IMPLEMENTING EMPLOYMENT EQUITY STRATEGIES THROUGH MANAGING DIVERSITY

A RESEARCH DISSERTATION PRESENTED TO THE UNIVERSITY OF WALES

BY

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DECLARATION

I declare that this is my own true work and all contributions have been accurately referenced.
DEDICATION

This dissertation is dedicated to my ex-husband Christo, daughter Anelise and son Nico who supported and assisted me over the period of time, which this MBA took to complete.

Many hours were spent keeping me focused ensuring that my ultimate goal and dream was achieved.
For this I thank my ex-husband especially for looking after and caring for our children while I was researching this dissertation.

Thank you Lord Jesus Christ, my Saviour, for giving me the talent, health and endurance and this opportunity to demonstrate it.
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CHAPTER 1

1. INTRODUCTION

1.1 BACKGROUND

Tretyre (Pty.) Ltd., a subsidiary of Goodyear S.A., describes itself as "a major service provider" of tyres within South Africa. The company claims a strong customer focus. This includes understanding and anticipating customer needs, providing customers with a personal touch, supporting customers both in good and bad times and exceeding customer expectations. In order to achieve this, a fourfold strategy based on people, processes, customers and financial success is being followed.

In operationalising the people component of the strategy, two areas of people management are targeted – nurturing people and valuing diversity. Nurturing people includes attracting, developing and retaining competent people who are driven by the need to be successful. To this end performance management will be used as the driver. This includes a development plan for each employee, development of skills, attitudes and knowledge, and getting an accurate indication of individual performance. Achieving a culture in which diversity is valued, management of diversity is seen as the central driving force. This is based on developing a strong customer focus and making employment equity a strategic business requirement (Tretyre audit report, 2002).

Tretyre shares a number of challenges with other organizations in the Motor Industry. These are related to expanding and improving service distribution channels, defending market share against competitors, preventing fraud and aiming to understand niche markets in order to provide profitable services.

Meeting these challenges requires an understanding of the relationships between profitability, customer loyalty and employee satisfaction, loyalty and productivity. Profit and growth are stimulated primarily by customer loyalty. Loyalty is a direct result of customer satisfaction. Satisfaction is largely influenced by the value of services provided to customers. Satisfied, loyal and productive employees create value. Employee satisfaction in turn results primarily from
high quality support services and policies that enable employees to deliver results to customers. Service employees value the ability and authority to achieve results for customers. Additionally the attitudes that people have to one another and the way people serve each other inside the organization has an influence on the level of employee satisfaction. Studies have found that when a sales representative left a company, customer satisfaction levels dropped from 75% to 55%. It is therefore vitally important to reduce turnover of customer contact personnel and to enhance their job skills. (H.R. Monthly report – turnover, 2003).

Implementing Employment Equity successfully will contribute to meeting the above challenges, especially in developing staff to enable them to deliver value to clients both internally and externally and by fostering an environment in which people treat each other with dignity and respect.

1.1.1 Representivity and Employment Equity

To get an indication of the status of Trentyre in terms of Representivity it would be useful to compare the status of Trentyre in comparison to the different race groups. In this section the status of Trentyre will be analysed in terms of Management positions. Management positions are composed of what is known in Trentyre as Top Management, Senior Management and Middle Management. This breakdown is followed in the latest Employment Equity report of the Department of Labour and data is available in this summarised format. This summary allows the reader to focus on the areas where the most pressing under-representation of designated groups can be found. The data is further broken down in the following component areas: African, Coloured, Indian, White, Male, Female and Disability (H.R. Monthly report, Sept. 2003).

1.1.1.1 Representation of African people in Management positions

Trentyre is split into 4 geographical divisions plus a Head Office and a Technical Division. The Technical Division consists of 15 Retreading factories all over the Country. Trentyre has set itself the target of having designated representation of 20% at Management level by January 2010. At this stage Central Division has the most African representation of 3 Managers (5.36%) and Head Office 1 Manager (3.45%). (H.R. monthly report, 2003).
Figure 1.1. Representation of African people

From figure 1.1, it is clear that transformation at Trentyre is still in its infancy. Gauteng, North/East, Southern and Technical Divisions must still get out of the starting blocks. Divisional Directors have committed themselves to transformation and the Equity Plan. Management development programs have been introduced to enable Trentyre to meet its equity targets. Recruitment is focussed on designated groups.

1.1.1.2 Representation of Coloured people

Head Office has 5 Managers (17.25%) Coloured representation and Southern 4 Managers (9.3%) representation. The finance section of Head Office is located in Cape Town hence the high percentage of Coloured representation. The Southern Division is in the Cape Province where the coloured population is the highest. (H.R. Monthly Report, 2003).
Figure 1.2 Representation of Coloured people

From figure 1.2 it is clear that Gauteng, North/East and Technical Divisions must recruit and/or develop coloured employees.

1.1.1.3 Representation of Indian People

As far as the Indian group is concerned, North/East Division finds itself ahead of the other Divisions.
Figure 1.3  Representation of Indian people

From graph 1.3 it is clear that North/East has 4 Managers (7%) Indian representation and Gauteng 1 (4%). The other divisions are committed to the Equity plan. North/East Division is located in KwaZulu Natal (H.R. Monthly report, 2003).

1.1.1.4  Representation of the White Group

In this group the representation at managerial level is the highest
Figure 1.4  Representation of Whites

Figure 1.4 emphasise the level of over-representation of Whites in Managerial positions at Trentyre. This is not unique in the South African context and underlines the need for transformation (Department of Labour statistics, 2003)

1.1.1.5  Representation of the Black Group

The Employment Equity Act combines the African, Coloured and Indian groups to form the Black Group (H.R. Report, 2003).
Figure 1.5 Representation of the Black Group

Figures 1.5 provides a summary of the information that is represented under the first three headings of this section and again underlines the need for transformation (figure 1.5).

1.1.1.6 Representation of Males

Tretyre has more males in managerial positions than females. This serves to underline the level of over-representation of males in managerial positions (figure 1.6).
Figure 1.6  Representation of Males

Males are over-represented within Trentyre and a need for transformation is highlighted.

1.1.1.7  Representation of Females

The female Managers within Trentyre is a minority group. The perception exists that due to the physical strength needed to lift, load and off-load tyres from vehicles, only males can fulfil these tasks.
Figure 1.7 Representation of Females

According to Figure 1.7 the proportion of Female Managers in Trentyre is lower than Male Managers, this emphasis the need for the empowerment of woman

1.1.1.8 Representation of Disabled people

Trentyre has zero disabled employees in managerial positions.

1.1.2 Deduction

From the above it is clear that Trentyre is under-represented in the Black, Female and Disabled Groups. White males are the highest represented in managerial positions.

In the interest of retaining experience that has been gained in the business and enhancing corporate memory an advancement program for the above under-represented groups must be implemented. This would require a sourcing and selection and regular performance appraisals – to identify potential and ambition, career planning for individuals coupled to training and development that aims to develop competence required to provide services valued by clients.
This is in line with the declared strategy of Trentyre and is especially important in a service organization that depends heavily on customer loyalty for profitability as explained above.

1.1.3 Workforce Movement

1.1.3.1 Recruitment

Analysing the recruitment of designated groups within Trentyre it reveals that there should be more focus on the recruitment of designated groups into management positions within Trentyre. Traditionally Trentyre recruited proportionally more white employees and male employees than other designated groups. (HR Monthly report, 2003).

![Recruitment Chart]

**Figure 1.8** Recruitment

1.1.3.2 Promotions

All positions are advertised and internal applicants have to apply for positions. When employees apply successfully for an internal position in his/her business unit this should be regarded as a promotion, and should be reported as such. Monitoring staff promotions within
the organization and making it public will lend credibility to Employment Equity initiatives (H.R. Monthly report, 2003).

**Figure 1.9  Promotions**

1.1.3.3  Terminations

The total number of terminations recorded in the report is reflected in the figure 1.10 below. It is evident that terminations in Trentyre were from the over-represented groups only.
Figure 1.10 Terminations

1.1.3.5 Disciplinary Action

Figure 1.11 reflects disciplinary action taken against all race groups and genders at all levels. It is not possible to determine from the figures any bias in the disciplinary action taken (HR Monthly report, 2003).
Figure 1.11 Disciplinary actions

1.1.3.6 Skills Development

Skills development receives high priority at Trentyre as 97% of total staff was trained during 2003, of which 74% is from the designated groups. This represents adequate training and development of staff to ensure that people from designated groups are developed to fill more senior positions in Trentyre.

1.1.4 Background to Affirmative Action

The term "affirmative action" originated in the United States of America (USA) some 30 years ago as part of the process aimed at liberating minority groups. The initial objective of affirmative action in organisational context was to democratise the American workplace by furnishing members of previously excluded minority groups the opportunity to enter higher ranks in the corporate environment. The "woman's liberation movement" resulted in women joining the groups that were considered having been discriminated against, and becoming potential candidates for the process of affirmative action (Beach, 1997:177). Disabled people, especially in the aftermath of the Vietnamese War, became a further focus point of affirmative action (Beach, 1997:178).
The first effort to ban discrimination in employment practices in the USA was launched by President Franklin D. Roosevelt as far back as 1941 with the establishment of a Fair Employment Practices Committee. Since 1963, the American Congress has legislated a number of laws, inter alia aimed at prohibiting employment discrimination. These laws include the Equal Pay Act of 1963, the Civil Rights Act of 1964, the Vocational Rehabilitation Act of 1973, the Vietnam Veterans Readjustment Assistance Act of 1974 and the Americans with Disabilities Act of 1990 (Beach, 1997:181; Kravitz et al., 1996:3).

The implementation of affirmative action in the USA has, however not progressed without considerable resistance. While employers are pressed through litigation to implement affirmative action, the justice of affirmative action as a practice is being challenged in the courts (Warner, 1996:1038). Thompson, (1998:56) notes the “zigzag course” of American case law as a confirmation of this. According to Johnson, (1997:48) to “discriminate against or grant preferential treatment to any individual or group on the basis of race, sex, colour, ethnicity or national origin,” is unconstitutional. This comes after many years of objection by the white majority to so-called reverse discrimination.

South Africa was first affected in 1978 by the American affirmative action developments embodied in the Sullivan Code of Conduct. Apartheid was the main cause for the reverend Leon H. Sullivan of the Zion Baptist Church in Philadelphia, USA to develop the Sullivan Principles. The Sullivan signatories’ programme was aimed at bringing an end to inequalities in South Africa (Weedon, 1996:56). Weedon, (1996:57) quotes the Sullivan Principles as originally formulated:

- Non-segregation of the races in all eating comforts and work facilities.
- Equal and fair employment practices for all employees.
- Equal pay for all employees doing equal or comparable work for the same period of time.
- Initiation and development of training programmes that will prepare, in substantive numbers. Blacks and other non-whites for supervisory, administrative, clerical and technical jobs.
- Increasing the number of Blacks and other non-whites in management and supervisory positions.
- Improving the quality of employees’ living outside the work environment in such areas as housing, transportation, schooling, and recreation and health facilities.
These principles specified six dimensions of desirable behaviour on which signatory companies in South Africa were rated. The Sullivan Principles’ primary aim was to contribute towards bringing an end to apartheid and American businesses with subsidiaries in South Africa were expected to take a moral stance in opposing apartheid (Gray & Karp, 1993:1). Signatory companies were also expected to improve Blacks’, Coloureds’ and Asians’ education, training, advancement, economic opportunities, health care, housing and living conditions, and to report on progress in these respects (Gray & Karp, 1993:6). These measures did not however have the anticipated effect and in 1987 Reverend Sullivan called for the Sullivan Principles to be abandoned, all United States based companies to withdraw from South Africa and for full corporate and government sanctions to be implemented against South Africa (Brown & Ruffin, 1997:17). Immediately following this, large USA companies like Citicorp, IBM and Xerox closed their operations in South Africa (Edmond, 1997:22).

