implied to penetrate the customers and capture their imagination. Sorghum beer market has to be uplifted in such a way that sorghum drinking becomes associated with some positive part of the drinking lifestyle. Various examples could be
tradition, sports, funerals, marriages, festivals or even childbirth. (Interview 1,6,8,9 and 10)

f) Employee care

NSB has a history of high retrenchments and poor management. In the past various people who had “better connections” with the top management were promoted out of turn and even put on jobs which they were not capable of. This gave their peers or colleagues a bad impression on the way that company treats peoples who are not relatives or on good terms with the management. This image has to be changed and there is a need to put a system of promotion and employment on strictly merit base. Talented people are an asset to the company whose needs and value should be recognised. They should be nurtured and trained for the benefit of the company, in such a way that it is economical and acts to stimulate moral for the rest of the employees and not to the detriment of others work. (Interview 1,2,4,5,7,9 and 10)

4.3.2 External Higher level concepts (Contextual Environment)

Similar to the clustering method employed while sorting individual higher levels, the external higher levels revealed various concepts which were a concern to the interviewed panel (Appendix IV).

a. Sales

The sorghum industry has shown a decline in the sales of the beer till the last few years. In the recent few years the market can be said to be stagnant.
Sorghum beer is a low profit, high volume game. The only way to increase profitability is to increase sales and cut costs. In this industry it is not only important to find new customers but also to retain the old ones. The key to success is continuous service of the existing and established market. (Interview 1, 2, 4, 7, 8 and 11)

b. Home brew

The biggest threat to the sales of NSB is from the Home Brew market. Home brew is the informal market, which is difficult to penetrate because of various factors. The major reason is the belief that home brew is a good quality beer and the availability and price of the beer. It is believed that two-third of the sorghum market is in the Home brew sector. The only way to capture that market would be to increase service and keep a low price. (Interview 1, 2, 3, 8, 10 and 11)

c. Raw material

The major cost of brewing a beer is its raw material costs. Some of the interviewed people spoke about using alternative materials, changing recipe or even using technology in such a way that it would reduce the cost of the raw material used. The other concern relating to raw materials was the packaging costs. In the industry now NSB is faced with some major monopolies when it comes to purchasing of packaging material and raw material. This makes it increasingly difficult to say no to price increases, which NSB can hardly afford. The alternative available are alternate packaging material and long term deals which peg the price at one point. (Interview 2, 3, 4, 5, 8 and 11)
d. Technology

Technology can play a major role when it comes to cutting costs or improving efficiency. The infrastructure, which is increasingly driven by new technology and innovations, can greatly affect the cost structures. Therefore it is important to keep one's eyes open for the changing technology and its uses in one's business. The research and development department can also play its role by innovating a product, which would give competitive advantage at the marketplace. (Interview 1, 7, 8, 9 and 11)

e. Merger

The biggest issue confronting NSB at this point of time is the merger. The merger would place NSB with the market share of over 90%. This position would be very advantageous, as it would allow NSB to concentrate on ways of improving sales rather than spending time to counter opposition. This would allow proper focus on important issues like increasing efficiency of the general sorghum market and improving service at the marketplace. The idea is to derive the synergies of two big loss making companies and turn it around into a profitable business entity. (Interview 2, 3, 4, 5, 7, 8, 10 and 11)

f. Price

The other issue which, especially the sales people, are concerned about is the price factor. As discussed earlier the industry is very price sensitive. The other peculiarity of the market is that it does not pay to reduce the price as it does not increase the volumes sold and on the other hand increasing the price reduces the sales. The other issue is pricing by the competition, sometimes low prices of the competition makes one reduce ones prices but this proves to be detrimental to both parties and spoils the market expectations. (Interview 5, 6, 8, 10 and 11)
In total there are these 12 higher level concepts which are the main concern of the interviewed people at NSB.
CHAPTER FIVE

DEVELOPMENT OF SCENARIOS

5.1 OVERVIEW OF THE SCENARIO PROCESS

The interviews had generated huge amount of data. The data was refined by using a clustering method in which the important data gathered was grouped either under internal concepts or external concepts. The internal concepts were further re-clustered in higher internal concepts and similarly external concepts into higher external concepts (Chapter 4, 4.3). The internal concepts are the points where the organisation can execute fare amount of control. On the other hand external concepts are based on contextual environment where the firm can exercise little or no control.

The next step in scenario development is to find a suitable structure in which all the data can be expressed, contextualised and thereby made operationally useful to the user, for the purpose of idea generation and testing of policy ideas and strategy. The internal higher concepts would be useful for the development of business idea and the external higher concepts useful for scenario generation. Scenarios can be created with the help of stories. Stories are efficient vehicles for organising things in our minds, relating data about a wide range of subjects. Stories about the future are in a way historical account but seen from a future perspective. They provide the business plan with a flexible means to connect disparate data together into holistic pictures of the future, providing the contact and means of possible developments.
Scenario structure data about the future in multiple stories. The concept of using multiple story lines to encapsulate learning is powerful for the following reasons:

- It reflects the uncertain inherent in the future.
- It allows a multi-disciplinary approach to developing and discussing theories about the world.
- It presents findings in a tangible real-world context, illustrating theory rather than espousing it.
- It uses a causal mode of thinking, which is intuitively comfortable.

The language of scenarios is about the future, but they should make a difference in what is happening now. If it is successful in embedding different models of the business environment in the consciousness of the organisation, it will make the organisation more aware of environmental change. Through early conceptualisation and effective internal communication scenario planning can make the organisation a more skillful observer of its business environment. By seeing change earlier the organisation has the potential to become more responsive. Its decisions will also become more robust; there will be less “I should have known that”. Generally the result should be an organisation that is more flexible and capable of adapting. (Heijden, 1998: pg.184-185)

While actually creating scenarios (stories) the main decision to be made is how to create the necessary structure around the data collected. This will determine which data will be put in which story, and how these data will be connected up. This means that it has to be decided on how many stories will be tell, and what will be the organising principle of each story. This implies that the data
has to be clustered down to a point where no further category reductions can be made. At that point the irreducible categories become the organising principles of the scenarios.

The following principles can be used to categorise the clustering:

- At least two scenarios are needed to reflect uncertainty. More than four has proven organisationally impractical. Each of the scenarios must be plausible. That means that they must grow logically (in a cause/effect way) from the past and the present.

- They must be internally consistent. That means that events within a scenario must be related through cause/effect lines of argument which cannot be flawed.

- They must be relevant to the issues of concern to the client. They must provide useful, comprehensive and challenging idea generators and test conditions, against which the client can consider future business plans, strategies, and direction.

The scenarios must produce a new and original perspective on the client’s issues.

Except for these general rules the scenario planner has flexibility in deciding how the stories will be built, what ends up in what story, and what organising principles will be applied to cut up the territory into individual story-lines.
5.2 CREATING SCENARIOS

The analysis of data revealed the external high level concepts (Chapter 4, 4.3) which are the main six points forming the scenario agenda. The points were allocated to each topic depending on the number of interviewed people who showed concern about those topics. The topic of most concern was the impending merger. It scored eight points out of eleven. The focus topics, which scored the top points, were merger, sales, home brew and raw material.

5.2.1 Scenario A - The Merger

One scenario, which NSB is currently facing, is the scenario of NSB and TBI merging. Everyone is anxious to know how this merger would change the sorghum industry especially NSB operations. Although the proposal has to go through the competition commission, it is still the most probable scenario NSB is currently facing.

5.2.1.1 History

Commercial history of sorghum beer is very interesting. In the early 1970's each brewery used to be owned by the municipal government. Each brewery covered the sales in their own particular area. There were a number of beer halls build by the breweries and business was rife. But as the political and social unrest grew people started associating municipal owned breweries as "government" entities which were at the time of apartheid "white owned". This led to a revolt against the shebeens and beer halls and in 1979 half of the beer halls were burned down in Soweto.
This adversely affected the sales and the business fell tremendously. From the period of 1985-1989, the industry saw a growth in volumes. At this time all breweries were non-profitable entities and the profits generated were ploughed back into the black community to build schools and roads. This was the time when IDC (Industrial Development Corporation) was running the breweries by consolidating them under one roof.

In 1989 NSBB (NATIONAL SORGHUM BEER BREWERIES) came into being with the help of personalities like Prof. Mohanyale, and Prof. Van Vuuren. In 1991 NSB (NATIONAL SORGHUM BREWERIES) came into being with consolidation of about 20 breweries all over the country.

After 1991 the company grew from strength to strength and sales figures also showed a healthy growth. The management grew in confidence and started venturing in products and markets it was not very familiar with. NSB started manufacturing a lot of products, which were not its core business. It experimented with various soft drinks, choco drinks and even clear beer. The grand project of introducing clear beer Vivo ended in a fiasco, which was a financial disaster. Poor management and security losses led NSB to the brink of bankruptcy.

The management came under a complete change after the UB Group of India (United Breweries) acquired 30% stake at NSB in 1996. With it, it brought management expertise in order to salvage the company. When UB Group took over the management of NSB in 1996 the total outstanding debt to the company was R220 million. Currently under the management of UB Group the management has been able to turnaround the company to a relatively
comfortable position. But a great deal needs to be done for NSB to be standing and running on its own feet.

5.2.1.2 Current Situation

NSB is the market leader with approximately 70% of the market. Its biggest competitor is the subsidiary of SA Breweries, TBI (Traditional Beer Investments) with approximately 20% of the share. It has been mentioned several times that the sorghum market has remained stagnant in the past few years. Therefore the two major payers in the market TBI & NSB are always fighting for the ever decreasing pie.

The marketing/advertising strategies are devised in such a way as to counter each other. The promotion and field focus are concentrated in such a way as to gain an edge over the other. This competition has proved detrimental to the health of both the companies as a lot of money and effort is wasted in such activities. One factor, which is greatly affected by such activities, is the market price and quality. This can be ill afforded especially when both the companies are making losses.

It is under such background that NSB and TBI has decided to shake hands and work together in order to improve the overall sorghum market.

If the Competition Commission approves the merger the joined efforts would be on deriving synergies from the two companies. The effort would be on bringing long term stability and employment opportunities in the industry. The major issues, which the consolidated company (TBI & NSB) would face, are
price, distribution, rationalisation of manpower and capacity as well as sorghum image. The new company would consider these five issues for at least next few years after the merger.

The merger is devised in such a way that NSB would sell all its brand names except Nini Nanini to SAB for R33 million with an option of buying it back in the next five years. SAB on the other hand would sell TBI assets worth R31 million to NSB in return. The management of the company would thus remain in hands of NSB except for the marketing for which SAB would send its marketing managers to oversee the brands, which it will have the ownership of.