1.1.5 Background to the Education System

Until 1994 South Africa was governed under an apartheid system where the larger portion of its population was deprived of a basic form of education. Under this system, education was divided into two levels:

- Higher level for Whites only (minority)
- Lower level for Blacks, Coloureds and Indians (majority)

Due to these double standards the first group excelled scholastically over the second which resulted in the larger less educated group being developed as followers, who were manipulated into effectively carrying out instructions without questions or inputs (Employment Equity Act, 1998).

With the transformation of South Africa into a democracy and the shift to a predominantly Black Government during 1994, major changes took place where the constraints of the past were removed and all inhabitants were afforded an equal opportunity. This resulted in a whole new world being opened up within South Africa as follows:

On the one hand you now had a minority group of people who in the past controlled and coerced a majority of the population into doing what they were told to do.

The same minority group now had to face the new challenges of empowerment, development, training and equity amongst all employees. There was also pending Affirmative Action
legislation being suggested and considered to correct past injustices to previously disadvantaged groups. This created fear and insecurity.

On the other hand you had the majority group, which had been suppressed into doing what they were told to do; a group, which was now given the opportunity, through empowerment, to participate and develop in areas where they were previously excluded.

This required major changes in mindsets on all sides to ensure a peaceful transition and co-workership across all sections of the South African economy and population groups. The need was to identify and search for new and effective ways to improve co-operation between the various parties in the workplace, which could lead to enhanced productivity, job satisfaction and the willingness to perform more effectively and efficiently.

This research study hopes to identify causes, possible actions and tools, which management could effectively use in obtaining their ultimate objectives of removing the obstacles linked to Affirmative Action appointments in line with the Employment Equity Act, Skills Development Act and the Affirmative Action Committee within Alpha Limited.

1.1.6 Background to Employment Equity

Under the leadership of the Former State President, Mr. F.W. de Klerk, South Africa moved to a country in transition, from political domination by a white minority to full citizenship of all communities.

On 27 April 1994, the African National Congress won the first-ever election in which eligible South Africans of all races had the opportunity to vote. Mr. Nelson Mandela was appointed President and the basic policy adopted by the Government of National Unity included the “reconstruction” of the country. Part of this reconstruction focuses on the eradication of all forms of unfair discrimination in the country, and the upliftment of all people who were traditionally disadvantaged because of apartheid-related, unfair discriminatory practices.

Taking into account the political economic and moral pressure, since the first democratic election in 1994, on South African organisations to implement affirmative action, it is imperative that almost every organisation will be compelled to take part in the process. This is underscored by the prohibition of unfair discrimination, the explicit duties of designated
employers regarding an equity plan, the enforced monitoring thereof and the legal proceedings in the case of non-compliance (The Employment Equity Act, Act 55 of 1998).

1.1.6.1 The Employment Equity Act

The Employment Equity Act (1998:12), states that the purpose of the Act is to achieve equality in the workplace by:

"Promoting equal opportunity and fair treatment in employment through the elimination of unfair discrimination: and implementing affirmative action measures to redress the disadvantages in employment experienced by black people, women and people with disabilities (referred to as designated groups) in order to ensure their equitable Representation in all occupational categories and levels in the workforce".

a. The Act requires designated employers to:

- Consult with its employees
- Conduct an analysis or audit
- Prepare an employment equity plan
- Report to the Director-General on progress

b. Designated Employer means:

- A person who employees 50 or more employees;
- A person who employs less than 50 employees but has a total annual turnover that is equal to or above the applicable annual turnover of a small business in terms of Schedule 4 of this Act;
- A municipality as referred to in Chapter 7 of the Constitution;
- An organ or State as defined in section 239 of the Constitution, but excluding local spheres of government, the National Defence Force, the National Intelligence Agency and the South African Secret Service; and
- An employer bound by a collective agreement in terms of Sections 23 of 31 of LRA.

1.1.7 Diversity Strategies
Affirmative action is one of the means to accelerate the advancement of people from designated groups, and, as such includes specific plans involving preferential treatment in appointments and promotions, and accelerated development and advancement strategies, along with other human resources policies and practices that are aimed at promoting workplace equity.

South African organisations, however, find themselves in a predicament, as no clear guidelines exist concerning the strategy they should follow in the attempts at implementing affirmative action successfully. Apart from the confusing terminology contained in the literature concerning affirmative action, the actual interventions proposed are vague and often multifaceted. No real lessons can be learned from the course of affirmative action in South Africa, as a majority of efforts consisted of "soft options" or was aimed at "quick fix" solutions (Maid, 1993:73).

The existing indices concerning the measurement of the success of affirmative action interventions present an even greater dilemma, in view of the fact that in the past it mainly centred on output measures such as "head counting", ignoring the vast effect affirmative action has on the organisation, its processes, productivity, resources, incumbents, and more specifically on the beneficiaries of affirmative action (Innes, 1993; Nkuhlu, 1993).

1.1.8 The Breakwater Report

The Breakwater Monitor Report of July 1999 indicates that in Management the following aspects need to be addressed:

(i) With regards to Management Positions

- White men and women hold 84% of management positions in South African companies.
- Men of all races hold 83% of management positions.

(ii) With regards to Promotions:

- White employees constitute about 74% of management promotions and 54% of skilled promotions.

(iii) In terms of Recruitment:
• General recruitment figures show that black men are most targeted, but Managerial and skilled recruitment figures show that white men are still favoured. For example, managerial recruitment figures show that the recruitment rate for white men is 46% followed by white woman at 19% and black men at 18%.

1.1.8.1 Racial discrimination in South Africa

South Africa’s history of apartheid has made racial discrimination in the workplace a contentious issue, because whites received preferential employment opportunities. The challenges facing the management of a South African organisation is to address this issue of unfair discrimination in the workplace. (The Employment Equity Act 55 of 1998) Was introduced to eliminate unfair race discrimination in the South African workplace and prescribed affirmative action measures. This will cause all sorts of dynamics in the country in the years ahead (Van Wyk, et al., 2000:75)

The issue of unfair discrimination cannot be addressed simply by means of legislation, as perceptual and behavioural issues and problems continue to play an important role in affirmative action as was pointed out in an affirmative action survey in a large South African organisation.

“As far as race is concerned, white respondents differed from black respondents as regards a few of the items. Blacks believe strongly that it is crucial that managers’ performance in implementing affirmative action should be evaluated...... Whites, on the other hand, do not consider such evaluation to be important. Blacks also regard the filling and earmarking of vacancies for people from the traditionally disadvantaged groups as more important than whites do" (De Witt et al., 1998:14-15).

According to Thomas and Robertshaw (1999:19) it is of vital importance for all employees, at every level of the organisation to understand the Company’s Employment Equity strategy and “buy into the process”. They should understand how the plan of action adopted by the company would impact on their jobs, career advancement and their future prospects in the company. It is therefore important for the Company to launch an intensive communication programme to ensure that all employees, at every level of the company, are fully au fait with the Employment Equity legislation and the plan of action adopted by the company. Employees have to be convinced that the programme will be to their benefit; otherwise it will be sabotaged before it
has begun or employees will block it at a later stage, with influence in the company (Thomas and Robertshaw, 1999:19).

1.1.9 National Skills Development Strategy

In February 2001, the Minister of Labour launched the National Skills Development Strategy (NSDS). The National Skills development strategy is a vision for the future of all South Africans. It sets objectives and targets so that the progress of skills development can be measured. The Strategy aims to increase skills within the country to improve productivity and the competitiveness of South Africa’s industry, commerce and services. It also aims to address the poverty and inequalities in the society and improve the quality of life of poor South Africans. Equity targets have been set to ensure that previously disadvantaged people gain from these achievements:

85% of all beneficiaries of the NSDS are to be black.
54% are to be female
4% are to be people with disabilities (Mdlalana, 2002).

1.2 AIM

To determine if affirmative action and employment equity will be complementary strategies in assisting Trentyre in managing diversity effectively.

1.3 OBJECTIVES

- To determine through literature, strategies to achieve Employment Equity and Affirmative Action in order to effectively manage diversity in the workplace.
- To determine the commitment of Employees towards employment equity.
- To identify barriers to employment and advancement of designated groups.
- To determine the organisational culture with regards to diversity.

1.4 DEFINING CONCEPTS

1.4.1 Employment Equity

An Act, which was passed in South Africa in order to address two main objectives:
To ensure that our workplaces are free of discrimination; and
To ensure that employers take active steps to promote employment equity.

1.4.2 Affirmative Action

(Human, 1993:4-12) defines affirmative action as a temporary intervention designed to achieve equal employment opportunities without lowering the standards or unduly trampling upon the career aspirations of current organisational members who are competent in their jobs.

1.4.3 Managing Diversity

(Thomas, 1996:107) is of the opinion that managing diversity is a planned, systematic and comprehensive managerial process for developing an organisational environment in which all employees can contribute to the strategic and competitive advantage of the organisation.

1.4.4 Strategy

According to (Johnson and Scholes, 1999:10) strategy “is the direction and scope of the organisation over the long term: which achieves advantage for the organisation through its configuration of resources within a changing environment, to meet the needs of markets and to fulfil stakeholder expectations”.

1.5 LIMITATIONS

The research is limited to TrenTyre (Pty) Limited a Division of Goodyear South Africa.

1.6 VALUE OF THE RESEARCH

This research will guide TrenTyre to comply with the Employment Equity Act, and therefore not be subject to large fines as set by Government as a result of non compliance.

1.7 METHODOLOGY

1.7.1. Data Collection

1.7.1.1 Population
The population is all employees of TrenTyre, hence 2,800 employees.

1.7.1.2 Sampling Techniques

The technique used is a non-probability sampling method, termed as purposive sampling, as key informant’s views are relevant to the topic. The sample will be selected out of the Employees of TrenTyre. This allows for a degree of convenience for the researcher.

1.7.1.3 Sampling Size

The sampling size will be equal to the population.

1.7.1.4 Data Gathering Process

Data will be gathered by approaching the Human Resources Division of TrenTyre as well as by means of questionnaires that will be distributed by snail mail and e-mail to all the Employees in TrenTyre.

1.7.1.5 Data Collection Techniques

Data will be obtained by means of a questionnaire.

1.8 LAYOUT OF THE RESEARCH REPORT

1.8.1 Chapter 1 – Introduction

The chapter highlights the introduction of the Employment Equity Act and Skills Development Act and the importance for South African Businesses to comply with these Acts. The aim and objectives are outlined, followed by the definition of Affirmative Action, Employment Equity and Managing Diversity Strategies. Limitation and the value of the research as well as the methodology of the research to be undertaken are set out.

1.8.2 Chapter 2 – Literature Review
A literature review covering affirmative action, employment equity, skills development, diversity management and strategies for effective implementation.

1.8.3 Chapter 3 – Research Methodology

This chapter will contain a discussion of the research methodology and its rationale.

1.8.4 Chapter 4 – Research Findings

Comparison of data collected and questionnaires completed will be presented and discussed.

1.8.5 Chapter 5 – Conclusions and Recommendations

Summary of the findings determined through the research process and recommendations based on data analysed and interpreted.
CHAPTER 2

2. LITERATURE REVIEW

2.1 INTRODUCTION

In this chapter the concepts affirmative action, employment equity and managing diversity will be defined and the different approaches and strategies to successfully implement them will be explored.

2.2 DEFINING AFFIRMATIVE ACTION

A wide range of definitions of affirmative action can be found in the relevant literature. Almost every author has his own view on defining this concept. Maphai (1993:6-9) points out that:

- Affirmative action in South Africa has narrow and wide connotations and causes a great deal of confusion.
- The literature on affirmative action abounds with concepts such as equal opportunities, equalising opportunities, black advancement, managing diversity and social responsibility.
- This leads to a situation where there is much confusion about the meaning of these concepts.

McDonald (1994:42) presents a general viewpoint with regard to affirmative action by explaining that the underlying principle of affirmative action appears to be "the belief that the Black people of South Africa must be given greater access to the resources of the country and a greater voice in how these resources are utilised."

Contrary to the popular belief that affirmative action is a temporary measure, definitions emphasise the fact that, due to the enduring nature of discrimination and racism, the need for affirmative action will always be present (Sowell, 1995:61).
Charlton and Van Niekerk (1994:18-19) state that the term “affirmative” implies putting right what has previously been wrong/unfair. This term is used to overcome barriers and access to opportunity in general, and equal employment opportunity in particular – primarily with respect to the integration of Black people and females into managerial positions. In this respect, affirmative action is a conscious process of eliminating discrimination, rather than a process of furthering the interests of particular groups. Typically, activities such as selection and recruitment, development and training, and promotion practices are viewed as temporary interventions, which will cease as soon as equal employment opportunity has been achieved. This view is supported by Nelson Mandela in his address to the ANC conference of affirmative action in October 1991.

“The primary aims of affirmative action must be to redress the imbalances created by apartheid ... We are not ... asking for hand-outs for anyone. Nor are we saying that just as a white skin was a passport to privilege in the past, so a black skin should be the basis of privilege in the future. Nor ... is it our aim to do away with qualifications. What we are against is not the upholding of standards as such but the sustaining of barriers to the attainment of standards; the special measures that we envisage to overcome the legacy of past discrimination are not intended to ensure that advancement of unqualified persons, but to see to it that those who have been denied access to qualifications in the past can become qualified now, and that those who have been qualified all along but overlooked because of past discrimination, are at last given their due ... The first point to be made is that affirmative action must be rooted in principles of justice and equity” (Hugo & Slack, 1998:51-70).

The introduction of the concept of affirmative action may be traced back to efforts in the United States of America to redress the imbalances of an earlier era in which there was discrimination on the basis of race. While many South African enterprises have certainly been aware of the principles of affirmative action for a number of years, publications in books, articles, professional journals and newspaper reports on affirmative action for a number of years, publications in books, articles, professional journals and newspaper reports on affirmative action have accelerated considerably only after it became apparent that apartheid was no longer a viable option (Rosmarin, 1993). One of the major differences between the situation in the United States of America and South Africa, however, is the relative numbers of persons involved in the various population groups: in the United States of America it was a question of ensuring that a minority was accommodated whereas in South Africa Affirmative action issues related to the majority of the population. Accordingly, South Africa requires a unique approach to affirmative action (Rosmarin, 1993).
There is a common understanding that the concept of affirmative action is all about black advancement (BMI, Report 1993:7). A more accurate interpretation would be that it refers to any group who have been victimised or discriminated against on the basis of any personal characteristic, to the extent that they were denied the opportunities first of developing, and secondly, of progressing in society.

Affirmative action in the South African context has been described by Thomas (1993:3) as "... a proactive development tool to overcome ... constraints and more effectively mobilise latent resources in order to stimulate overall development" and presents many dimensions:

- The political sphere and decision-making process
- Education and culture
- The breakdown of segregation in social life
- Sport, entertainment and recreation
- Housing and residential infrastructure
- Welfare services
- Black business advancement
- Job employee advancement and training
- Symbolism and the historical perspective

According to Alfred (1997:16), affirmative action is a structured process that affirms the disadvantaged so that they are able to rapidly close the gap between themselves and those who have historically enjoyed greater opportunity. It is an intervention that enables the disadvantage to break the cycle of exclusion and start the race unhandicapped, in some cases even ahead of other competitors.

Human (1993:3) defines affirmative action as "a temporary intervention designed to achieve equal employment opportunity without lowering standards and without unduly trammelling the career aspirations or expectations of current organisational members who are competent in their jobs. I hasten to add the word "competent". A positive outcome of properly implemented affirmative action programmes can be the better management of human resources and a raising of standards".

The above definition implies that:
• Affirmative action seeks to increase the opportunities of formerly excluded groups without recourse to tokenism (in the sense of bringing in ‘unqualified’ persons) and without ‘unnecessarily trammelling the expectations of white males.’

• Affirmative action is a process to eliminate discrimination, rather than a process whereby one form of discrimination is replaced by another.

• Affirmative action is a means of overcoming barriers to equal employment opportunity rather than as a means of preferentially advancing the interests of some groups at the expense of others.

The affirmative action process is not just about training Blacks to become more skilled. It is holistic and focuses on the approach, the process and the strategy in order to achieve a change in the organisational value system to bring about acceptance and integration of all race groups in the company. Equal opportunity is the end state within value orientation (Wingrove, 1993:34).

The above definitions imply that:

• Affirmative action is a process or programme focused on the advancement of a particular group of people disadvantaged in the past.

• Affirmative action is a temporary intervention until employment equity is reached.

• Affirmative action is the process whereby equal opportunity and employment equity can be reached within an organisation.

• Affirmative action aims at placing the disadvantaged group of people on an equal footing with others in the organisation.

2.2.1 Definitions Focusing On Equality

This category of definitions places the focus on the equal treatment of all people and emphasises interventions aimed at the creation of so-called “equal opportunity”. Thomas (1996:6) defines affirmative action in such a manner and describes it as a means of correcting historical injustices and as an attempt to work from there to eventually creating level playing fields where everyone can compete, based upon equal access to education, training and other opportunities formerly confined to the white minority population.
Mkhwanazi (1993:17) refers to the South African context and defines affirmative action as a deliberate and sustainable interim strategy to enhance the ability and capacity of all those disadvantaged by apartheid to compete on an equal footing with those who have benefited immensely from that system.

Being a major area where discrimination prevails, the workplace is usually included in definitions advocating equality. Hattingh (1994:17) for example states that affirmative action is to "correct imbalances regarding employment ratios in terms of race groups enabling the previously disadvantaged to enjoy equal opportunity within the work place".

Affirmative action definitions focusing on equality in the workplace emphasise the unbiased treatment of all employees when recruiting, selecting, developing or promoting. Equity in managerial positions is often highlighted in definitions promoting the equal opportunity strategy, as Blacks where traditionally excluded from these positions and where forced to occupy only the lower-ranked positions. Mc Donald (1994:45) majority of the population in South Africa into the management hierarchy of South Africa businesses through the adoption of compensatory discrimination to ensure equality of employment opportunities and an equitable distribution of these opportunities over all the levels of the management hierarchy.

This group of definitions therefore views affirmative action as a means to create an environment where all members of the community are treated on an equal basis, irrespective of factors such as race, gender, culture or language.

2.2.2 Definitions Focusing On Correcting Historical Injustices

Affirmative action definitions in this category advocate preferential treatment, the redistribution of resources and opportunities, and preferential financial assistance by business to institutions of those communities that have traditionally been disadvantaged (Sonn, 1993:1). The process of affirmative action is also seen as a means to allow the previously disadvantaged groups to share in the prosperity, opportunities and facilities of the country (De Vries, 1997:81; Mc Donald, 1994:43).

Emphasis is placed on past discrimination suffered by people who should now be the beneficiaries of affirmative action interventions. In this respect affirmative action is defined by Innes (1993:4) as "a set of procedures aimed at proactively addressing the disadvantages experienced by sections of the community in the past."
Discriminatory practices of the past resulted in imbalances between the different cultural groups. Affirmative action is therefore seen as a means to correct these historic imbalances, even if this means practicing so-called "reverse discrimination." In the following definition, Khoza (1993:77) has this approach:

Affirmative action is a form of positive discrimination used as a measure to correct imbalances created by generations of oppression. It has been called different names at different times: whether you call it affirmative action, black advancement, equal opportunity employment, or strategic researching (the latest version), the issue remains: the need to redress discriminatory employment practices.

Definitions in this category also emphasise the correcting of imbalances in the workplace. Danie (1997:15) for instance, argues that affirmative action attempt "to place candidates in positions from which they had been previously excluded in order to create a more representative or diverse workforce." Albertyn (1993:24) gives more detail in the following definition, stressing that affirmative action has an influence on all human resource management activities:

"Affirmative action entails positive, remedial action taken to redress historical inequality and injustice. In a practical sense this means re-evaluating standards, attitudes and practices in respect of recruitment and soliciting; training; screening practices (testing, the 'merit' criterion, qualifications and performance evaluation); internal labour markets and tracking systems; promotional practices; and the corporate culture (the affirmative environment) of the workplace."

Some authors are of the opinion that affirmative action should even take the form of 'preferential treatment.' According to Andrews (1992:35) affirmative action should be seen as "preferential policies to ensure the enhanced employment upgrading and retention of members of certain less fortunate groups of society." Fischer (1996:32) is more explicit and refers to affirmative action as "preferential treatment which requires employers to discriminate against better-qualified, or equally-qualified, whites."

Wingrove (1993:7) summarises this group of affirmative action definitions by defining affirmative action as a process addressing the disadvantages caused by poor education, prejudice, segregation, job reservation, racism, lack of political rights and unequal distribution of wealth.
Definitions in this category stress the importance of the correction of past injustices by using preferential treatment in the advancement of Blacks in order to rectify imbalances created by past discrimination.

2.2.3 Definitions Stressing The Empowerment Of The Disadvantaged

A third category of affirmative action definitions emphasises the deliberate attempt to “uplift” previously disadvantaged groups to the same level on which their white counterparts are functioning (Sonn, 1993:3).

It is inevitable, in a post apartheid era, for affirmative action strategies in South Africa to have strong political connotations. The upliftment of previously disadvantaged groups is seen as a means to correct imbalances created by apartheid and should therefore be an integral part of the affirmative action process. The upliftment process is seen as a way to remove obstacles that prevent previously disadvantaged people to function effectively. These people should be given special treatment in the upliftment process. Meintjies (1993:65) explains that “this view stresses the need to remove obstacles to advancement as well as the need for extra support and resources for people traditionally excluded.

South Africa’s history of apartheid can be seen as one of the main reasons why an upliftment strategy is necessary to rectify this artificial imbalance. This is the argument of many black authors promulgating a “black empowerment” strategy to uplift the disadvantaged (Mosotho, 1993:10).

The 1994 elections resulted in political empowerment of Blacks, which was only one step in uplifting the disadvantaged. This is why most authors distinguish between Black political empowerment and Black economic empowerment. Political empowerment has been achieved, but economic empowerment seems to be more difficult to establish (Affirmative action as a way of turning words into deeds, 1993:5).

The objective of an upliftment strategy aimed at Black economic empowerment is therefore to ensure that the Black majority is uplifted to form part of the economic mainstream (Ebersohn, 1994:57). This can be done by means of the affirmative action process within the human resources of South African organizations. According to Innes (1993:14) this will create the opportunities which will enable black people to prepare themselves to occupy more skilled and more powerful positions within the organization over time.
2.2.4 Affirmative Action As An Equilibrium Recovery Mechanism

The main driving force behind most affirmative action programs in South African organizations is to address imbalances in order to achieve equality. The Black majority in South Africa suffered discrimination under the previous apartheid government, which resulted in a disproportionate distribution of the country's resources and top positions in companies being occupied mostly by White males (Mpofane, 1998:26). He also emphasizes the imbalances in South Africa regarding the share of resources, skills and knowledge, and proposes affirmative action in the form of a quota system to provide a means to correct these imbalances.

A quota refers to a certain number of percentage of a population. According to Andrews (1992:39) the quota system stipulates that a specific number or percentage of the members of a protected group must be appointed or promoted regardless of the number of qualified candidates available for the jobs in question.

A unique situation exists in South Africa as far as the implementation of a quota system is concerned. In comparison with the USA, affirmative action beneficiaries in South Africa represent a group who is unfavourably positioned compared with the rest of the population. This is due to a backlog in education, training and experience. It is therefore, important for South African companies to take this into account when making use of the quota system. The danger exists that previously disadvantaged groups will be placed in managerial positions without receiving the necessary training and development to address the backlog, and that they will be expected to perform as efficiently and effectively as their White counterparts (Moraba, 1993:28).

Human (1993:28) warns against the incorrect way to provide training to these disadvantaged groups: Filling quotes and then providing training programs for Blacks and White women in masse can do more harm than good. Affirmative action cannot be seen simply in terms of pumping education and training into formerly under-represented groups and then expecting them to function in an organisational context in which issues such as attitudes and expectations have not been addressed.