5.2.1.3 Perceived Future

After the merger the first move would be to rationalise the capacity of both companies. It is proposed that one brewery of NSB and two of TBI would be closed down. This would imply retrenchments at both sides. The rationalisation would be carried out in such a way that the market coverage is not affected in any way. The market would still be covered and sales realised. The plants which would close down, its useful machinery and parts would be used in functional breweries in a process of upgrading other plants (Interview 11).

In this process of rationalisation a lot of people would be retrenched or reallocated. It is imperative that the consolidated group (TBI + NSB) retain people which are an asset to the company and take this opportunity to get rid of the “bad apples”. It is interesting to know that the pay scale of TBI is better than that of NSB and how management would face this challenge of retaining two people of the same rank at different pay scales. It should be realised that
the period after the retrenchments is very painful for both the people who have been retrenched and the people whose colleagues/ friends have left them. It is important for management to understand the sensibility of the issue and introduce the people to each other in such a way that the transition is smooth and less traumatic.

After the transition phase when all employees had made themselves part of the new group, internal issues, which would be important points of discussion, would be: distribution, training of employees, teamwork and marketing.

All the internal points as discussed in internal higher level concepts in Chapter 4 would have to be fine tuned to make the company more productive hence profitable. Other issues, which will derive attention, would be pricing in the market, quality and technology.

Price and quality would be the most important aspects in the future of consolidated group. There is currently a price difference between TBI and NSB. NSB products are sold at a slightly higher price than TBI. After the merger when the consolidated group tries to bring price parity it would face many challenges. The markets where both the brands of NSB and TBI are sold, the customer are used to pay premium price for the NSB products as s/he knows that the quality is much more superiors to that of TBI products. With the same token the customer who pays the cheaper price for TBI products are aware that the quality would be not at par with that of NSB.

The consolidated group would be brewing brands of both TBI and NSB. The sales team which were telling customers to drink only their brands would now promulgate that the erstwhile competitors brands can be consumed as well. This might cause confusion in the minds of consumers as they might not
understand the merger. When this happens it has to be made sure that transition is smooth and not detrimental to the sales of sorghum beer. This is a slow process where the brand quality and price are delicately balanced so as to come to a position where the customers loyalty to one brand don’t leave it due to change in either price or quality.

Once the consolidated group devices its new market strategy the agenda on top of the list has to be consolidation of sales and fighting home brew. When there is no or little competition then the strategy becomes offensive rather than defensive one. The opportunity has to be taken up to make sure that the new group has its price, quality and delivery system all geared up for the challenge.

For the consolidated group it is not only enough to increase its sale but be profitable. As the majority of the management decisions would still be with NSB, the priority should be give on creating enough profits so as to buy back some important brands back as quickly as possible. On the other hand if the merger does not seem to be working for any reason, then it is the interest of NSB to refrain from buying those brands back.

On the positive side the main aim should once again be on profitability of the organisation. No organisation can be profitable if its employees don’t work as a team. Teamwork can only come if all the individuals in the team think positively and are goal orientated. Special emphasis has to be on development of individuals in the new group with emphasis on people training. Marketing is an issue, which has to be taken very seriously if sorghum industry has to survive. The marketing has to concentrate more on building positive image for the sorghum as such. The target market for the sorghum beer has been decreasing (Chapter2, demographics). The new generation, especially the urbanised youth, do not like the associated with sorghum drinking and would
like to go for the clear beer instead. To put a halt on the decreasing sorghum market it is important to patronise the youth towards sorghum drinking. To attract youth it is essential to have a marketing min which has positive association with the youth, e.g. Sport, music, adventure, etc.

The consolidated group, after the merger, must concentrate more on Below-the-line advertising. This must be supplemented with wet promotions and high P.O.S visibility.

5.2.2 Scenario B - Sales (No Merger)

In an another scenario in which no merger takes place, the emphasis would be on survival of the company (NSB) in the harsh contextual environment. To survive in a tough market all efforts would have to be on improving sales or reducing costs.

5.2.2.1 History

The sales history has been a roller-coaster ride for the last 30 years. From 1970's till 1979 the sales of sorghum were at its peak to the value of 1 billion litres per annum. This can be classified as the golden period for sorghum industry as there was virtually no competition in the industrially brewed market due to government legislation, which did not allow anyone else to brew sorghum. The municipal governments strictly controlled brewing of sorghum beer. The period from 1979 to 1985 saw a drop in the sales of sorghum. This was more a result of anti-government sentiments than economic factors. From
the year 1985 to 1991 saw the revival of sorghum industry. The sales stared picking up and this was the time when IDC (Industrial Development Corporation) took over the reigns from the municipalities. In the final phase from 1991 to 1999 the sales have shown a tremendous drop for NSB. The monthly sales fell from 60m litres per month in July 1992, to around 35m litres per month in 1999. The drop has been gradual. This is truer for the period of 1995 onward. The sales in the total industry have remained at around 600 million liters per annum on average in the last year or so. The downward trend in the category has been influenced by the fact that clear beer distribution has grown ten-fold in the past five years, penetrating even the most remote rural areas. Cost increases on clear beer have been kept below inflation, while sorghum prices have risen beyond inflation, this has been mainly because of South African Breweries growing efficiency in distribution. The consumers have also been attracted by the aspirational image developed by the clear beer (ABR 1998).

5.2.2.2. Current Situation

Of the total sales in the industry of sorghum 600m liters the 70% of the market share is with NSB and another 20% with TBI. If the merger does not go through and competition remains, the industry will have tough times ahead. Due to the talks of merger, both NSB and TBI have shared strategic information regarding each other's business. If the merger does not go through this information can be used against each other in the future. (Interview VII). This leaves NSB more vulnerable as it would lose its advantage it had before. TBI on the other hand can use the information available to them and financial and infrastructure help of its cousin South African Breweries to capture a greater market share.
5.2.2.3 Perceived Future

In the scenario where there is no merger and each company goes their own way, it would create huge instability in the sorghum market. The competition in the market is going to be very harsh because as per current negotiations with the TBI, one another's strategies are open to each other. This would make each company more vulnerable and hence the competition tough.

Increased competition among the larger players will take their resources and focus away from the main agenda of picking up sales and this would give opportunity to smaller players to enter the market. This has happened in the past as well, and it has been seen how a microbrewery can grow and pose as greater competition in the future.

The emphasis would increase on the distribution, as sales require strong distribution for the serviceability of the market. Distribution becomes even more important in an industry, which has a product with such a short shelf life. The distribution involves trucks/vehicles, fuel, manpower, maintenance, and cleanliness. The ageing fleet has to be slowly replaced, where possible FML (full maintenance lease) vehicles hired, and vehicles to be handed over to only the good and responsible drivers. Besides that the emphasis should be on all-round training of drivers, driver salesman, distributors and maintenance people. The reason behind that is when salesmen are under pressure to sell more they tend to neglect the vehicle care and maintenance, that leads to poor fleet and increase in breakdown rate. If strict internal controls are maintained and fraud is kept to minimum, the savings generated would help concentrate and fund the main distribution problem.
The sales require proper support in the form of marketing and advertising which is crucial for survival of any brand. Although 40% of the sales are unbranded, in the form of mini bulk (appendix VI) the advertising should concentrate on generics, this would include improving on the overall image of the sorghum. Because of the consumer profile (Chapter 2, 7) the outdoor and print media has very low penetration. Therefore it is more beneficial to target these customers through Below-The-Line advertising. If the sales team has to be supported the best medium are promotions supplemented by free give away. In this market various promotions can be supported by scratch card competitions and on pack promotions (fill in the cartons and send the entry for lucky draw).

With proper distribution, pricing and marketing activities only, the home brew market can be penetrated. According to the 1998 Alcoholic Beverage Review magazine the total size of the home brew market stands at 1.07bn litres, the dry base at 150m and the wet base at only 560m litres only. This clearly shows that if the wet base industry has to grow the only option is either to capture the home brew and dry base market or to penetrate its substitute products market like clear beer and cheap sweet wines market.

The biggest hindrance to capturing home brew market is the availability of the product. The solution is again in the proper distribution. The price is not a major factor when it comes to fighting home brew nor is the quality, but the major problem is the availability (Interview II). If the right product is available at the right time only then is it possible to sell it. Therefore the distribution would have to be increased at-least five fold in the next five years if any substantial inroads are to be made into the home brew market.
5.2.3 Scenario C – Raw Materials

For obvious reasons raw materials account for the biggest cost factor in the production of beer. These costs have been ever increasing and sometimes more than the rate of inflation. Raw material constitutes up to 35% of the production cost. If these costs are not kept under control then they might play a major role in the profitability or even the survival of the sorghum industry.

5.2.3.1 History and current situation

As discussed in the history (5.2.1.1) each brewery was a separate entity responsible for its own raw material and other requirement purchases. Under the UB Group management the more important buying e.g. raw material and vehicles, were done centrally from the head office. This has resulted in better bargaining power and lower rates. This practice needs to be implemented in totality without creating, bureaucratic, red tape. The breweries must be explained the reason for certain purchases done centrally and minor purchases should be left to the breweries. It is important at the same time not to make the breweries feel that they do not have decision making power and are only to follow what comes down from head office.

The raw materials used in the making of sorghum beer are maize grit, sorghum malt, yeast and water. Recently there has been shortage of raw material in the market, especially the sorghum malt. This has led to serious supply problems and high rate at which they were purchased, due to sharp increase in prices due to low demand. At some times, the problem was so severe that the production had to suffer because of the shortage.
5.2.3.2 Perceived Future

If raw materials become a major concern for the breweries, head office will need to interfere even more for the purchasing and proper supply to all breweries as head office has the purchasing power to drive at the economies of scale, which the individual breweries don’t.

If the South African production of sorghum grain is not sufficient or lacking in quality then oversees market like Australia or South and North America have to be approached and sorghum purchased at a competitive price. The process involves proper forecasting of what the sorghum industry’s production for the year is going to be, then forecasting the average price per ton on that production. The price arrived at has to be compared with the forecast of the international market prices and strategic decision should be made on the purchase accordingly. This would include taking into account the Rand Dollar exchange rate and other economic and environmental factors which will play a part in the decision.

NSB is a major consumer of sorghum malt. A meeting of all the major producers and suppliers can be called to address the annual requirement of various raw materials for a financial year. The chances are that the output of suppliers would be tuned in such a way that NSB’s demands are met, obviously this might require a commitment from NSB on how much they are willing to buy.