Affirmative action beneficiaries in South Africa, with their lack of proper training and development, need to be dealt with in a unique way when making use of the quota system. The beneficiaries in South Africa, with their lack of proper training and development, need to be
trained and developed to be able to function effectively in the corporate world. Should they not be sufficiently developed, the danger exists that the quota system will fail because of incompetent people being placed in as many management positions as possible, reinforcing the negative expectations most Whites have of affirmative action (Human, 1993:83).

The quota system was replaced by the Employment and Occupational Equity Green Paper (1996) drafted by the Directorate of Equal Opportunities in the Department of Labour.

The Green Paper, in fact, moved away from the use of the term "affirmative action" and employed the concept of employment equity. This usage of terminology complies very much with the Canadian usage; however, the basic principles of affirmative action as a means of creating greater equality of opportunity remained tacit but relevant. (Human, 1993:84).

2.3 THE EMPLOYMENT EQUITY ACT

2.3.1 Defining Employment Equity

The Employment and Occupational Equity Green Paper was drafted by the Directorate of Equal Opportunities, Department of Labour in 1996. The Green Paper was followed in late 1997 by the Employment Equity Act. The Employment Equity Act, issued by the Department of Labour for public comment and for tabling at the National Economic Development and Labour Council (NEDLAC) was followed in 1998 by a revised Employment Equity Bill and then by the Act (Human et al., 1999:18-20).

The purpose of the Act is to promote the constitutional right of equality and the exercise of true democracy, eliminate unfair discrimination in employment, ensure the implementation of employment equity to redress the effects of discrimination, achieve a diverse workforce broadly representative of our people, promote economic development and efficiency in the workplace, and give effect to the obligations of the Republic as a member of the International Labour Organisation. (Employment Equity Act, 1998:12).

The Act requires designated employers to:

- Consult with it’s employees
- Conduct an analysis or audit.
- Prepare an employment equity plan.

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Both the elimination of unfair discrimination and the implementation of affirmative action promote equality. The elimination of unfair discrimination in any employment policy or practice includes the prohibition of direct or indirect unfair discrimination on the grounds of one or more of the following: race, gender, sex, pregnancy, marital status, family responsibility, ethnic or social origin, colour, sexual orientation, age, disability, religion, HIV status, conscience, belief, political opinion, culture, language or birth. Affirmative action measures includes:

- Measures to identify and eliminate employment barriers;
- Measures designed to further diversity in the workplace;
- Making reasonable accommodation of people from designated groups in order to ensure that they enjoy equal opportunities and are equitably represented in the workforce;
- Ensure the equitable representation of suitably qualified people from designated groups in all occupational categories and levels in the workforce;
- Ensure the equitable representation of suitably qualified people from designated groups in all occupational categories and levels in the workforce;
- Measures to retain, train and develop people from designated groups;

Measures include numerical goals and preferential treatment but exclude quotas. The Act clearly states that the employer is not required to appoint or promote people who are not suitably qualified or to take any decision concerning an employment policy or practice that would establish an absolute barrier to the prospective or continued employment or advancement of people who are not from designated groups (Employment Equity Act, 1998:20).

When questioned as to why this Act was introduced, ex-labour minister, Tito Mboweni, answered that discrimination is still with us (Singh, 1998:17-18). Mboweni felt that although there was an initial spate of affirmative action policies after the new government came to power this slackened when companies thought that no such legislation would be introduced. The new law was intended to spur corrective action. He went on to say that government made no apology for the fact that this Act favoured those previously disadvantaged – African, Coloured and Indian people, women and the disabled. It was a truism, he said, that the system of apartheid had left us with a legacy of inequality. In the labour market the inequality reveals itself in the distribution of jobs, occupations and income according to race, gender and disability (Singh, 1998: 17-18).

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The Employment Equity Act is not simply about getting black people, women and the disabled into management positions. It is also about ensuring that our human resources are employed in the best possible way so that all employees, from the shop floor to top management, are able to acquire and use their skills to the benefit of the economy, TrenTyre and themselves.

According to Human et al., (1999) the point of departure of the Employment Equity Act is the requirement that businesses employing 50 or more people must recognise employment equity as a strategic priority, and must formulate plans to achieve this by setting targets and time frames for change. These companies will be obliged to take the following steps towards equity:

- Prepare a profile of the workplace.
- Review current employment equity practices and policies.
- Prepare and implement an employment equity plan.
- Lodge a summary of the plan with the Department of Labour.
- Report annually to the Director General of the department on its implementation.

The employer must consult with its employees when conducting the analysis, drafting the plan and annually reporting thereon. Monetary fine non-compliance will be raised and could include compensatory and punitive damages for unfair discrimination. Human et al., (1999) believe that the aim of the Employment Equity Act is therefore to:

- Remove barriers to opportunity and prohibit future unfair discrimination.
- Identify and nurture talent.
- Create work environments that enable all conscientious, competent people to succeed.
- Focus on training and developing human resources.

The desired end result is employment equity that will result in a representative workforce and not reverse discrimination. Singh (1998) feels that the Act does not advocate one form of job reservation to be replaced by another. Employers are not to create barriers to hiring or promotion of those who are not from the designated and non-designated groups. However, when faced with a choice between two equally qualified candidates, designated and non-designated, the employer may give preference to the person from the designated group. This, she feels is a short-term measure requiring a slight departure from the merit principle, which would be unnecessary once a representative workforce has been achieved.
In summary, the aim of the Act is not simply to force employers to crunch numbers. They have to implement employment equity plans that would allow reasonable progress in achieving equity. A component of the plan is “diversity measures and measures to transform workplace culture in order to ensure that equality and diversity are respected” (Singh, 1998:17-18). The Employment Equity Act has thus forced organisation to include affirmative action, equity and diversity management into their plans.

2.4 DEFINING MANAGING DIVERSITY

Thomas (1996:5) defines managing diversity as a planned, systematic and comprehensive managerial process for developing an organisational environment in which all employees, with their similarities and differences, can contribute to the strategic and competitive advantage of the organisation, where no-one is excluded on the basis of factors unrelated to productivity.

The process of managing diversity is:

- A means of creating on organisational environment that promotes the sustainability of well-constructed programmes of affirmative action.
- Linked to individual and interpersonal interventions in the areas of training and development.
- Based upon sound business reasons, which ensure the achievement of organisational objectives.

Managing diversity targets all employees and assumes that multicultural norms can prevail in an organisational culture where there is consensus on performance criteria, rather than a reliance on individual style, which has no bearing on job output. Managing Diversity ensures the natural upward mobility of employees by creating an organisational environment in which all employees can progress without hindrance from factors unrelated to job performance. It promotes the development of a psychological contract between the organisation and its employees thereby ensuring the full utilisation of the workforce for competitive advantage (Thomas, 1996:75-76).

Thomas (1996:14) defines managing diversity for strategic and competitive advantage as an ongoing process of addressing the full array of diverse issues that impact on the business performance of an organisation. These issues include the changing workforce, shifting employee values, new and emerging markets, and globalisation of the enterprise and the impact of technology.
Rosmarin (1998:34) defines managing diversity as the ability to work with individuals from different backgrounds in a manner that enables them to reach their full potential. He goes on to say that this is a process for developing an organisational environment that works for all employees: that does not control or contain diversity, but enables members of the workforce to perform according to their potential.

Wingrove (1993) feels that managing diversity, as a concept, is based on the premise that every individual is unique, and brings his or her own special talents and attributes to the workplace, where they can be utilised for the benefit of the greater whole. It seeks to explore individual values and gain respect and values for differences. In essence managing diversity is about addressing negative expectations and negative perceptions of Black culture and Black people without reinforcing cultural differences. It rejects assimilation, seeks to expand the corporate culture to accommodate the diversity of all its employees and encourages individuality. The process is also seen as the ultimate "maintenance management process" in a work environment that is made up of people with many cultural, ideological and other differences. It provides a foundation for various human resources initiatives action, and succession planning and career pathing.

Roosevelt, president of the American Institute for Managing Diversity, defines managing diversity as a comprehensive managerial process for developing an environment that works for all employees and allows differences to be used as a competitive advantage (Thomas, 1996:75). In line with this definition, once the numbers are right, an organisational environment must be created to promote the development of all people, irrespective of whom they are. It is hoped that, in time, the corporate playing field will be levelled and that the effective managing of a diverse workforce will promote the development of all members of companies. Employee diversity must be recognised, as a resource with which to gain a competitive advantage for the company (Thomas, 1996:75).

According to Fuhr (1998:26-32) the management of diversity is not a human relations approach; nor is it about treating people nicely or bringing them together. It is not merely about understanding differences. The acceptance, tolerance and understanding of diversity are not enough to create an empowered environment. Managing diversity is a comprehensive managerial process for developing an environment in which all employees feel comfortable and accepted; it is one, which replaces a feeling of alienation with a sense of belonging. Blacks should not have to fit into "ready-made" white corporate cultures. The culture should rather be expanded to accommodate the diversity of its people.
Kemp (1994:26-31) states that managing diversity refers to managing people, each of whom is unique and different, with a view to ensuring the best performance of everyone in the achievement of organisational goals. At its simplest, this means managing different individuals and treating each individual in a unique way.

A manager therefore needs to understand:

- An Individuals' needs
- "How they tick"
- What motivates them
- Aspects about there culture feelings (Kemp, 1994:26-31).

Human (1993:4-12) states her understanding of managing diversity by exploring some of the complex questions surrounding the concept. She states that managing diversity is part and parcel of the process of managing peoples a process that is vital for the success of affirmative action. According to Human (1993:4-12 it appears not to be enough to make people aware of issues relating to diversity; many managers lack the skills to implement such awareness in practice. Managing diversity is not about teaching generalisations and stereotyped descriptions of people from other national cultures. "National" cultures are not as homogeneous and static, as these generalisations would have us believe. The "national" culture is thus just one part of an individual's identity. One should also be sensitive to individual and situational differences.

Managing diversity can thus be seen as an acceptance of the principles of unity and equality, and information by the qualities of integrity and trust. It takes place when a genuine effort is being made both to provide development opportunities in order that individuals can compete on merit, and to inculcate a belief in ability that is not linked to racial and gender stereotypes (Human, 1993:4-12)

From the above definitions, the following seem to be the critical components of managing diversity:

- Managing diversity is a planned, systematic and comprehensive process that targets all employees and evolves over time.
- It is initiated, led and managed at the managerial level of an organisation.
• The focus is on the individual as a unique being bringing special talents and attributes to the workplace.

• The national culture only constitutes part of the make-up of the individual. Other issues, such as family, class and religion, must also be considered when attempting to understand the individual.

• Its focus is the creation of an organisational environment where all employees can progress without hindrance from factors unrelated to job performance.

• Its aim is the full utilisation of the workforce potential to ensure productivity, attainment of organisation goals and competitive advantage.

• To create a sense of belonging, which implies that the culture of the organisation should be expanded to accommodate the diversity of its people, thereby encouraging individuality and rejecting assimilation.

2.4.1 Objectives of Managing Diversity

Rosmarin (1998:33-37) is of the opinion that apartheid has left us with a legacy of barriers, which impede interaction in the workplace. These barriers include racism, prejudice, devaluation, stereotyping and negative attitudes towards diversity. Managing diversity is thus an important success factor for affirmative action programmes, in particular. Affirmative action often only allows entry into a business, but set the candidates up for later failure by not addressing the barriers placed in their career paths.

Many of these barriers are perceived, by prejudiced groups and individuals, as part of the corporate culture. These barriers block individual growth and development by forcing people to conform and bear the brunt of adjustment and change. The assimilation that takes place in such circumstances inhibits innovation and the realisation of potential (Rosmarin, 1998:33-37)

There is also little awareness of the make-up of the organisation’s diversity. For real appreciation of this diversity, an awareness and understanding needs to be developed of the contribution of employees who are regarded as different. Also, by emphasising racial diversity only, we ignore real and perceived prejudice against other minority groups such as woman and disabled people (Rosmarin, 1998:33-37)

Due to the lack of understanding of people from different backgrounds and cultures, leaders and managers may have inadequate skills to manage diversity effectively. A negative attitude
towards diversity may then occur, based on thoughtless value judgements. For the valuing of diversity to occur, a fundamental shift in attitude needs to take place in the organisation, instead of being seen as a hindrance in the workplace, diversity needs to be viewed as an asset to the organisation. By so doing, a valid set of expectations about behaviour will be created that will provide basic parameters of perceptions, thoughts and values about diversity (Rosmarin, 1998:33-37).

For Fuhr (1994:8-13) the main reason for embarking on a managing diversity process is to address the real issues of racial polarisation. Fundamental to the concept of managing polarisation is the realisation that our human resource problems extend far beyond the physical diversity of race, gender and culture. To understand differences is not enough. One must also understand the anger, resentment, mistrust, fear and manipulation or indoctrination caused by racism. Managers must show a strong and strong and visible commitment to change by addressing the causes of racism. A managing diversity process can only be successful if its aim is to remove racism in the hearts and minds of its management and employees (Fuhr, 1994:8-13).

Many leaders, according to Fuhr (1994:8-13), in the corporate world regards the concept of managing diversity as a problem to be solved rather than as an opportunity to be seized.

Employee diversity must be recognised as a resource with which to gain a competitive advantage for the company. Companies must formulate for themselves their particular business reason for development and cultivating a diverse workforce.

Thomas (1996:107-110) quotes the following as some of the generic business reasons that apply to South Africa companies:

- A diverse workforce taps a range of skills not previously available in a homogeneous workforce.
- Cultivating diversity promotes greater productivity as a result of employee satisfaction.
- Creativity, lateral thinking and problem solving are enhanced.
- Diverse markets are responded to quickly and effectively and productive relationships are established with diverse customers and distributors.
- All people are utilised to the maximum and improved relations and communication are created between organised labour and management.
A culture of total quality is promoted by using people fully and enabling them to meaningfully contribute to the objectives of the organisation, utilising their own unique insights, skills and styles.

The inclusion of employees in company life increases productivity and reduces staff turnover and absenteeism and their related costs.

Public relations get a boost because the organisation becomes known as a good company to work for and it is therefore able to attract and retain the best talent.

Flexibility and adaptability are enhanced.

Paskoff (1996:42-47) is of the opinion that managing diversity and its effects on the workplace should be treated as an issue closely intertwined with civil rights compliance and fair employment practices rather than as a different issue unrelated to or perhaps even at cross purposes with, those concerns. The goal should be to make certain that all candidates and employees receive equitable treatment from their supervisors and co-workers; that they get a fair chance to compete for promotions: and that they are able to participate in the range of business and social events that determine opportunity. Managing diversity and avoiding discrimination are high-stakes business issues. Workers who are unable to function co-operatively hurt productivity, depress morale, and impede the achievement of corporate goals. In this atmosphere, discrimination lawsuits with monetary penalties are more likely to occur. Therefore, the need for civil behaviour should be clearly defined as a bottom-line risk management issue. Refraining from harassment or discriminatory conduct is not only a matter of company culture. It is also just like safety procedure in that its procedure in that its purpose is to prevent corporate and personal loss, and thereby protect the organisation’ ability to meet its business (Paskoff, 1996:42-47).

Thomas (1996:107-110) is of the opinion that when newcomers join organisations, they are expected to adjust to the traditions, norms and values of the majority, and to emulate the behaviours and strategies that previous, generations have found successful. However, more and more organisations are discovering that if people who bring diversity into the workplace are forced to conform in irrelevant ways, the organisation loses valuable resources that could help it make better decisions, develop more creative and innovative solutions to problems, adapt to differences among customers and consumers and adjust to increasing competitiveness on a global scale. Creativity, lateral thinking and enhanced problem solving flow from implementing a diversity management process and from a business perspective this provides a critical reason for embarking on this road.
2.4.2 Problems Associated With The Successful Implementation of Managing Diversity

Organisations needs to see beyond the target or number games and to seriously consider how they will begin to harness workforce diversity. In broad terms, Thomas (1996:107-110) is of the opinion that it would involve addressing the following issues:

2.4.2.1 Organisational environments are not supportive of a managing diversity strategy.

Managing a diverse workforce involves creating an organisational environment that is flexible enough to work to the advantage of all employees. Such an environment allows for strengths introduced by those new to the company and who have not had a part in the formulation of the prevailing corporate culture, to be used in achieving corporate goals. This demands the examination of the prevailing corporate culture to identify those unspoken rules that may work against the full inclusion of everyone (Thomas, 1996:107-110).

2.4.2.2 Lack of leadership commitment and support.

The process of effectively managing the diversity created by affirmative action programmes needs to be driven from the top, beginning with a vision and a business case as to how diverse employees can improve business performance and competitiveness. As far as possible all employees and other significant stakeholders should be involved in the establishment of business visions and associated values and should take ownership of the process (Thomas, 1996:107-110).

2.4.2.3 Unclear standards of performance.

The establishment of performance standards that are regularly measured elevates the issue of people management from the perceived soft area of business to quantifiable, measurable process more easily respected by management. Performance standards, accordingly, influence the design of induction, orientation and mentoring programmes. Training and development should be a crucial component of all human resource planning (Thomas, 1996:107-110).

2.4.2.4 Human Resource systems not aligned with corporate visions.

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This will include the establishment of accountability for the effective management of diverse employees. Line managers need to be accountable for the development of their people and they would be measured on the degree to which this is achieved (Thomas, 1996:107-110).

2.4.2.5 No evaluation system in place.

While it is accepted that effectively managing people is a difficult area to evaluate in quantitative terms, suggested measures of evaluation include regular attitude or climate surveys that tap cultural issues, analysis of staff turn-over and reasons for this, evaluation of training programmes, performance rating, et cetera (Thomas, 1996:107-110).

2.4.3 Critical Success Factors for Implementing A Managing Diversity Strategy

According to Rosmarin (1998:33-37) each company needs to customise the managing diversity strategy to meet its own specific needs. The guidelines he proposes address both content and process as well as the appropriate roles of the organisation and the individual (see figure 2.1).

2.4.3.1 Challenge Paradigms

This implies being receptive to diversity and gaining the ability to ask the right questions, rather than possessing to correct answers. It also implies spending time participating in interactive forums with a specific focus on challenging your own assumptions. Fuhr (1994:8-13) supports this by saying that people need to be exposed to one another to openly discuss differences that cause polarisation. He feels that an organisation must foster an awareness and acceptance of individual differences and a greater understanding of one's feelings and attitudes about people who are different. One should also explore how differences might be tapped as assets. Human (1993:4-12) feels that the first step in managing diversity is one's own prejudices and stereotypes, opening up to the ways in which we subtly damage the self-confidence and self-esteem of those with whom we work.

2.4.3.2 Conduct a diversity Audit

An audit enables the organisation to define and examine the needs of its diverse workforce. This will help the organisation to identify the core areas to be addressed by a diversity strategy in the short to long term. This also involves reviewing the company's values, systems,
strategies, policies, practices and structures to assess factors that would support or inhibit the effective management of diversity (Rosmarin, 1998:33-37). Fuhr (1994:8-13) is also of the opinion that an audit should be conducted of the existing attitudes and perceptions of all employees with regard to racial polarisation and current management style. The wide perception gap that emerges will provide managers with a dose of reality and help them to understand the need for change.

2.4.3.3 Implementation

An action plan should be developed that is logically feasible and which will incorporate a range of diverse change agents and facilitators to help cascade the awareness and skills development throughout the organisation. Implementation structures could include workshops, existing formal and informal workers and management forums, in-house newsletters, and resource centre and closed circuit television. Raise awareness and inspire action by providing information and innovative learning experiences (Rosmarin 1998:33-37)
Figure 2.1  A managing diversity process
(Rosmarin, 1998:35)
2.5 AFFIRMATIVE ACTION VS MANAGING DIVERSITY

2.5.1 Introduction

In this discussion thus far, a distinction has been drawn between affirmative action and managing diversity.

According to Human (1997:4-12) it would appear that the term affirmative action both encompasses, and is encompassed by the concept of managing diversity. Affirmative action can be described as the process by which an organisation attempts to create a workforce that reasonably reflects the diversity of its society. However, also simply stated, affirmative action is a short-term strategy to open the corporate doors for previously disadvantaged people and to eradicate all discriminatory practices, and it tends to create its own backlashes because the organisation and environment are not conducive to such a "unnatural" process. To focus only on creating an understanding of individual and cultural differences is not enough. Human (1997:4-12) is of the opinion that affirmative action can only work when an organisational culture has been created which encourages the full utilisation of this diverse workforce. This includes issues such as structures, policies, leadership and prejudices on both sides (black and white). Clearly what is needed is a long-term process of learning to manage employee diversity.

According to Thomas (1996:26) affirmative action is part of the process of managing organisations diversity. However, at the same time and as part of an organisation's affirmative action strategy, employees in general and management in particular, are required to be competent in managing diversity. The paradox is probably a fact of life in most organisations: managing diversity at one level incorporates affirmative action and yet, at the particular level, is one of the competencies required for the effective implementation of affirmative action programmes. Affirmative action is thus conceptually distinguishable from managing diversity. Indeed it could be argued that the effective management of diversity constitutes a crucial aspect of any affirmative action process.
<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>AFFIRMATIVE ACTION</th>
<th>MANAGING DIVERSITY</th>
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<tbody>
<tr>
<td>Goal</td>
<td>Creation of diverse workforce.</td>
<td>Management of a diverse workforce</td>
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<td></td>
<td>Upward mobility for</td>
<td></td>
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<td></td>
<td>Disadvantaged people.</td>
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<td>Motive</td>
<td>Legal, moral and social responsibility</td>
<td>Attainment of competitive advantage.</td>
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<tr>
<td>Primary Focus</td>
<td>Acting affirmatively.</td>
<td>Creating an environment</td>
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<td></td>
<td>Special effort.</td>
<td>Appropriate for full</td>
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<td>utilisation of a diverse workforce.</td>
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<td></td>
<td></td>
<td>Emphasis on culture and systems.</td>
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<td>Benefits</td>
<td>Creation of diverse workforce</td>
<td>Enhanced overall management capability.</td>
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<td></td>
<td>Upward mobility for</td>
<td>Natural creation of</td>
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<td></td>
<td>disadvantaged groups.</td>
<td>diverse workforce.</td>
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<td></td>
<td></td>
<td>Competitive advantage.</td>
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<tr>
<td>Challenges</td>
<td>Artificial.</td>
<td>Requires long-term commitment</td>
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<td></td>
<td>Creates own backlash.</td>
<td>Requires mindset change.</td>
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<td>Requires continuous intense</td>
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<td>Commitment.</td>
<td>definitions of</td>
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<td>Leadership and management.</td>
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<td></td>
<td>Cyclical benefits.</td>
<td>Requires mutual adaptation by</td>
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<td>company and individual.</td>
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<td></td>
<td></td>
<td>Requires system changes.</td>
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</tbody>
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Figure 2.2 Affirmative action and managing diversity: comparative analyses (Thomas, 1996:27)

Figure 2.2 a comparative analysis by Thomas (1996:27) summarises the difference between the main goals, motives, focuses, benefits and challenges of affirmative action and managing diversity.
The above figure reinforces the view that affirmative action and managing diversity are two different organisational strategies. In order to transform the organisation to become more effective and profitable, both strategies must be managed in an integrated and holistic way (Thomas, 1996:27)

2.6 STRATEGY AND STRATEGIC DECISION MAKING

2.6.1 Definitions of Strategy

Storey (2001:65) state that if we are to categorise on externalisation and internalisation as strategic, or indeed use the same epithet for particular approaches to the management of labour, we need to be clear about what is meant by the terms ‘strategy’ and ‘strategic decision making’. This both helps define boundaries to the subject of strategic human resource management and helps us understand the approach different researchers have taken in looking at the contribution of human resources management to business performance. The use of the word strategy or strategic is now so widespread that it has lost most of its original or useful meaning, yet one has to be very clear about what constitutes a strategy, and how to distinguish a strategic decision form a non-strategic or operational decision.