The other options available to NSB to keep the beer production prices low is to try alternative raw materials (interview 2 and 5) or use a recipe which consumes less of sorghum and more of other cheaper inputs.
5.2.4 Scenario D- Price and Technology

The ultimate aim of any organisation is growth and profitability. To be profitable the organisation has to keep the prices low and earn as much as possible. In today's world technology is playing more important role in making organisations profitable than ever before. This is achieved by doing the daily activities more efficiently or at a reduced cost.

5.2.4.1 History and current situation

Sorghum industry had a virtual monopoly before 1991 therefore it did not have to worry too much about the pricing, as there was no competition because of the area act. After 1991 laws were relaxed and home brew has become legal. Earlier in the industrially brewed market the money generated from revenue was constantly used to upgrade available facilities. But in the current situation there is a stiff price competition in the market place. The competition is not only from TBI and microbreweries but also from home brew. The home brew prices are very low because they do not have any overhead and distribution costs.

5.2.4.2 Perceived Future

If the sorghum industry has to remain price competitive then it needs to invest in technology which would enable it to reduce costs. Total investment needs to be made in plants, infrastructure of breweries, and vehicles. In the short term, if such measures are taken the capital outlay would increase but it would pay in the form of higher efficiency in the long run. Communication is the
sine—qua-non of any successful business. The use of new technology is making communication cheaper as well as effective.

5.3 SWOT ANALYSIS

SWOT is an acronym for the internal Strengths and Weaknesses of a firm and the environmental Opportunities and Threats facing that firm. It is a quick way of over-viewing the company's strategic situation. It is based on the assumption that an effective strategy derives from a sound "fit" between a firm's internal capabilities (strengths and weaknesses) and its external situation (opportunities and threats). A good fit maximises a firm's strengths and opportunities and minimises its weakness and threats (Pearce & Robinson, 1997: pg. 170-171).
5.3.1 NSB SWOT Analysis

5.3.1.1 Strengths

The inherent strength of NSB lies in its market share. The other strengths of NSB are product quality it offers to consumers, its capacity to gain economies of scale, additional capacity, technical knowledge and manufacturing facilities.
5.3.1.2 Weaknesses

The weaknesses of NSB include the lack of distribution effectiveness and sales force effectiveness. The other problem areas would be cash flow, lack of capital, low market penetration, low morale of employees and internal fraud.

5.3.1.3 Opportunities

The opportunities facing NSB are the merger prospects and the sense of teamwork, which is starting to blossom in recent times at the brewery level.

5.3.1.4 Threats

Currently NSB is facing many external threats. Impending liquor legislation, stagnant sales, positioning of product between home brew and clear beer, shortage of raw material and poor pricing structure at NSB are all possible threats.

The SWOT analysis reflects that although NSB is facing many internal weaknesses and external threats it still has major strengths and opportunities, which it can harness to be a very successful organisation.
Studying the four scenarios and current status of NSB the SWOT chart, figure 5.1, it reflects that the best scenario for NSB is the Merger in cell 1 (page 78). This scenario would support an aggressive strategy and the worse scenario would be of shortage of raw material in the market, this situation would support a defensive strategy.
CHAPTER SIX

CONCLUSION AND RECOMMENDATIONS

6.1 CONCLUSIONS

Organisations can be interpreted as complex adaptive systems, existing in cognitive loops, internally and through its environment, therefore subject to continuous change. The basic tendency of all organisations in their environment of change is to survive and succeed. Success can only be achieved by creating a culture, which represents a learning organisation. This can be achieved by the institutional discipline of Scenario Planning which provides the organisation with concepts such as the Business Plan and the environmental scenario, which become powerful elements in the organisational learning process.

Through the learning process the scenarios become institutional concepts and language objects, used by the members of that organisation in their strategic conversation. The process helps its members to be more aware of its environment in a way that allows them to understand the meaning of signals and impulses. Shared concepts of stories then allow it to come to share conclusions, and therefore react, faster. This richer arsenal of shared concepts becomes embedded in the language and culture, and in this way influences and mobilises the learning skills of the organisation as a whole.

The process of interviewing people was a start in this direction, which enabled a process of elicitation of ideas. The information generated reflected the fears, anxieties and optimism of various interviewed people. The outcome that the
merger, between TBI and NSB, is the most likely outcome (scenario) is not as important as the perceptions of all the management personnel on how it should be approached.

All the collected data the facts can be broken down into two parts, the external factors and the internal factors. The external factors are used for forming the scenarios and the internal factors help fine-tune the business plan. The four most probable scenarios for NSB are the Merger, Sales (no merger), Raw Material shortage, and use of Technology and Price factor in the market.

6.2 **RECOMMENDATIONS**

NSB is a mature organisation with vast amount of talented people. This talent can be harnessed in various ways; one way is to form a Scenario Planning team of people of different background. These people can be selected from various different departments or having special expertise. The job of this elite team would be to study the external environment and put forward their recommendations to the managing committee. The recommendations would be used for ongoing decision making and modification of business plan so in order to prepare for the ever-changing environment.

The scenarios presented in the conclusion were shared with various top managers of NSB. The response to the conclusion was unanimously in favour of Scenario A, which is the likely merger with TBI. The views shared about the merger were both cautious as well as of optimism. One and all agreed that the main focus of the company after the merger should be on brainstorming how to best use the synergies of both organisations. The result would be the creation of a stable, profitable and long-term industry, which would build careers for people employed in it.
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Top 10, URL: [http://www.topten.org/content/tt.AC34.html](http://www.topten.org/content/tt.AC34.html).


APPENDIX I

The table below reflects the estimated annual volume of the malted sorghum and maize.

<table>
<thead>
<tr>
<th>SECTOR DEFINITION</th>
<th>ESTIMATED ANNUAL VOLUME (HECTOLITRES)</th>
<th>% CATEGORY SHARE</th>
<th>AVERAGE ANNUAL RETAIL TURNOVER</th>
<th>ESTIMATED ANNUAL RETAIL TURNOVER</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Home-brewed sorghum beer</strong></td>
<td>15 000 000</td>
<td>65.20%</td>
<td>R1.30</td>
<td>R1 950 000 000</td>
</tr>
<tr>
<td>Sorghum beer brewed</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>informally from commercially</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>manufactured malted sorghum and maize</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sorghum beer Powder</strong></td>
<td>2 000 000</td>
<td>8.70%</td>
<td>R1.50</td>
<td>R300 000 000</td>
</tr>
<tr>
<td>Pre-mixed/brewed sorghum beer</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in powder form, which ferments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>after water addition</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Industrially brewed sorghum beer</strong></td>
<td>6 000 000</td>
<td>26.10%</td>
<td>R1.80</td>
<td>R1 080 000 000</td>
</tr>
<tr>
<td>Sorghum beer packed and distributed in a ready-to-drink form.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>INDUSTRIAL TOTALS</strong></td>
<td>23 000 000</td>
<td></td>
<td></td>
<td>R3 330 000 000</td>
</tr>
</tbody>
</table>

The above table reflects the rough breakup of the percentage share of the different markets. From the table it is clear that home brew market forms the major part with roughly two-thirds of the share. Industrially brewed sorghum is only twenty-six percentage of the market.

NSB has the 73% of the industrially brewed market. For NSB to grow its sales the best option is to try and acquire some share of the home brew market.
Breakup Chart 1

- Dry Base - 130 Ml Ltr: 64%
- Powder - 20 Ml Ltr: 10%
- Wet Base NSB - 37.5 Ml: 16%
- Compaq - 15 Ml: 7%
APPENDIX III

UNIVERSITY OF JOHANNESBURG
INTERVIEW I

Mr. Bassie v.d Hoven
Sales Manager
Mr. Bassi v.d Hoven
Sales Manager (Phelindaba Brewery)  
October 8, 1999

Q 1. When did you join NSB?
1990

Q 2. What attracted you to NSB?

Q 3. You have been working for the last 9 years, how have been your first half and how the second?

Q 4. There are 10 different breweries all been treated as SBU’s, do you feel NSB is working as a UNIT?

Q 5. This is our business plan, your thoughts, worries and anxieties about it and the perceived reality?

Q 6. What in your view derives the success of NSB? (People, product loyalty, distribution, sales staff, etc.)

Team efforts
23% Cost cutting Volume growth → 1997
15%

14% growth
Q 7. What significant events can you identify in the past of this organisation, good or bad, that should remain in our memories as important lessons for the future?

- Poor full MakeJske
- Employed wrong people in very tight
  - (lost my business control)
- US employees right people
- Black employees right

Q 8. What major decisions with long-term implications is the organisation facing at the moment?

- Soyghum sales are down but have to stay!
- Merge, highly each other (no body interested in developing the role; no staff cutting
  - People need an own base Cally have been
  - Not tidy

Q 9. What decisions need to be tackled in the next few months?

Q 10. What major constraints are you experiencing inside or outside of your organisation that limit you in what you can achieve in your business situation?

Cash flow

Q 11. How are the interdepartmental relations in the brewery?

Open door

Q 12. Please consider the future when you will have moved on from your current position, to the next job or retirement, what do you hope to leave behind that people will associate with your period in office. What do you want to be remembered for?

- Lead by example (not a boss)
- Open for suggestions (team member?)
- Friend to subordinates ( Without being the friend)
NSB Business Plan
INTERVIEW II

Mr. Douw Pretorius
General Manager
(Phelindaba Brewery)
Mr. Douw Pretorius  
General Manager (Phelindaba Brewery)  

Q 1. When did you join NSB?  
1 March 1999  

Q 2. What attracted you to NSB?  
Attracted full time  

Q 3. You have been working for the last _10_ years, how have been your first half and how the second?  
1999 Yes  
100 million litres/year  

There are ten different breweries all been treated as SBU's, do you feel NSB is working as a UNIT?  

Q 5. This is our business plan, your thoughts, worries and anxieties about it and the perceived reality?  

Q 6. What in your view derives the success of NSB? (People, product loyalty, distribution, sales staff, etc.)
Q 7. What significant events can you identify in the past of this organisation, good or bad, that should remain in our memories as important lessons for the future?

> Business is its people. Retain them. Attract new, well qualified team work.

Q 8. What major decisions with long term implications is the organisation facing at the moment?

Q 9. What decisions need to be tackled in the next few months?

Q 10. What major constraints are you experiencing inside or outside of your organisation that limit you in what you can achieve in your business situation?

Q 11. How are the interdepartmental relations in the brewery?

Q 12. Please consider the future when you will have moved on from your current position, to the next job or retirement, what do you hope to leave behind that people will associate with your period in office. What do you want to be remembered for?
Down below:

Beer Falls Admin Board
Streets destroyed as they were part of the Government.

Beer Egoli: 23 beer halls (soweto)
1 mile 1/2 of them burned down.
Municipal owns brewery.

1985-89: Bantu oriented - Before 1985: air-traffic
Group A Admin board > Early 1989 & got: inst. in Black community.
Black hadn't yet got ass.

1989 - NSB came in - all breweries came together
- Fred Moeti-pale
- JDC
- Prof. van Veenen
- TBK: homeland - Bobaf Holland
- Tricky & people debate: Black eco. enforced.

JDC = Industrial Develop Corp. - Sharker business selling them off.

Rents fell
Structural problem → wrong.

UB → centralized decision → making wrong decision.
Decentralize → no decision making power at lower level.

Buyer → SCM → one many one buyer

Not gaining on centralized purchasing?
Duplication of paperwork.

1999 → maintained. growth 7%
8 years
14% - 15% growth in 5 years

TBI + MB → monopoly forcing focus on home brew

Price not issue → 8 sec.
Quality not issue → some
Availability → is major problem →
Cutting prices?

Meyer.

1. The duties are constant.
   Don't mix politics with business (enforcement).
   Be IT oriented.

2. 'Frac' people to build.
   Upgrade facilities - infrastructure (drainage?)
   Tariffs?

3. Mergers (opportunity to build - synergies?)
   Product?
   Markets?
   Redefine boundaries for distribution?

4. Bagged on communication channel.
   Joel Shluke.

5.
Meyer 1981 on nod.

Soyhian industry to be a great industry.

Part of the team & to four across 1993-1987.
INTERVIEW III

Mr. Ashok Roy
Vice President
(Internal Audit)
Q: What are your thoughts, worries and anxieties about the NSB business idea and perceived reality?

Ans:-

System to be online.

Some really huge issues on 2004 gross controllable.

Society gross

Market credibility -> cash lost etc.

Internal vigilance on hand?

External security system (policy on the system)

Guidelines on sell pattern -> need to be done.

V.C. Guidelines -> finance managed?
Q. What drives the success of NSB?
Ans: Bottom line explanation is there not just the
litre CPC realization.

R.O.I.
Large brand
Problem of T.B.I.

Q. Inheritance from the past: What pivotal events can you identify in the past of
this organisation, good or bad, that should remain in our memories as important lessons
for the future.
Ans:

1. Credit Control R 28 Million loss avoided
   
   Stock 50-60 litres
   200000 litres promised!

2. Village skim 1 - 1.5% of sales

   Khayelitsha 1m litres
   8% →

3. Price structure →

4. Kwa - Phak-eq distribution / optimise
Q. Important decision ahead: - What major decisions with long term implications is the organisation facing at the moment, decisions that need to be tackled in the next few months.

- Pitfalls of TSI merger - Quality
- Infrastructure

Q. Constraints in the system: - What major constraints are you experiencing inside or outside of your organisation that limit you in what you can achieve in your business situation.

- With org: insufficient documentation,
  - Home: bank has not been approved.
  - Documentation of approval lacking.
  - Etc. feasible depot = The other side here are 5 depots → Volume don't justify the cost of the depot.
  - Raw material usage in供销单 receipt → No Quality Control.
Q. The epitaph question: - Please consider the situation in the future when you will have moved on from your current position, to the next job or retirement, what do you hope to leave behind that people will associate with your period in office. What do you want to be remembered for?

⇒ Constructive criticism of ideas which helped us achieve its objectives
INTERVIEW IV

Mr. V V Giridhar
Vice President
(Finance)
Mr. V.V. Giridhar  
Vice President (Finance)  

October 15, 1999

Q 1. When did you join NSB?

1995 → consultant → 1999 onwards permanent?

Q 2. What attracted you to NSB?

Q 3. You have been working for the last 3 years, how have been your first half and how the second?

0 → Very tight. Syntec when we thought came very limited. Tough to discipline & skill levels

1 →

2 →

3 →

Q 4. There are ten different breweries all been treated as SBU’s, do you feel NSB is working as a UNIT?

Q 5. This is our business plan, your thoughts, worries and anxieties about it and the perceived reality?

Q 6. What in your view derives the success of NSB? (People, product loyalty, distribution, sales staff, etc.)
Q 7. What significant events can you identify in the past of this organisation, good or bad, that should remain in our memories as important lessons for the future?

Q 8. What major decisions with long term implications is the organisation facing at the moment?

Q 9. What decisions need to be tackled in the next few months?

Q 10. What major constraints are you experiencing inside or outside of your organisation that limit you in what you can achieve in your business situation?

Q 11. How are the interdepartmental relations in the brewery?

Q 12. Please consider the future when you will have moved on from your current position, to the next job or retirement, what do you hope to leave behind that people will associate with your period in office. What do you want to be remembered for?
First 1½ years → Discipline & skill issues to
→ Cash - linked to sales.

Last 2 years → It has been bad.
6 months relatively easy on cash flow.

8 Business Plan

Not proper collection → because of integrity of people.

They are controllable. → environment (as there is a problem)

As org. we can put controls at work place. (Zero Tolerance)

Cost Cutting → The plan as - (revised contracts)

3800 employees
130

12 million saved

250 million accumulated losses since 1999.
Raw material
Wasted (tillage)
1/2 % ⇒ waste

2 million ⇒ 1 litre
30 000 seems loss is acceptable

Industry ⇒ requires efficiency due to short shelf life!

80% ↑ for efficiency need discipline.
B employees are non-efficient
0) To retain people
  → high morale
  → keep brokers
  → on retain high skill (which cost more)

The soybean industry need efficient machinery.

6) Success → 0) People involved they understand the condition, been tolerant.

600 employees released from here. NSB managed
Good payment, delayed excise, & VAT

Although no high volume
  → salaries to be paid
  → R.M. payment
  → Salary payment (water, electricity
  → Small suppliers

3) Net sale of Vivo Brewery → paid banks & debtors.
  to make them happy.
R 4.4 million pay every month.

28 m total 20.2 paid till Oct?
Balance in Nov.

Do: pump in local people.
No schemes for people to allow to save on tax?

Full utilisation of our capacity.

Minimize cost & penetrate home brew.

Mega move to compensate synergies.
(0) Lack vision & direction.
Ideas of growth are not forthcoming & concentrated on issues which are less important.

Systematic decision making.
EXECUTIVES NOT TO BE INVOLVED IN DECISION MAKING.

1. People hostile to any change.
2. People thought good about 'they here for bettered'.
3. No trust = No dynamics.

Is finance not guilty of centralize.

(0) Two philosophies need.
0. No one above org.
1. Anyone in equals: no more important than the organization it's part of.

Also developed by theme: it's it.
INTERVIEW V

Mr. Rajiv Shrivastava
Manager (Commerce)
NSB Business Plan

Revenue

Employee's salaries

Payment of debt

Satisfied suppliers/creditors

Market Leader

Training of employees

Timeous/reliable delivery of supplies

Customer Calling

Technologically advanced brewing facilities

Reliable distribution

Efficient

Marketing

At a competitive price

Quality Sorghum Beer

High Volume Sales

Brand Loyalty

M. A. Shilada
Q 1. When did you join NSB?

Aug 1997

Q 2. What attracted you to NSB?

Potential of NSB & role of OB?

Q 3. You have been working for the last 3 years, how have been your first half and how the second?

1. Poor style in the system; own way of working / too much attitude
   2. Better -> complex, less increased trust & openness.

Q 4. There are ten different breweries all been treated as SBU's, do you feel NSB is working as a UNIT?

- Bi-monthly review meeting among coastal & other businesses very helpful
- Each individual stock of problems to be taken into c/c.

Q 5. This is our business plan, your thoughts, worries and anxieties about it and the perceived reality?

- Order
- Quality RM
- Employee satisfaction
- Official attitude
- Look at alternative RM (meize gut vs meizoe meal)

Q 6. What in your view derives the success of NSB? (People, product loyalty, distribution, sales staff, etc.)
Q 7. What significant events can you identify in the past of this organisation, good or bad, that should remain in our memories as important lessons for the future?

Q 8. What major decisions with long term implications is the organisation facing at the moment?

Q 9. What decisions need to be tackled in the next few months?

Q 10. What major constraints are you experiencing inside or outside of your organisation that limit you in what you can achieve in your business situation?

Q 11. How are the interdepartmental relations in the brewery?

Q 12. Please consider the future when you will have moved on from your current position, to the next job or retirement, what do you hope to leave behind that people will associate with your period in office. What do you want to be remembered for?

- Put processes in place
- Lead subordinates
- Strategic decisions
Ad 17 1999

63. Re-graduation news made people more committed. Change in attitude.

4. Central purchasing = Economics of Scale?

History
1) NSB = People become friends with people. The better the relationship, the worse the competition.

Ex.

- Stock report detail
- Process of three quotations to be taken

A sense of confidence among beveragex check

- Hygiene (97%) point beam
  - Manager
  - Fleet (dishwashing)
  - Cleanliness
  - General turnout = clothes etc.

RM @ Majo Calt's Mall; Majo god
75% to 80%
Good

= recovery of loss,
D) Regular contact with supplier
- Telephone calls
- Meetings
- Communication, letters, etc.
- Work send to brewers, then brewers send feedback to us to get in touch with suppliers

E) Style control / supplier
- Quality control

All negotiations:

In negotiations:
- Putting them down:
  - Now push them down to a limit.
  - Never insist till you see the final product.
  - See the supplier if possible.

Per Smith

Sorghum for next year: Shortfall in malt supply
- Mayje qut

Planning with suppliers
Cost flow: not specified

SS capacity: new steel plant \( \rightarrow \) 820 tonne/mt

Interagency relationship are done by \( \alpha \).

- Demographics \( \rightarrow \) P. AAB
- Political
- Social Dynamics \( \rightarrow \) relevant enterprises

T81 + NSB \( \rightarrow \) Negligible power
\[ \rightarrow \] Concentration (Synergies) \( \rightarrow \) positive
\[ \rightarrow \] Economic inefficiencies \( \rightarrow \) \( \leftrightarrow \).
INTERVIEW VI

Mr. Nat Phakane
General Manager
(Kwa Thema Brewery)

20th October 1999
Q 1. When did you join NSB?

Q 2. What attracted you to NSB?
1969. E.S.D.