Quinn (1990:39) as sited by Grant (1998) quotes the following definition of strategy, which is particularly useful, since it combines internal resources with external focus:

A strategy is the pattern or plan that integrates an organisation's major goals, policies and action sequences into a cohesive whole. A well-formulated strategy helps marshal and allocate a organisation's resource into a unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponents (Quinn, 1990, quoted in Grant, 1998).

2.6.2 Strategy Implementation

To implement strategy for equal opportunities, one needs to identify the potential of the previously disadvantaged and then send them through an accelerated training and development program.

2.6.2.1 Equalising Opportunities
a) Identification of Potential

Persons from disadvantaged groups with potential should be identified for accelerated training and development to attain the necessary experience. In this regard too much emphasis on assessment test and qualifications would be out of place. At the same time, unrealistic expectations also need to be addressed (Primos, 1994:32-35).

b) Increased and accelerated training and development

Ferndale (1993:28) points out that many illiterate employees in enterprises may actually be persons with potential. Investing in training thus assists employees to realise their potential create opportunities and improve their living standards.

Hofmeyer (1993:29-33) provides the following criteria for successful training and development.

- There should be close liaison between training staff, human resources and line management.
- Course content should address general as well as specific needs with the emphasis on training to meet individual needs. This implies training in small groups with the constant involvement of line managers.
- Effective competency-based training and development systems and facilities should be developed to support the affirmative action strategy.
- Career paths should be developed and closely related to the succession plans and vacancies identified in human resources plan. These are particularly important where Blacks, Coloureds and Indians are appointed in higher levers of management. Development paths need to be identified to allow people to gain the necessary experience and exposure before ultimately being appointed to the position earmarked for them. This may entail a development path incorporating positions lower down in the occupational hierarchy. The development process entails in-house and external management training, skills training and general work exposure.
- Managers need to be held accountable for adherence to identified career paths. If a person is not appointed in a previously identified position, an explanation should be provided, otherwise the career path becomes no more than an (unfulfilled) good intention.
In many cases formal management education will be appropriate. The suitability of management programmes at the universities and technikons should be investigated.

A critical component of training is the involvement of the line manager as well as the ongoing evaluation of the effectiveness of training. According to Human (1997:333-334), people and management development will be achieved only if the following conditions, inter alia, are met:

- Top management should be committed, and people development should be identified as a key strategic objective.
- Development of blacks and women is treated as a subset of people development.
- Development is a line responsibility.
- Succession and career planning should be implemented.
- Values, attitudes and behaviours should be addressed.
- The selection and assessment of potential should receive top priority and be adapted to changing circumstances.
- Transition experiences need to be understood and managed.
- Diversity should be managed (stereotypes, culture and marginality).
- Managers should be evaluated for development of subordinates.
- Monitoring should take place on an ongoing basis.

According to Human (1997:11-21) the advancement of the disadvantaged encompasses a human resource development exercise to counter tokenism and the lowering of standards. To facilitate this kind of human resource development, in enterprises the emphasis should be placed on people development as a key strategic objective; people development as a line responsibility; promotion and development from within; affirmative action only at the selection and recruitment stages; promotion on basis of merit; and attitudinal change within management to root out prejudices.

c) Coaching and mentoring

Much of the literature discusses mentorship and coaching relationships (Murray & Owen, 1997; Hunt, 1997; Dunn, 1997). Managers should play the key role in the development of their subordinates if they perform a "coaching" role. However, in the case of many White managers and supervisors, there are perceptions that Blacks, Coloured and Indian employees lack the inherent capability to perform a coaching role and the capability to perform competently at
management level. If this situation is to improve, management’s attitudes will need to change. Their views are also required on the changes that will be necessary. Furthermore, the performance management system will have to encourage and reward managers for their development activities and penalise poor performance (Hofmeyer, 1993:29-33)

The establishment of coaching relationships in enterprises can make a major contribution to employee development. However, the culture of the enterprise and the attitudes of managers, as noted above, often militate against coaching relationships. Considerable training and development are needed to establish a coaching environment (Berry et al., 1993:5-7)

According to Gilley and Boutton (1996:2-3), a new way of coaching should be introduced in enterprises, namely performance coaching. It entails the following:

- It represents a new philosophy in developing people.
- It is based on the hands-on experience and on-the-job knowledge of the manager, not textbook or theoretical training conducted by human resource professionals.
- As a performance coach, the line manager should ensure that employees receive
  - on-target training relevant to the enterprise’s business objectives. Line managers are also accountable for the performance of the employees being trained. This means, for example, keeping training in the workplace as much as possible to make sure new learning can and will be applied on the job.
- Performance coaching is not only about coaching and training. It is about
  - developing the full potential of employees, helping to identify and grow positive attitudes and performance strengths that will make the receivers effective and efficient employees.
- If done properly, performance coaching has many benefits, including the following:
  - New on-the-job skills and measurable performance improvements are possible.
  - It creates employees who are more confident and motivated.
  - It raises self-esteem of employees.
  - Managers who have been trained in performance coaching build healthy and positive relationships with employees. These relationships are the foundations of performance coaching.

In addition to the coaching process, mentorship programmes, which assign managers to protégé’s, have been successful in a number of enterprises (Murray & Owen, 1997:15-19).
Mentorship has various advantages for the enterprise (Murray & Owen, 1997:32-37), namely:

- Increased productivity
- Cost effectiveness
- Improved recruitment efforts
- Improvement in strategy and succession planning

The following key issues should be borne in mind in formalising the mentorship strategy:

- Identify volunteer mentors.
- Identify a pool of mentors at the highest level.
- Identify mentor candidates across functional lines.
- Set flexible conclusion dates that meet the protégé's needs.
- Keep the mentor with one protégé until experience, competence and willingness allow for more.
- Establish and emphasise the no-fault conclusion at the beginning of the programme.
- Integrate mentorship into existing human resources development plans.
- Give mentoring evaluation high priority.
- Create and communicate clear policy and procedures.
- Plan the promotion to sell the programmes and processes (internally) (Murray & Owen, 1997:99 -103).

2.6.3 Models For The Planning And Implementation Of Affirmative Action

Various writers (Napuk, 1993; Craig & Grant, 1994; Dess & Miller, 1993; Pearce & Robinson, 1994) suggest different strategy formulation and implementation models. Although there are differences in the models certain common characteristics are also evident. Two of these models will be briefly discussed as background to a model for the planning and implementation of affirmative action in enterprises.

Napuk's model involves the following:

- Napuk (1993:6) defines strategic planning as a “total concept of the whole business involving a framework and a process that guide its future.”
Napuk (1993:161-183) regards strategy implementation as the most difficult part of managers’ ability to lead and manage. This involves leadership, communication, action plans, budgets, timetables, milestones and reviews. The following aspects are highlighted:

- The chief executive should demonstrate full commitment to the plan. Every manager should then take full ownership by making public his or her commitment to the plan.

- The chief executive and the management team should provide inspirational leadership by communicating their excitement about the plan as well as measure results continually.

There are some cardinal rules for implementation:

Rule 1: Communicate continually.
Rule 2: Form action teams for implementation.
Rule 3: Participation leads to commitment.
Rule 4: Never split an assignment between leaders – always make one manager clearly responsible.
Rule 5: Reward and encourage commitment and performance.
Rule 6: The management information system should reflect progress on implementation.
Rule 7: Control projects by monitoring and measuring progress against milestones.
Rule 8: Constantly shape the implementation programme to the enterprise.
Rule 9: Change the programme only when necessary to achieve an important objective.
Rule 10: Ensure that the resources used are linked to an approved business plan.

In summary, Napuk’s (1993:215) strategic planning model includes the following:

- **How did we get here?**
  Success factors

- **Where do we want to go?**
  Vision
  Objectives
  Internal evaluation: strengths and weaknesses
  Goals

- **How do we get there?**
Strategy

- External evaluation: opportunities and threats
  - How do we make it work?
    Structure
    Implementation
    Action programmes
    Review

The model of Pearce and Robinson (1994:2) is discussed below:

They propose three tools to operationalise strategy throughout the enterprise. The model is set out below in figure 2.3 and the coloured blocks of the model are the issues, which are involved in implementation.

The three tools proposed by Pearce and Robinson (1994:304-326) for strategy implementation is annual objectives, operating strategies and policies.

The most important aspect of the model may be summarised as follows:

- The implementation is guided by annual objectives through translating long-term objectives into targets. The annual objectives are derived from long-term objectives, but differ in timeframe, focus, specificity and measurement. To be effective for implementation, annual objectives should be integrated and co-ordinated. The objectives should be consistent, measurable and prioritised.

- The operating strategies are derived from the business strategy and provide specific, immediate direction to key functional areas within the business in terms of what should be done to implement the strategy.

- Policies provide another means of directing and controlling decisions and actions at operating levels of the firm in a manner consistent with business and functional strategies. Effective policies channel actions, behaviours, decisions and practices to promote strategic accomplishment.

Annual objectives, operating strategies and policies represent the start of implementation only. The strategy should be institutionalised so that it permeates daily decisions and actions in a
manner consistent with long-term success. To this end, three fundamental elements should be managed to fit the strategy, namely structure, leadership and culture (Pearce and Robinson, 1994:338-372). These elements are discussed below.

Firstly, the structure fits the strategy. Within the organisational structure, individuals, groups and units are the mechanisms of action within the enterprise. The effectiveness of these actions is a major determinant of successful implementation. In this context, two basic factors encourage or discourage effective action, namely leadership and culture. In both these factors it will again be noted how important the roles of management are in the successful implementation of any strategy.

As far as leadership is concerned, the two leadership issues that are of fundamental importance here are the role of the chief executive officer and the assignment of key managers.

The chief executive officer is the catalyst, and successful strategy implementation is directly linked to the unique characteristics, orientation and actions of the chief executive officer.

A major concern of top management in implementing a strategy, particularly where change is involved, is the right managers are in the right positions for the new strategy. Accordingly a healthy balance between current and newly recruited managers is important.

Culture is the set of important assumptions that members of an enterprise share in common. Each manager’s personality provides meaning and direction. This influences the behaviour of individuals’ shared assumptions (beliefs and values) among members, which set a pattern in the enterprise.

Beliefs include basic assumptions about the world and how it works. Values are basic assumptions about which ideals are desirable or worth striving for. Values and beliefs have more personal meaning if an individual complies with the set of values as a guide to behaviour within the enterprise. The assumptions become shared assumptions through the process of internalisation by individual employees in the enterprise.
Figure 2.3 Strategic Management Model
(Pearce and Robinson, 1994)
Culture is subject to development and change because of learning in the enterprise as it copes with problems of adaptation and integration. Because existing basic assumptions do not change readily, changing culture is normally instrumental and evolutionary rather than radical and revolutionary. Since the roots stem from the wider communities from which employees come, the content of an enterprise's culture is apt to be a variation of the beliefs and values identified with these associated cultures.

Accordingly change takes time and the impact of co-operation, decision making, control, communication and commitment are often underestimated.

In short, the culture of the enterprise is the shared beliefs and values of employees and may be a major asset or liability when implementing strategy.

Again, it is quite evident that management's views are vital for the successful implementation of strategies. This will also be applicable in the case of implementing affirmative action strategies.

One of the problems with the various strategy formulation and implementation models suggested in the literature is that they are generalistic in nature and not specific enough for practical implementation in so far as this research project on affirmative action is concerned.

2.6.4 Diversity Models

According to Kandola and Fullerton (1998) it is not a single issue: managing diversity encompasses the organisation's processes, systems, its culture and the skill of the managers within it.

Many authors have presented models of managing diversity – models that aim to guide organisations in their quest to take full advantage of the diversity of their workforce.

Implicitly, these models suggest that the ways in which organisations are currently structured and managed are not suitable for diversity (Kanter et al., 1998).