Q 3. You have been working for the last _____ years, how have been your first half and how the second?
30 years Shift from sojghum to clique.
An apaided blacks at allowed to shift to sghum.

Q 4. There are ten different breweries all been treated as SBU's, do you feel NSB is working as a UNIT?

Q 5. This is our business plan, your thoughts, worries and anxieties about it and the perceived reality?

Q 6. What in your view derives the success of NSB? (People, product loyalty, distribution, sales staff, etc.)
Q 7. What significant events can you identify in the past of this organisation, good or bad, that should remain in our memories as important lessons for the future?

Q 8. What major decisions with long term implications is the organisation facing at the moment?
- Every 100m to get soyflour. (Not consider space law)
- Develop shebeen.
- Entry level of fees. (Good debating was made to support entry age)

Q 9. What decisions need to be tackled in the next few months?
- Current emphasis is too much on conflict.
  80% develop to secure market
  20% counter offensive

Q 10. What major constraints are you experiencing inside or outside of your organisation that limit you in what you can achieve in your business situation?
- Teams are weak
- Not enough training at mid-level
- Mid level as well

Q 11. How are the interdepartmental relations in the brewery?
Breweries are not teams.

Q 12. Please consider the future when you will have moved on from your current position, to the next job or retirement, what do you hope to leave behind that people will associate with your period in office. What do you want to be remembered for?
- Still believe in soyflour
- Contribute to the industry.
Q3. When NSB took over 1982
For in prices, after 1985.

Q1. "How do you see NSB in next 5 years?
= Packaging
Calm for other factors
Remove adverse associated with foreign paper
Drink,
= Make it a way that they feel good/best.

Q2. NSB done the right thing?
= Yes but pace is slow.

= Control + = price?

consumers manufacturer R 1.40 I 4 profit.
consumers R 2.50

Distributor chain = long chain
My distributor, reason: salesmen, consumers

Chain should be shortened

= Availability.
Top Ten

1. Lead Leaders: High Praise
   But competition gets to by cutting price
   lost focus on brand, priority sales not brand
   Consumer confused here, I see.
   Brand loyalty.

2. Legislation: re: All retailers get to be licensed.
   go to shabir, shabir.
   Should be compulsory.

Economic factors: People don't have money, they will not buy products.

Maintain base of support

- be African, be African - safety as an African Drink.
NSB Business Plan

Brand Loyalty

High Volume Sales

Market Leader

Revenue

Employee's salaries

(Black economic empowerment)

Training of employees

Payment of debt

Satisfied suppliers/creditors

Marketing

Service

Reliable Distribution

Quality Sorghum Beer

Technologically advanced brewing facilities

Customer Calling

Timely/reliable delivery of supplies

Marke ting Leader

40 N
INTERVIEW VII

Mr. Ray Kwatch
General Manager
(Tlokwe Brewery)

24th October 1999

Q 2. What attracted you to NSB? Black manager, senior executive.

Q 3. You have been working for the last ______ years, how have been you r first half and how the second?

   1st 3 yrs training 400 people, position built up

   last 3 yrs comfortable.

Q 4. There are ten different breweries all been treated as SBU's, do you feel NSB is working as a UNIT?

   Yes!

Q 5. This is our business plan, your thoughts, worries and anxieties about it and the perceived reality?

   To make

Q 6. What in your view derives the success of NSB? (People, product loyalty, distribution, sales staff, etc.)
Q 7. What significant events can you identify in the past of this organisation, good or bad, that should remain in our memories as important lessons for the future?

IDC = clear beer. (SAB)

Feasible Study →

Q 8. What major decisions with long term implications is the organisation facing at the moment?

Merger TSB + MNB → BREWERY

TSB + ferdorin →

Q 9. What decisions need to be tackled in the next few months?

Do what we have been doing → Transform!

Q 10. What major constraints are you experiencing inside or outside of your organisation that limit you in what you can achieve in your business situation?

Transport problem = old trucks

Online etc.

Q 11. How are the interdepartmental relations in the brewery?

Problem strong!

Q 12. Please consider the future when you will have moved on from your current position, to the next job or retirement, what do you hope to leave behind that people will associate with your period in office. What do you want to be remembered for?

> Prison. Romanshy worked! manage

> Trust of co. people at level

> Share decisions
Top Ten

1. Technology (On-line)
2. Critical duty $\rightarrow$ Employee $\rightarrow$ Safety laws
3. Thinking about

Conceit or money.
24 October 1999  
Interview with Mr. R Kwitcha General manager Tlokwe Brewery

Good evening Mr. Kwitcha I am doing this,..  

Good evening to you Sandeep. Thank you

Assignment for my TWR M Tec degree it's exercise to plan on make scenarios for the future, which is in 5 years time what would be the scene in sorghum industry, in 10 years time how would the sorghum industry look like. So I would like your views being the GM for one of our big breweries, which is also making the only long life beer we have in NSB products.

Basically I have defined some, business plan this is totally my imagination you can if you can alter you can add/substitute. While you are going through it I would like to ask you some general questions.

When did you join NSB?

April 1992

And what attracted you to NSB?

Because of the fact that the company was going to promote black manager i.e. or executive that was to empower then to take over management of breweries specially another senior positions with in other divisions of NSB which no other company has done before.

What post did you join it as?

I joined it as General manager for Khangela Brewery in Durban.

And now you have been involved for 7 years, how would you rate past 3 years you have spent with the company?

My first 3 years were, it was a Learning period for me, I have never been manager of a brewery before, and so I had to learn a lot about managing the brewery, that was at that time employing er close to 700 people.

Gees

And I have never also worked in a beer brewery ch, so I had to learn a lot about the brewery aspect of the process but and the fact that the product that was handled had such a short shelf life, and that to me was a very challenging. At that point we were selling a 10m LITRES plus per month and when I joined the company and joined, stouted this company. I just wanted to find out how possible it was that we can sell a lot of LITRES of beer which such a short shelf life. So my first three years, my first year was very challenging year. And my next 2 years then I began to get comfortable that I know the production and the market and that made me at least understand what was possible and what was not possible and the operation like any other.....

The last two ears or well three years since 1996 working within NSB, I found out that company just like any other company, you know can survive the hardship the ups and downs, you know the company had gone through the economic downturns and instability and losses and now its beginning to pick up again so I feel that well my tenure in NSB was not in vain. I am enjoying it and (what the hell did you write here)

Okay, now do you see this tu (again)
Consolidating of sales to () in the future?
Yes, I do I am confident of the future the company. The way the things are happening the understanding of 
business, not only by management but also the people who report to the manager? ( ) Sign because when 
I first joined it was black economic empowerment in a vacuum what I mean by that, it was for many people 
given position whereby they did not understand what management is, as they never worked as 
managers in another company before and fortunately for me I had stayed in the Unite States where I was 
for 7 years working for a company Johnson & Johnson, pharmaceutical company, in charge of operations, 
eh so I had the understanding of what operations was all about.

And now, within NSB group we have ten breweries which are functioning right now, we treat each brewery 
as a different entity ( ) the call.

It a SBV, ( ) Business Unit,

Yes we do

Do you feel that we are treating these company us differently and they are but working as a unit or

No, they are too focussed on themselves, they are not learning from each other or not behaving as one 
organization.

Yeah, firstly you have to ( ) that when you are in a business unit, your business unit is a profitable is your 
business unit to survive, and so I feel that business units are not working in isolation they are the the 
corporate NSB company that they are working for but they have to be able in order for them to survive and 
not to be closed.

So you would say yes, NSB is working as a unit?

Yes working as a unit.

Drawing on strengths of each unit, learning from each other’s lessons.

I mean when one unit is struggling with sales on profitability the other units are ( ) it up and helping 
along, so in that way we are understand that it would be difficult month for one unit and then other units 
come and help and then.

Ok, ( ) had just had a ( ) plan I had made for NSB. What are your views on this plan? 
What would say is missing, what would you like to ..... If you had to make a business plan from NSB, what 
one the elements are aspects of a plan you would put in a ( ) from here?

Well, we are taking about like black economic empowerment which really is not the main focus, now the 
main focus of the company to make sales volume’s and then to be also be ( ) market leader, so 
brand loyalty and the quality of the product is also ( ) eh, the customer services and 
payment for beer received by customers payment on time, so I would say it depend on the ( ) you 
have here is really what we at NSB strive for at SBVs. But now one would just ( ) which one 
would come first and so on.

If you were to make the plan for NSB and looking at the current status of NSB as it is, as looking, the way 
it headed, in the next 5 years, next 10 years, what type of plan would you would prepare, what are the 
things you would put in ( )?

From this plan? 
From your plan, you can add anything you feel like you can substitute anything, according to you what are 
the things which need ( ) in NSB?

Well, I think the focus in NSB has to be the growth and the development of employees because for me we 
have done everything else to ( ) concentrate on the product, on the brand loyalty sales, and collection of 
money but I think on ( ) in the next 5 years have to be development of our employees
and also communication between Head Office and the breweries should be a priority, because the head office is looking upon as as divorced from from the whole, the people of the breweries and that is not going to be good for the future of the company.

What can be done to strengthen or help build faith in the relationship, brewery, head office relationships?

People at brewery level should feel that well the communication between Head office and brewery is a two way communication, we need to look at the belief that we are; at head office, that we come up with and see whether the people at brewery level are with us in terms of doing and understand what head office is doing for the good of the company and good of the employee who are working for the company. (OK) People need to feel that ( ) they are here in the company for a long haul, which now is lacking there, there is something that the employees feel eh that the company just doing things and not being sensitive to the employees ...................(sigh)

Now, I have listed here 10 factors, these are the 10 at, in my view which which will impact on the future of NSB at maybe the current business plan which we are discussing right now or you know one focal point which we must focus on, like you said training of employees, that’s one ( ) NSB should have, then it could be social dynamics, economics, political issues according to you what are the few factors, which you feel will impact on the future of NSB, which are the things we must concentrate on.

Technology, Technology advancement because for instance we are not some most of the breweries are not on-line and we need to ensure that the we make the breweries on-line as not to loose money and to always to be on proper side, eh, we also to be sensitive to the political developments which are happening around us, because there are many laws which have been passed, ( ) employees in terms of labor relations, in terms of skills development and in terms of safety regulations, you see the sort is looking at social and political development of the less privileged people,

And would you say like, laws like equality bill would effect one company, NSB, which is already you, know...

Well, we have to know as people working at breweries, what head office is doing about those things, so those are the things people hear about, ( ) about the government is ( ) for equality bill, skills bills and so on so we have to be protective there and I don’t feel the company is ...............I feel its lagging behind.

Basically, technology and political issues are the two factors which you would, ......................

And at this time yes.

I know the constraints of the company in terms of money the company has been struggling to tray and be able, and I think we have reached a turnaround, that we can that now we can look at those things.

Eh Now with your ( ) at NSB. What are the important lessons you think we must remember so, for the future use, in which we can benefit from past experience?

Well, NSB started as the company that had the money, ( ) company ( ) from the government, and the company was positive, we were making money e made mistakes in that we started, building companies to make clear beer and we barred ourselves that, that project never took off, because of the giant, S A Breweries, that was waiting for us to take-off, and that we ready to kill us, so that one so that made the company struggle in terms of ability and that what caused the company to retrench a lot of employees in the process because it was I ( ) money and we struggled to survive and in the process many people were retrenched but now it has tuned around now.
Q. What major decisions, would you say are long term implications is the organisation facing right now?

Well, right now we are facing the merger between the NSB & TBI and we have to ensure that the merger does not, eh you know, benefit the company NSB and that lessons we learnt from the past we would use them for the future, so that, you know, which ever company we choose to .... From NSB or TBI, it has to be for the benefit of the company not for any other, you know, selfish motives.

O.K

Q. So what happens suppose this, the merger does not go through, the competition commission says no this can not go through because you would become a monopoly or for any other reason; What scenario do you forsee?

Ans. I see a scenario right now where it will be very difficult for us to try now and and fight TBI, TBI has come to know a lot about our operations then we know very little except for certain people higher up in management, we know very little about their operations, so that’s something people are talking about and worried about.

Q. O.K, So what are the few points we need to look into for the next few months.

Ans. For the next few months as far as the merger is concerned we need to ensure that we do the, this, that we have been doing to make us a profitable. We have been working very hard to push for sales, we have been looking at our transport, we have been looking at everything that has made us where we are, in a profitable situation.

We still need to work very hard, and do the things which has made us where we are.

Q. O.K, And are you facing, if you are, what constraints, ehh, in the inside or outside of the organisation that limit you in what you achive in your business situation.

Ans. Well, inside the organisation, in my own business unit my constraints are transport problems in that the trucks that we are using, 10 of them are old trucks, they were bought about 20 years ago and they keep on breaking down, and that’s our main constraint, transport. But we are promised that we would be given new trucks and that to me is encouraging, that at least I can do my deliveries on time and try now to get the product to the customer, before the competition gets there.

Q. What other constraint would you say you are facing besides transport.

Ans: Constraints about not being on line, because again, on financial constraints from head office erhh, you know, where you can now have credit limits, comply with the policy, which the company wants us to comply with and those things are critical because we have depots which are far away from us, 50 to 250 kms, we would like those depots to be on line, those constraints.

Q. What would you say, erh, how are the inter brewery relations?

Ans: Well, inter brewery relations are good, but you know you ca phone somebody and tell the person about the problem, other brewery manager, and financial or whatever, and people can give advice on what you can do, there is still competition between breweries which is good, the, so that is good, so we regard ourself being in one team, we are also create competition, inside the company.

Q. What would you say Mr. Kwatcha, that in future, NSB, together what is its focus going to be, with respect to all breweries working together, what would you say they aim to, what are their goals?

Ans: Well, the way I see, which is what we have to understand is what head office is, plans are…….interruption.

We have to understand, all of us, the direction the company is taking, we don’t have to hear it from the people, which still there is a code of secrecy, that I feel can be dangerous for the company, where people pick up phone and call up another brewery wanting to know, hey what’s going on. So get people together, and make everybody understand what’s going on which direction we are going so that people can now climb on the band wagon and help the company to move in that direction, and I think for me that is the main focus that the company, whether its aware of that or not, if company can do that you can rally the
people around whatever the aim, 5 year or 10 years plan the company has and people are willing to do that, to help the company succeed.

Q. O.K Mr. Kwatcha the last question, Please consider the future when you will have moved on from your current position, to the next job or retirement, what do you hope to leave behind that people will associate with your period in office. What do you want to be remembered for?

Ans: Well, I have always regarded myself as a person who has worked honestly erh, sincerely, you know that people must regard me a fair and honest manager, who has the interest of the company and the people who are working for, at heart, and for me that are the things I would like to be remembered for.

Alright Mr. Kwatcha this would help me a lot, thanks for your time

Thankyou.
INTERVIEW VIII

Mr. Kon Scholtz
Senior Vice President
(Inland Region)

22th October 1999
Q 1. When did you join NSB? = No 1971

Q 2. What attracted you to NSB? = Sogfian, liquor, malt

Q 3. You have been working for the last _____ years, how have been you first half and how the second?

Q 4. There are ten different breweries all been treated as SBU's, do you feel NSB is working as a UNIT?

Q 5. This is our business plan, your thoughts, worries and anxieties about it and the perceived reality?

Q 6. What in your view derives the success of NSB? (People, product loyalty, distribution, sales staff, etc.)

=> Philosophy made available!
Q 7. What significant events can you identify in the past of this organisation, good or bad, that should remain in our memories as important lessons for the future?

- Compete to improve good - OR poor
- Handle it like influential
- Consumer of our commissions.

Q 8. What major decisions with long term implications is the organisation facing at the moment?

- Challenge volume moves (size)
- Corporate identity: focus?
- merger + advantage
- Synergies: what?

Q 9. What decisions need to be tackled in the next few months?

- Best RnM problem
- New product cycle
- Price

Q 10. What major constraints are you experiencing inside or outside of your organisation that limit you in what you can achieve in your business situation?

- Distribution = available
- Threat: overstock
- Value

Q 11. How are the interdepartmental relations in the brewery?

- Inland area: increases

Q 12. Please consider the future when you will have moved on from your current position, to the next job or retirement, what do you hope to leave behind that people will associate with your period in office. What do you want to be remembered for?

- Put together sales growth
- Teams actually stronger than ever
- Storm issues & team building
Brand Loyalty

High Volume Sales

Revenue

Market Leader

Employee's

Customers Calling

Timely, Reliable Delivery of Supplies

Competitively Priced

Quality Sorghum Beer

Employee Training

Reliable Distribution

Technology Advanced Brewing Facilities

Debt Negotiation

Competitive Pay

Black Economic Empowerment

NSB Business Plan

Review 2.3 and need from 2.1

Redraw the company
1. Current Business Strategy
2. Desired Focal Point
3. Social Dynamics
4. Economics
5. Political developments
6. Technology
7. Demographics
8. Information Access
9. Knowledge of the future
10. Environmental Demands
22 October 1999

Interview with Mr. Kon Scholtz Senior Vice President Operations, 15:00 Hour.

Er interview for dissertation of TWR.

Er good afternoon Mr. Scholtz er thanks for the opportunity er for to let me take some notes with you er as I explained earlier this is regarding er my dissertation which I have to hand in for my master degree. Er Okay Mr. Scholtz let me start me start by asking you when did you join NSB?

Ah I joined NSB long before it was NSB but in actual fact I joined the industry when it was with the predecessor of uh IDC that is.

Long before IDC when it was local authority, when it was a development course. .......1971.

So you spent er, more than 27 years with NSB right now er,

NSB and the predecessors

and the sorghum industries?

Yes

What attracted you to sorghum industry?

Ah, well ... when I’m starting it was not only sorghum industries it was was a total liquor market ...sorghum beer and ultimately we have ah privatized the liquor ah the ..... remainder ...sorghum beer. What actually attracted me was ah, ... good opportunity ah, at that time.

Uhm. and now you have been working for more than 26 -27 in this industry and er lets say since its formation er lets say 9 , 10 years with NSB, Uhm how do you feel things have taken form in industry since it started at Uh very localized thing there with all the breweries NSB were not part of NSB but now as a group of NSB? How do, you.feel things have changed since then.

Ah, well there is so many things, the internal environment .the company has gone through stages of uh, regional transformation from the government parastatal, to IDC was highly profesionalised then to, Prof. Mohanyale era, which was er, ..... for post management. Now we try to rebuild the ....... but the fact that er its one company you know that it is one company it make a lot of more since and uh, from a dynamic uh, point of view it is better,
uh that is internally, ah,.....externally, of course you need to cope with the change in .......
the changing of ...
the changing patterns of the uh, the consumer. And then also ah, ah take cognizance of
marketing realities as far as economy is concerned.

Ah, Mr. Scholtz internally you say er, er you said it is better for NSB because we are
working as one unit. Do you really feel that we have now 10 breweries which are now
currently operational? Do they work as a unit? Do they drive on each others success,
failures lessons learnt from each other.

Ah I think that er, that at the latest ....the understanding er that they er , er...... .. some is
more successful and some is er less successful. But that is very normal and that the
objectives is all the same.

Okay

Uhm, according to you you have studied the business plan , I er

According to me whenever I could put together in my knowledge I have done so.

What, in your regard what would you say the points which we should address? When it
comes to making er a strategy decision a plan for NSB which er can be relevant for the
next 5 years or so?

Ah well, you need to take cognisance certain ....... of our er external environment er as
far as economy is concerned and uh, taking changing demands, of the consumer, but
however it has,......er needs to be addressed by uh, understanding what consumer
demands and ......how .....we can..meet...their demands so, once the consumer is happy
and can grow and er, if the consumer is not happy then you got problems and then
obviously you need to cope ..... with sorghum breweries industry in its whole , you need
to cope with home brew, you need to position yourself very carefully between uh, home
brew and...... and then also clear beer and substitute products. But ultimately at the end
the day to identify consumer needs and make them happy as best as possible.

So you talked about er, giving the consumer what he wants, looking at the sales trends
for the last eight years er, you find that er, sorghum beer is ...... er is quite stagnant, you
talked about placing the beer in very strategic between home brew and clear beer, now
either some times there is a feeling in the market that either the people are more willing to
go for the home brew or more .....and no how many go to the clear beer. How would you
position your er brand say NSB brands to to make brand loyalty and make people
drinking industrially brewed sorghum beer?

.......basically you know its uh, a combination of tactics you know you get your .......
the you know maybe your price .........................your product acceptability your er,
your promotional campaign and then , the availability of the product er, er within place
er, and changing environment er, and you need to see how best you can cope with that.
Okay, now in your view what er, is uh, the little bit of success that has come through to NSB what are the factors behind that?

I ...........the success is ah, is uh, its actually uh, relate to the ......philosophy ...... best possible.. how fast can we make products available, uh, how best, er consumer needs can be satisfied in terms of product market er, er, er in certain where you know it is according by the promotional campaign but er at the end of the day , er yes I think those are the things which are driving our ............ However ...........is also true what is to develop ....price and the realities of markets.