Kandola & Fullerton (1998) differentiate between models that focus entirely on the process that should be followed in successfully managing diversity and those that include a mix of both process and content, that is, the initiative that should be put in place.
The following models for effectively managing diversity, focusing on both process and content, are discussed below:

- Sustainable organisation effectiveness model (De Beer, 1998).
- Value and task synergy model (Koopman, 1997).
- Validated strategic implementation model (Kandola & Fullerton, 1998).

2.6.4.1 Sustainable organisation effectiveness model

According to De Beer (1998) the sustainable organisation effectiveness model was developed on the premise that a special diversity focus is required if the organisation is to sustain its effectiveness (see figure 2.4). The main objective of implementing a diversity management policy is to improve organisational effectiveness. This is achieved by improving the following outputs:

- Creativity or innovation
- Problem Solving
- Work group cohesiveness
- Communication

In order to establish a climate for diversity that is tolerant and accommodating, special attention is given to removing impeding factors at the individual, group/inter-group and organisational levels (see figure 2.4).

At the individual level, variables such as personal identity structures, prejudice, stereotyping and personality type are likely to work against the development of a supportive and tolerant culture (De Beer, 1998).

Cultural differences, ethnocentrism and inter-group conflict also impact negatively on the development of a diversity or tolerant climate at the group level.
At the organisational level, the establishment of appropriate processes for acculturation, structural integration and informal integration enhances a diversity climate.

The organisation should also pay special attention to individual employee career outcomes. Of the affective outcomes, career satisfaction, organisational identification and job involvement are very important.

Achievement outcomes that should receive special attention are job performance rating, compensation and promotion.

The primary objective of establishing a diversity climate, according to De Beer (1998) is to improve organisational effectiveness, and this should be monitored closely. At the first level, assessing the following monitors the organisation’s effectiveness:

- Attendance
- Turnover
- Productivity
- Work quality
- Recruiting success
- Creativity
- Problem solving
- Work group cohesiveness
- At the second level keeping track of the following monitors the organisation’s effectiveness:
  - Market share
  - Profitability
- Achievement of formal organisational goals

**Figure: 2.4 Sustainable organisation effectiveness model.**
(De Beer, 1998)
Figure 2.5  Operational strategy to achieve sustainable organisational effectiveness (Cox, 1993).

From the above model (figure 2.5) it is clear that the operational strategy centres on the following activities and interventions:

- Leadership
- Research measurement
- Education
- Changes in culture and management systems
- Follow-up

2.6.4.2  Value and task synergy model

Koopman (1997) has succeeded in establishing a climate for the management of diversity through the implementation of value and task synergy programs.

In these programmes, grassroots discussion groups were used to secure the participation of all employees in identifying shared values (see figure 2.6). As an example, employees usually identify a living wage or salary as a very important shared value, irrespective of cultural
background. Salary is important to all employees: it enables them to provide good housing, education and medical services for their families. Other shared values are:

- Organisational effectiveness
- Opportunities for advancement
- Safe working conditions
- Acceptance of cultural difference as an asset
- Tolerance for other people, loyalty, trust and respect

According to Koopman (1997), the discussion groups invariable acknowledged that the common objective of earning a good salary could be achieved only if the organisation is successful and makes a good profit. These groups also identified the strengths of both Eurocentric and Afrocentric cultures and the contributions of these to the effectiveness of organisations. The discussion groups concluded that a Eurocentric culture contributes mainly to output-related functions in an organisation, whereas an Afrocentric culture contributes mainly towards the people-orientated values (ubuntu) that support the people-related functions in an organisation (see figure 2.6).
Figure 2.6 Task Synergy Model (Koopman: 1997)

Koopman (1997) describes an actual instance in which this model was implemented. The people-related functions were allocated to Black managers, because of their natural inclination towards the people-related functions. Typical functions in this category are security, personnel and quality of work life.

The general manager, who was appointed by the senior management at head office, undertook the task or output-related functions, such as financial management, technical matters and standards of service. Together with the people-function managers, a management committee was formed to manage the business unit (Koopman, 1997).

All decisions relating to the people functions were made on a consensus basis. The management committee discussed decisions relating to the output or task function. If agreement could not be reached, the decision of the general manager prevailed (line authority
and responsibility were maintained). Through this process synergy was obtained between Afrocentric and Eurocentric decision-making values.

The strength of the synergy model can be summarised as follows:

- All the employees participate in identifying common or shared values and objectives through discussion groups.
- Immediate empowerment of black employees is achieved by their election to management positions.
- The strengths of a Eurocentric value system are included in the new organisational culture. These are:
  - Profit of the owners.
  - Maintenance of high standards.

- The strengths of the Afrocentric value system are also retained in the organisational culture. These are:
  - General participation of all employees and direct representation of all employees by elected managers.
  - High priority given to employees' needs in management discussions and decisions.
  - Effective communication between employees and management.
  - A high level of tolerance between all employees.

- Development opportunities are created for black employees in management.

- Improvements in productivity and profit are achieved in the organisation. The shared objectives and close involvement of all employees contribute to organisational effectiveness.
- Breaking down the in-group out-group division between management and labour improves employees’ identification with the company.

2.6.4.3 A validated strategic implementation model
The eight elements that make up Kandola and Fullerton's (1998) model should be looked upon as the range of activities that need to permeate the entire organisation if managing diversity is to be successful. While the eight elements of the model are outlined as separate components, each with its own specific focus, the model itself should not be seen as sequential. In fact the model may be likened to a spider's web, where it is possible to touch one strand without having a simultaneous impact on all the other strands that make up the web (Kandola & Fullerton, 1998). Figure 2.7 further elucidates this model.

2.6.4.4 Thomas's managing diversity model

Thomas's (1996:96) managing diversity model is one of the few models to incorporate both affirmative action and managing diversity processes into one model. Thomas (1996:96) devised a managing diversity model, based upon an understanding of some of the generic principles, which have been found to work both abroad and in South Africa. The model schematically sets out the stages or phases in a managing diversity process. It aims to address managing diversity at all levels in the organisation – the individual (phases 1 and 4), the interpersonal (phases 1, 2, 4 and 5) and the organisational (phase 2, 3 and 5).
Figure 2.7 The strategy web
(Kandola & Fullerton, 1998)

The model aims at developing multiculturalism within organisations, the outcome of which is the creation of organisations that have strong visions around which people assimilate, but which utilise individual styles, viewpoints, insights and the conflict which differences may cause, as a source of competitive strength. This model ensures that people strategies are accorded at least equal importance with the other more tangible strategies of organisational life (See figure 2.8 for the model).
Figure 2.8 Phases in the Managing Diversity process (Thomas, 1996:96).

a) Phase 1 – Creating the business case by briefing top management

To be fully committed to this process, top and senior management, led by the M.D. must formulate clear business reasons for undertaking a managing diversity process. These reasons
should steer clear of any moral, ethical or public relations motive but should be firmly based in
how managing diversity can increase profitability and / or market share (Thomas, 1996:97).

The goals of phase 1 are to:

- Create awareness of the need for a managing diversity process as a strategic and
  competitive advantage.
- Gain top management ownership of the process.
- Identify sustainable business reasons for the organisation to embark upon the process.
- Convey and clarify senior executive roles in implementing the initiative.
- Clarify the difference between affirmative action and managing diversity.
- Develop, with top management, a strategy to implement a diversity process.
- Create an enthusiastic vision, which will sustain a process.

b) Phase 2 – Diversity research or organisation assessment

During this phase, information is gleaned on organisation culture and organisational behaviour.
Reviewing affirmative action policies and targets provides an affirmative action profile and an
analysis of the factors that drive and militate against programmes of affirmative action. This
taps the easily accessible information, but the greater challenge lies in understanding the
organisation’s culture – which determines whether an employee succeeds or not (Thomas,

In the early stage of a diversity process it is important to identify which unspoken rules and
assumptions hinder productivity. This can be done through document reviews, focus groups
and anonymous stakeholders’ surveys. It is recommended that employee participation be
utilised as far as possible during this phase.

The major goals in this phase are to:

- Identify positive and negative issues that could hamper or promote the achievement of the
  vision of effectively managing diversity.
- Isolate those factors of organisational culture that create barriers for employees to fully
  contribute to the goals and profitability of the organisation.
c) Phase 3 – Communicating to stakeholders

In times of change, those in positions of leadership cannot talk enough to those affected by such change. Communication to stakeholders (one major stakeholder being staff) has the dual purpose of explaining the change process (managing diversity) to them and engaging them actively in the process. Provision must be made for communication to occur up and down the organisation as well as laterally between functional groups, departments or stakeholders. This demands that flexible systems are put into place to ensure that communication is regular, comprehensive and provides for ongoing feedback, thereby engaging stakeholders in the managing diversity process (Thomas, 1996:96-110).

Communication is one way of developing a joint vision of the process, of identifying problems that hinder the process of developing relevant measuring tools to be used in research, of monitoring and evaluating the success of the process, and of ensuring joint responsibility for and commitment to the entire process.

Thomas (1996:96-110) states that the major goals of this phase are to:

- Ensure that all stakeholders understand the managing diversity process and can participate in it appropriately.
- Minimise fears associated with the managing diversity process.

d) Phase 4 – Educating stakeholders

Based upon the need identified in the diversity research (phase 2) a programme of strategic invention can be planned for the organisation and its stakeholders. This will initially include workshops explaining managing diversity, stereotyping, prejudice and, at supervisory/management levels, one on the skills required to manage a diverse workforce.

The educational process, according to Thomas (1996:107-110), provides an excellent opportunity for management to engage with employees and other stakeholders in crystallising the values of the organisation. Using the process to determine the vision and values guiding behaviour and practice for the organisation, to which all major stakeholders ascribe, greatly strengthens the managing diversity process. It is critical that the aim is to educate stakeholders, especially staff, with an end goal of improving the quality and service to customers, so that their attitude for change is sustained. A multilevel, broad-based educational process is
recommended if a top-down strategy is expected to trickle-down to the lower levels of the organisation, in order to speed up this process.

The overall goals of this phase are to:

- Ensure that all staff are exposed to an understanding of how to work productively with someone who may differ from themselves, promoting the goals for superior quality and customer service.
- Ensure that all staff and other significant stakeholders are part of the change process.
- Promote the value of diversity within the organisation and hence a respect for all by all.
- Develop skills and behaviour options necessary to form quality-working relationships.
- Develop participative systems which will promote the understanding of managing diversity in the organisation and which will thereby ensure sustainable results.
- Provide an understanding of how to manage diverse workforces effectively.
- Develop an affirmative action or managing diversity task force to sustain the managing diversity process (Thomas, 1996:97-110).

e) Phase 5 – Reviewing systems and structures

Even though there might be a clear commitment to a vision of managing diversity, historical structures and practices at odds with such a vision may still exist in the organisation. A well-structured and methodical diversity process will highlight these subtle issues, which need to be addressed.

During this phase, the organisation will also be challenged to act on the awareness of those employees who have not historically been part of the workforce or who have suppressed their needs and individuality over the years. All of this demands a degree of flexibility on the part of the organisation, and an awareness of the diversity of the people comprising the organisation.

Thomas (1996:97-110) continues by saying that managing diversity should be an integral component in managerial and supervisory evaluation and performance management. Insistence on accountability gives the backbone to managing diversity theory.

The overall goals of this phase are to:
• Ensure that human resources policies and systems support the organisational vision of developing and all-inclusive work environment.
• Understand how the organisation can work towards enhancing the work/life balance of its employees.
• Structure the organisation to take full advantage of the heterogeneity of the workforce.

f) Phase 6 – Monitoring and evaluating the diversity process

People management and managing diversity are often regarded as the "soft" side of business and human resources strategies are given lower priority than those pertaining to finance, marketing, and so on. Therefore hard measures to track performance in terms of managing diversity seem to be critical to the strategy’s success (Thomas, 1996:107-110).