Okay , uh, Mr. Scholtz you have been in the market for eight years now er, obviously, with that vast experience what are the things which coming into your mind that er will always remembered as part of your important lessons that you have learnt in sorghum industry. You know which are your good or bad memories which you would like to remind us as a lesson for future?

You see so many things like a computer garbage in garbage out. The better your input the better the outcome.

Okay

The weaker your input the weaker your outcome so in a nutshell uh, if you handle it like just a commodity you handle it like something real er something er ......influenced, influenced by so many factors that you know I , er that is what is important . You can’t take the product for granted you can’t take the consumer for granted. You need to understand that our consumers are connoisseurs and er, you expect them to put the hand in the pocket, buy your product, you need to give them something in return, something which is actually making them feel comfortable about the outlay of capital so in a nutshell yes once again they may expect some basic ........... they may take your product in the market for uh, uh granted and uh, uh end up .............................................. The outcome is that and them must realize what is ...................because, the product is there the product has and acceptable uh, has a place in the market place uh, and especially in South Africa and Africa there is a place for it and with all due respect I think what is (cell phone rings) ..................this product you can you can make a very high uh, uh, notes.

Right sir you discuss er, er , about people sorghum drinkers that’s uhm, connoisseurs that’s uh, who are aware of what er, product they are looking for so basically uh, is that true to say that er the quality of sorghum beer should not be compromised in any way when we are giving them the products?
You know you can never compromise on the quality you can never compromise on the on
the exactly what they want . You know uh, ................. the word quality is very wide.
Basically depending on what the consumer wants and then you need to give it to him.

Um, and uh, the weight of maintaining a good quality product at a low price, is very
challenging in this industry.

Ja, it is very challenging, you need to challenge both uh, you should never................ out price, however the contrary is true. If the service is very good
your product is very good then, you can uh, uh, risk a few cents more, but you always
need to balance it.

Okay thank you sir. Uh, in your view what are major decisions with long term
implications that NSB is facing right now?

I think you know, uh, uh, the big challenge for NSB is the, is the..... really to get the
volumes we need and uh, uh, okay that is in terms of ........uh, the sales itself, uh but then
also, you know we need to establish now a corporate identify were people start building
careers in the company and get refocussed, and ultimately at the end of the day everybody
must realize that this company is real. It is here to stay the product is here to stay,
because it has gone through so many phases and so many implications, uhm, basically
once we have consolidated our position and everyone realize the company is moving
forward, and there is a future for the company and also for the product by itself.

When you talk about consolidation do you have the merger in the back of your mind?

The merger is just one thing but with or without with out the merger, the company was
not supposed to be in this trouble, you know. Uh, Uh, I think you know yes a major
role.......the advantages however it needs to uh, uh, managed properly, or ....... that file.

Uh, little bit more about this merger, uh, and you talking about getting stability to the
market, uh. What would you say are, one major advantage NSB might have of this
merger.

Well, you know I think uh, at these ...uh, you know its the facilities between the
companies. Which will obviously improve in time.

Okay, Uh, in the short term what are the decisions that NSB needs to take, uh, which are
critical to the organization?

I think in the short term you know ;uh, one should see how best one can cope with the
raw materials uh, problem and then obviously look how one can control and monitor
demand for customs .......... because it's a short shelf life product uh, and, and the
uniqueness of the product does not give you much room for uh, error. Uh, so yes I think
if we can manage our distribution channel and can manage uh, uh, our price and
especially take cognaisance of how we can handle the real problem.
Thank you.

Uh, in your view what are the major constraints we are experiencing inside or outside the sorghum industry? Which limit you to achieve what you can in this industry?

I think you know, once again distribution you know. Because you need to get the product available and uh, and look at the price sensitivity. The big challenge is you know product availability and and relates back to distribution and within distribution which is highly effective.

And uh, would you say current legislation and uh, government uh, & rules and regulations are in some way also constraint on our industry?

Not a restrain as now it can become a threat unless managed properly. However I think it can be overcome and you know ..................... the uh, uh, prerequisite and we need to comply with and uh, I think that it can be overcome.

Uh, how would you rate the inter-brewery relationships at NSB we have?

I think that in that area we have quiet you know uh, uh, acceptable and it can always improve however. There is a lot of uh, uh, common ground amongst uh, the guys and uh, I think it is not too bad. I think it is quiet positive.

Thank you. Sir if you look these ten points which I have just shown you according to you what are the major factors which would effect NSB in five years time ten years time. Which are the issues which we need to deal with.

Uh, you see basically, you need to deal with all ten of them uh, on continuous basis. Uh, you can’t actually take any one of them out.

Uhum.

Because your current business strategy needs to be doctored and uh, and uh, brought in line with uh, current realities. Your desired focal point you know will change from time to time but, you know at the end of the day you want to sell you product so its not dynamics. You know, its there it is a reality and you need to position the brand in such a way uh, the product is always highly, uh, acceptable by all parties. It has got to be you, economy plays its role. You know more money more business less money less business. And then you know quality developments yes, that has always influenced, not much but you know you need to upgrade plant uh, you need to have the capital. And on putting it on a ............... basis you need prove it. Even that is sacred. The information that is there so you need to know what is going on. Knowledge of the future yes need........................ I think ........ ten points you know . I think that actually you can’t say I want this one because you know actually you can not take any one of them out. You can’t say that one is more or less important than the other.
All right thank you sir. The final question uh, please consider the future when you will have moved on from your current position to the next job or retirement. Uh, what do you hope to leave behind that people will associate with you er, in your old office or that you want to be remembered for?

Well, I honestly hope you know that this company is successful in terms of sales growth and bottom line, but, at the end of the day there must be team and uh, as a team actually is stronger than an individual, you know. Honestly my belief is that there must be a proud team building itself a future and, and er, actually taking out the challenges because the company is as good as its people.

So, basically er, you would like yourself to be remembered as a team builder?

I hope so, you know I hope that I contributed somewhat in terms of team building. I mean you know there is always room for improvement but you know that at the end of the day a company or brewery is as good as its team.

All right thank you for the opportunity....

Okay..Sandeep.
INTERVIEW IX

Mr. Paul Mamorobela
Vice President
(Egoli Brewery)

26th October 1999
Mr. Paul Mamorobela  
Vice President (Rogoli Brewery)  
October 26, 1999

Q1. When did you join NSB?  
1989 - NSB  
1990 - NSB.  
1991 - General Manager.

Q2. What attracted you to NSB?  
Challenge to be clear - been SAS.

Q3. You have been working for the last 8 years, how have been you first half and how the second?  
First 4 years - no structure - (operation)  
Control - professional.  
Last 4 years - chaotic.

Q4. There are ten different breweries all been treated as SBU's, do you feel NSB is working as a UNIT?  
I communicate with Sara.

Q5. This is our business plan, your thoughts, worries and anxieties about it and the perceived reality?  
1. Cost, law.  
2. Legation, economy.  
3. New market, market.

Q6. What in your view derives the success of NSB? (People, product loyalty, distribution, sales staff, etc.)  
Company is getting focused.  
Good orientation - ideal.  
Helping in the market.  
Team work.
Q 7. What significant events can you identify in the past of this organisation, good or bad, that should remain in our memories as important lessons for the future?

- 1,674 people employed at head office. 7991-96 people employed at B.M.S.
- Office not required at function.
- Quality of brews improved.
- Not enough height.

Q 8. What major decisions with long term implications is the organisation facing at the moment?

- Brewery in good running conditions. (Infrastructure)
- Transport: improved.
- Train staff.
- Field force.

Q 9. What decisions need to be tackled in the next few months?

- Trainer performance relief related system to be in place.

Q 10. What major constraints are you experiencing inside or outside of your organisation that limit you in what you can achieve in your business situation?

- Too much paperwork. The line of decision making is too long.

Q 11. How are the interdepartmental relations in the brewery?

- Ready to hold meeting.
- Interface not at this stage. Good.
- Interdepartmental good.
- Inter depot good.

Q 12. Please consider the future when you will have moved on from your current position, to the next job or retirement, what do you hope to leave behind that people will associate with your period in office. What do you want to be remembered for?

- Get young people involved in senior positions.
- Economics, profit and money, sales.
- Get along with colleagues (team player).
- Loyalty to company.
- Carry for people.
- Accept what comes your way.
Token employee morale issues like incentive scheme

Pol & Emery
1. Business Plan (Idea)

2. Desired Focal Point

3. Social Dynamics

4. Economics

5. Political developments

6. Technology

7. Demographics

8. Information Access

9. Knowledge of the future

10. Environmental Demands
INTERVIEW X

Mr. Toy Dannhauser
Sales Manager
(Sondela Brewery)

26th October 1999
Mr. Toy Dannhauser

Sales Manager (Sondela Brewery)

October 26, 1999

Q 1. When did you join NSB?

1987 → 1989: NSB. → Cold drinks!
Q 2. What attracted you to NSB?

→ Study & academic (1983) → bd. brewery.
→ Knowledge / Sondela.

Q 3. You have been working for the last _10_ years, how have been your first half and how the second?

No big in Q.

→ Mgt; style; politics 

→ Change pack. Size design 

Q 4. There are ten different breweries all been treated as SBU’s, do you feel NSB is working as a UNIT?

Yes, SALES. In old days no lean

Today it is a ...

Q 5. This is our business plan, your thoughts, worries and anxieties about it and the perceived reality?

① Quality is prime. 

② To see if all market is cornered & if there are gap covers.

③ Pack (appearance).

④ Improve the “image” & “perception” of the people that have to be reached by ad, info, etc.

Q 6. What in your view derives the success of NSB? (People, product loyalty, distribution, sales staff, etc.)

① New outlets, new & capable distribution.

② Reliable fleet.

③ Uses a new concept of or consumer selling.
Q 7. What significant events can you identify in the past of this organisation, good or bad, that should remain in our memories as important lessons for the future?

- Market misled was no market intelligence.
- No advertising.
- No environment conditions!

Q 8. What major decisions with long term implications is the organisation facing at the moment?

- Market development?
- Locally done brew.
- Advertising is limited we rely.

Q 9. What decisions need to be tackled in the next few months?

- Merger -> Big boy; price level to the same.
- Brands are in question as TSI brands are under priced.

Q 10. What major constraints are you experiencing inside or outside of your organisation that limit you in what you can achieve in your business situation?

- Trade is constant.
- Competition = Home brew, check when (competition serviceable mainly).

Q 11. How are the interdepartmental relations in the brewery?

- Very little communication among the places.
- Morale of employees is not good.

Q 12. Please consider the future when you will have moved on from your current position, to the next job or retirement, what do you hope to leave behind that people will associate with your period in office. What do you want to be remembered for?

- Good coach to build staff people.
- Most of the people were promoted.
- Listen to employees personal problems.
- Team leader.
Co. to be done the people should not be shifted to

must, among others.

The team leader.

The manager knows on a daily basis what is
got on to his department & try here on weekly
daily basis.

And action plan needs to be given to P. Mamabola

I will ask on it.
1. Current Business Strategy
2. Desired Focal Point
3. Social Dynamics
4. Economics
5. Political developments
6. Technology
7. Demographics
8. Information Access
9. Knowledge of the future
10. Environmental Demands
INTERVIEW XII

Col. S P S Khurana
Executive Vice President (Operations)

4th November 1999
Col. S P S Khurana

Executive Vice-President: Operations

November 4, 1999

Q 1. When did you join NSB?

Q 2. What attracted you to NSB?

Q 3. You have been working for the last 13 years, how have been your first half and how the second?

1/2 = Fight for the past 13 years
- Cost
- Quality
- People
- Poor service

1st half = plan operations, offer

Q 4. There are ten different breweries all been treated as SBUs, do you feel NSB is working as a UNIT?

- All brewery & different territory
- Socio e.g. lifestyle
- Demographic
- Bad image
- Low prestige

Q 5. This is our business plan, your thoughts, worries and anxieties about it and the perceived reality?

- Stagnant market
- Attack those big brands in the industry
- Price sensitive
- Threat from clear beer

Q 6. Position of soybean?

A very big advantage to clear beer.
Q6. What in your view derives the success of NSB? (People, product loyalty, distribution, sales staff, etc.)

Q7. What significant events can you identify in the past of this organisation, good or bad, that should remain in our memories as important lessons for the future?

Q8. What major decisions with long term implications is the organisation facing at the moment?

Q9. What decisions need to be tackled in the next few months?
Q 10. What major constraints are you experiencing inside or outside of your organisation that limit you in what you can achieve in your business situation?

- Liquor bill
- Amendments
- Material cost
- Sales
- Monopoly
- Pack
- Remake
- Resistance

Q 11. How are the interdepartmental relations in the brewery?

Not awakened

Q 12. Please consider the future when you will have moved on from your current position, to the next job or retirement, what do you hope to leave behind that people will associate with your period in office. What do you want to be remembered for?

- Best impression ever
- Part of turnover
1. Business Plan (Idea)

2. Desired Focal Point

3. Social Dynamics

4. Economics

5. Political developments

6. Technology

7. Demographics

8. Information Access

9. Knowledge of the future

10. Environmental Demands
NSB Business Plan

Marketing

Brand Loyalty

High Volume Sales

Revenue

Market Leader

Employee's salaries

Black economic Empowerment

Payment of debt

Satisfied suppliers/creditors

Quality Sorghum Beer

Service

Training of employees

Technologically advanced brewing facilities

Reliable Distribution

Customer Calling

Timeous/reliable delivery of supplies
### APPENDIX IV

**INTERVIEWS**

**Interview 1.**

Mr. Bassie van der Hooven  
Sales Manager (Phelindaba Brewery)

<table>
<thead>
<tr>
<th>Internal</th>
<th>External</th>
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</thead>
<tbody>
<tr>
<td>1) Cash flow problems</td>
<td>1) Low demand for Sorghum</td>
</tr>
<tr>
<td>2) low marketing</td>
<td>2) Home Brew</td>
</tr>
<tr>
<td>3) Cost cutting exercise</td>
<td></td>
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<tr>
<td>4) Proudfoot (External consultant)</td>
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<tr>
<td>5) Right size</td>
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<td>6) Distribution</td>
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<td>7) Service</td>
<td></td>
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<td>8) Training</td>
<td></td>
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<tr>
<td>9) Salaries/ employee care</td>
<td></td>
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<tr>
<td>10) Payment to creditors/suppliers</td>
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</table>
## Interview 2

**Mr. Douw Pretorius**  
*(General Manager Phelindaba Brewery)*

<table>
<thead>
<tr>
<th>Internal</th>
<th>External</th>
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<tbody>
<tr>
<td>1) Power too much centralised</td>
<td>1) History of high sales, coming down in 1979 and stagnant for the last 8 years</td>
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<tr>
<td>2) Employee care</td>
<td>2) Alternative raw materials</td>
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<tr>
<td>3) Team work</td>
<td>3) Arrest sales</td>
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<tr>
<td>4) Profit orientation</td>
<td>4) Home brew</td>
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<tr>
<td>5) Training</td>
<td>5) Treat consumer to be treated as a connoisseur.</td>
</tr>
<tr>
<td>6) Distribution</td>
<td>6) Upgrade facility, use of Technology</td>
</tr>
<tr>
<td>7) Flat structure of the organization</td>
<td>7) NSB, and TBI merger</td>
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</table>
Interview 3

Mr. Ashok Roy
Vice President (Internal Audit)

Internal

1) System on-line
2) Internal vigilance on fraud
3) Check on sour beer
4) Policy to be maintained (Use guidelines)
5) Credit control
6) Control Bad Debts
7) Ullages
8) Distribution

External

1) NSB + TBI merger
2) Raw material
**Interview 4**

**Mr. V. V. Giridhar**  
Vice-President (Finance)

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<tbody>
<tr>
<td>1) Bad debts/ cash collection</td>
<td>1) Government levies (tax holiday)</td>
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<tr>
<td>2) Repayment to banks</td>
<td>2) Increase sales</td>
</tr>
<tr>
<td>3) Training</td>
<td>3) Penetrate Home Brew</td>
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<tr>
<td>4) Cost cutting</td>
<td>4) TBI + NSB merger</td>
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<tr>
<td>5) Right size the company</td>
<td>5) Raw Material</td>
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<td>6) Raw material</td>
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<tr>
<td>7) Employee care</td>
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<td>8) Sell unwanted assets</td>
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<td>9) Lack of vision and direction at management</td>
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<td>10) Transparency between management and employees not there (Communication).</td>
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<td>11) Develop teams</td>
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Interview 5

Mr. Rajiv Shrivastava
Manager (Commercial)

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<tr>
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<tbody>
<tr>
<td>1) Employee care</td>
<td>1) Raw Material (forecasting)</td>
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<tr>
<td>2) Distribution</td>
<td>2) Merger (NSB and TBI)</td>
</tr>
<tr>
<td>3) Policy controls</td>
<td>3) Product development</td>
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<tr>
<td>4) Review meetings to be held on regular basis</td>
<td>4) Price</td>
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<tr>
<td>5) Right size the company</td>
<td>5) Raw Material</td>
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<td>6) Have central purchasing</td>
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<tr>
<td>7) Sense of competition to be there among breweries</td>
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<tr>
<td>8) Hygiene and cleanliness to be maintained at all levels</td>
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Interview 6

Mr. Nat Phakane
General Manager

Internal
1) Marketing
2) Distribution
3) Market leader
4) Training
5) Service
6) Team work

External
1) Image building
2) Brand loyalty
3) Shift from sorghum to clear
4) Legislation on Sorghum
   (Political issues)
5) Poor economy
6) Develop shebeens
7) Product development
8) Price
## Interview 7

**Mr. Ray Kwatcha**  
*General Manager (Tlokwe Brewery)*

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<td>1) Communication</td>
<td>1) Sales (Volumes)</td>
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<tr>
<td>2) Profit orientated</td>
<td>2) Brand loyalty</td>
</tr>
<tr>
<td>3) Distribution</td>
<td>3) Technology</td>
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<tr>
<td>4) Employee care</td>
<td>4) Political development</td>
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<td>5) Financial constraints</td>
<td>5) Merger</td>
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<td>6) Policy adherence</td>
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<td>7) Competition among breweries</td>
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**Interview 8**

Mr. Kon Scholtz  
Senior Vice-President (Operations)

**Internal**

1) Distribution  
2) Team work  
3) Quality  
4) Marketing

**External**

1) Home brew  
2) Product positioning  
3) Price  
4) Consumer is a connoisseur  
5) Merger  
6) Raw material  
7) Short Shelf life (Technology)  
8) Sales  
9) Environment (consumer demands)  
10) Economy  
11) Clear beer threat
Interview 9

Mr. Paul Memorobela
Vice President (Egoli Brewery)

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<td>1) Adherence to policy</td>
<td>1) Legislation (Political environment)</td>
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<td>2) Marketing</td>
<td>2) Infrastructure (Technology)</td>
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<td>3) Goal orientation</td>
<td>3) Economy</td>
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<tr>
<td>4) Right size the company</td>
<td>4) Sorghum image</td>
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<td>5) Training</td>
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<td>6) Distribution</td>
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<td>7) Employee care</td>
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<td>8) Flat organisational structure</td>
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<td>9) Team work</td>
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**Interview 10**

**Mr. Toy Dannhauser**  
Sales Manager (Sondela)

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<td>1) Marketing/advertising</td>
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<td>2) Team work</td>
<td>2) Sorghum image</td>
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<td>3) Quality</td>
<td>3) Home brew</td>
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<td>4) Distribution</td>
<td>4) Price</td>
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<td>5) Zozos (Huts)</td>
<td>5) Cheap wines</td>
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<td>6) Communication</td>
<td>6) Merger</td>
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<td>7) Employee care</td>
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<td>8) Market intelligence</td>
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Interview 11

Col. S P S Khurana
Executive Vice President (Operations)

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<td>1) Fiscal controls (policy adherence)</td>
<td>1) Sales</td>
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<td>2) Right size the company</td>
<td>2) Social dynamics</td>
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<tr>
<td>3) Rationalise capacity</td>
<td>3) Home Brew</td>
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<tr>
<td>4) Distribution</td>
<td>4) Corporate image</td>
</tr>
<tr>
<td>5) Communication</td>
<td>5) Raw materials</td>
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<tr>
<td>6) Business plan</td>
<td>6) Clear beer</td>
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<td>7) Market intelligence</td>
<td>7) Price sensitive</td>
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<tr>
<td>8) Business plan</td>
<td>8) Merger</td>
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<tr>
<td>9) Market intelligence</td>
<td>9) Listing on JSE</td>
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<tr>
<td>10) Fiscal controls</td>
<td>10) Liquor bill (Political environment)</td>
</tr>
<tr>
<td>11) Right size the company</td>
<td>11) Technology</td>
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