Using as a baseline the results obtained from the diversity research (phase 2) on various defined parameters, it is possible to plot the organisations progress in this area and benchmark it against itself over periods of time in, amongst others, the following areas:

• Lower staff turnover and avoidance of the “revolving door syndrome”.
• Tapping into the range of skills previously absent from the organisation.
• Attracting and retaining the best talent.
• Increasing the skills of staff at all levels through their active participation in the process.
• Enhancing creativity and problem solving, critical for competitiveness.
• Ensuring better labour relations and communication throughout the organisation.
• Responding timeously to diverse marketers.
• Enhancing job satisfaction resulting in superior productivity and quality.
• Promoting flexibility, adaptability and proactivity within the organisation.
• Utilising people’s skills to the maximum.

From the preceding discussion of Thomas’s (1996) model of the managing diversity process it can be seen that the model focuses to a large extent on the process to be followed, but also offers some ideas on the initiatives that can be implemented to manage diversity. There seems to be agreement between Thomas (1996) and the authors of the other managing diversity models discussed that affirmative action is a short-term process for diversifying an organisation and that managing diversity is a long-term cultural change process impacting on the bottom-line goals of an organisation.
2.7 EMPLOYMENT EQUITY STRATEGIES

2.7.1 Establishing commitment to Employment Equity

According to Thomas and Robertshaw (1999:19) employees at every level need to understand what the programme for employment equity entails and how it will impact upon them. They have to "buy into the process" by seeing the benefits for themselves and for the company if any degree of success is to be achieved. If employees cannot be convinced of the benefits, the programme will be sabotaged before it has begun or employees will block it, at a later stage, with influence in the company.

An intensive communication programme should, therefore, be launched to ensure that all employees, at every level in the company, are fully au fait with the Employment Equity legislation and the plan of action adopted by the company. They should understand how it would impact on their jobs, their career advancement and their future prospects in the company.

2.7.1.1 Gaining Management Commitment for an Employment Equity Policy and Strategy

According to Thomas and Robertshaw (1999:20), one of the key features of any successful Employment Equity initiative is to ensure that the process is driven from the top. Delegating it to a position where it is purely controlled at line management or human resources level sends out a clear message that nothing more than a new management programme that "has" to be done to keep the Government and other stakeholders happy. Conversely, driving the process at top management level indicates a sincere belief in the principles behind Employment Equity and a commitment to bringing about real change in the company.

2.7.2 The role of the Employment Equity Manager

According to Thomas and Robertshaw (1999:42-43) the employment equity manager is responsible for the following:

- Conducting regular communication workshops with groups of employees in respect of the need to achieve Employment Equity, reporting on progress made and facilitating discussion of future plans;

71
• Scheduling all Employment Equity Committee meetings for the year and ensuring that minutes of every meeting are taken and distributed to members of the Employment Equity Committee;
• Placing the minutes of such meeting on notice-boards for easy access to all employees along with copies of the Employment Equity Act and the Employment Equity Plan, as required by legislation;
• Preparing a profile of the workforce of the company in terms of race, gender and disability and by job grade and occupational category;
• Obtaining statistics of the pool of suitable qualified, economically active people from designated groups in different occupational categories according to regional and national distribution;
• Preparing charts to evaluate progress in achieving set targets;
• Reviewing all human resources policies and practices with a view to ensuring that they do not unfairly discriminate and that they comply with the objectives of Employment Equity and related Affirmative Action strategies;
• Keeping records of Employment Equity Plans and evaluations of progress for submission to the Department of Labour;
• Providing feedback to employees and other stakeholders on progress made; (Thomas and Robertshaw, 1999:42-43).

2.7.3 Role of the Employment Equity Committee

A frequently occurring problem, reported by employees in South African business, is the loss of information that occurs when committees dealing with Employment Equity are established. (Thomas, 1998:16).

According to Thomas and Robertshaw (1999:43-44) the main responsibilities of each Committee member is to ensure that he or she provides regular feedback to the constituencies that he or she represents. Other responsibilities of the Employment Equity Committee include:

• The establishment of an Employment Equity budget.
• Participation in the formulation of a "Barriers to Employment Equity Audit".
• Participation in evaluating progress made in achieving targets and Affirmative Action objectives.
• Participation in the development of an "Employee Development Programme".
• Participation in the formulation of an Education and Training Policy.
• Monitoring and evaluating applications for study assistance and training courses.
• Participation in dispute resolution concerning the implementation of Affirmative Action measures.
• Participation in the submission of reports to the Department of Labour.

The Employment Equity Committee enjoys a position of high status in the company because of the responsibility entrusted to it by employees. Participation by the managing director or Managing Director is therefore essential to provide it with the necessary status that it deserves. Members of the committee have a responsibility to their constituencies to ensure that their interests are being represented. In addition, management and the employee body as a whole, should periodically evaluate the effectiveness of the Employment Equity Committee in promoting the achievement of Employment Equity objectives (Thomas and Robertshaw (1999:44).

2.7.4 Election of members to the Employment Equity committee

According to (Thomas and Robertshaw, 1999:39-40), in order to achieve Employment Equity, the Employment Equity Committee is the forum where all issues are debated and extensive consultation occurs. The composition of this Committee and how it is established is vitally important. The sentiment in the Act of having a representative body of employees to approve and monitor progress towards Employment Equity implicitly endorses the need for a workplace "Truth and Reconciliation Commission" equivalent. Employees or their nominated representatives must include:

• Employees across all occupational categories and levels in the organisation;
• Employees from designated groups;
• Employees not from designated groups; (Thomas and Robertshaw, 1999:40-41).

Members of workplace structures are required to nominate representatives as detailed above. Care must be taken to ensure that employee’s of all occupational categories and levels in the company are represented, as well as women, people with disabilities and members of the four broad racial groupings. Should members of the workplace structures be unable to nominate all the required representatives as specified above, the company should then conduct a ballot amongst those employee groupings that are not represented and ask them to nominate
employees to ensure a full complement on the Employment Equity Committee (Thomas and Robertshaw, 1999:40-41).

2.8 DISABLED PEOPLE

2.8.1 Defining disability in the workplace

The Employment Equity Act defines disability as a long-term or recurring physical or mental impairment that substantially limits prospects of entry into, or advancement in employment. (Employment Equity Act 1998).

Some legal advisers suggest that if a physical condition requires reasonable accommodation or adjustment for the employee to enter or advance in the workplace, the condition can be regarded as a disability (Silver & Koopman, 2000:153).

The Employment Equity Act requires employers to categorise staff into 'disabled' and 'not disabled' through an audit process and then to set goals for the future. Employees themselves are part of this decision-making process, as well as deciding whether their disability impacts on their potential to perform a certain task or job (Employment Equity Act 1998).

This issue is also important, as the degree to which reasonable accommodation by the employer could be expected is dependent upon whether a particular employee is classified as disabled for a particular position (Silver & Koopman, 2000:153).

2.8.2 Transporting people with disabilities

Accessible transport to and from the workplace is critical to the successful employment of people with disabilities.

The existing South African public transport system, which includes the taxi system, is not easily accessible to people who use wheelchairs. The taxi operators normally charge double the usual fare to load a wheelchair, and often become impatient with the time it takes to assist the person with the disability to board the taxi.

Possible short-term solutions to this critical issue are:

- being taken to and from work by friends and family
• the operation of a buddy system, whereby a lift scheme is operated and those staff with disabilities own cars transport those without cars
• the company makes transport available

The President and the Minister of Transport are committed to bringing about successful transformation of the public transport system that provides a solution to the current inaccessibility of the system to people with disabilities (Silver & Koopman, 2000:156-157).

2.8.3 Accommodating people with disabilities

Accommodation or adjustments recommended by Silver & Koopman (2000:157-159) are as follows:

• Adjusting premises and office furniture by providing ramps, parking close to entrances, lifts announcing the various floors, ensuring toilet design is ‘disability’ friendly and ensuring that the desktop accommodates any person with a disability.
• Changing job designs, work schedules or other practices to meet the special needs of employees with a disability.
• Offer an alternative post to an employee who has sustained a disability during employment.
• Assign the person with a disability to a different place of work.
• Design software package or computers with speech output to assist the visually impaired person.
• Modification of equipment where an employee loses his/her right hand and is forced to use the other hand.
• A Braille version of a training manual can be produced to accommodate a visually impaired employee.
• A reader, or an interpreter, who is proficient in sign language, may have to be provided for an employee who is hearing impaired and whom senior managers for possible promotion are interviewing. This ensures that he/she has a fair chance of competing with other candidates.
• Allowing a support person to give assistance to a person with a disability during recruitment and in the workplace.
CHAPTER 3

3. RESEARCH INSTRUMENTS AND METHODOLOGY

In the first chapter of the research it was indicated that the purpose of the study was to establish employee’s views on factors that are important to the success of affirmative action and employment equity. It was also necessary to obtain employee’s views to determine to what extend these issues contributed to the successful implementation of affirmative action and employment equity in the respective Geographic locations and Business units within TrenTyre. The results would enable the researcher to identify those processes that would promote affirmative action as well as any aspects that might hamper or undermine the successful implementation of affirmative action and employment equity.

The literature study and information on TrenTyre were described in chapter 1 and 2. In this chapter, a brief overview is provided of the theory of research instruments. The research methodology is discussed. The statistical analysis of the study as well as the finalisation of the questionnaire is also addressed. The chapter concludes with the approach that was followed in the statistical analyses and the level of significance used in the study.

3.1 A BRIEF OVERVIEW OF THE THEORY OF RESEARCH INSTRUMENTS

3.1.1 General

According to Leedy (1999:4-8) research is not the mere gathering of information and the transcription of facts, but is a specific attempt to find new information and insight in a planned, systematic and verifying manner. The research methodology has seven distinct characteristics, namely:

- The research usually starts with a problem in the mind of the researcher. This could take the form of a question.
- Research requires the identification of a goal that is detailed in clear unambiguous statements.
- A plan should be drawn up how to reach the goal.
- Research deals with the principle problem by identifying manageable sub problems.
• Direction of the research is obtained through suitable hypotheses based on obvious assumptions.
• The research should deal with facts and their meaning.
• The research process is cyclical. Frequently the resolution of one research problem gives rise to new questions and further problems requiring further research.

The methodology of the research used in this study is the descriptive survey method which comprises the following four elements (Leedy, 1999:142):

• It requires an observation technique as the most important means of collecting the data.
• The population for the research must be carefully selected and clearly defined.
• The data should as far as possible be free of bias.
• If valid and accurate conclusions are to be drawn the data should be organised and presented systematically.

3.1.2 Questionnaires

3.1.2.1 General

According to Saunders et al., (2000:278) the questionnaire is one of the most widely used survey data collection techniques. They go on to say that it is vital to ensure that the questionnaire will collect the precise data that you require to answer your research questions and objectives. This is of paramount importance as you are unlikely to be able to go back to people and to collect additional data using another questionnaire.

The design of your questionnaire will affect the response rate and the reliability and validity of the data you collect. Response rates, validity and reliability can be maximised by:

• careful design of individual questions;
• clear layout of the questionnaire form;
• lucid explanation of the purpose of the questionnaire;
• and pilot testing (Saunders et al., 2000:279).

Questionnaires are best used when doing descriptive or explanatory research. Descriptive research, such as that undertaken using attitude and opinion questionnaires and questionnaires of organisational practices, will enable you to identify and describe the variability in different
phenomena. In contrast, explanatory or analytical research will enable you to examine and explain relationships between variables, in particular cause-and-effect relationships (Saunders et al., 2000:279).

3.1.2.2 Designing individual questions

When designing individual questions researchers do one of three things:

- adopt questions used in other questionnaires;
- adapt questions used in other questionnaires;

Adopting or adapting questions may be necessary if you wish to replicate, or to compare your findings with, another study. This can allow reliability to be assessed. It is also more efficient than developing your own questions provided that you can still collect the data you need to answer your research question (s) and to meet your objectives. They furthermore warn that if you adopt questions, beware, as there are a vast number of poor questions in circulation, so always assess each question carefully and also check whether they are under copyright (Bourque and Clark, 1994, cited in Saunders, et al., 2000).

Initially you only need to consider the type and wording of individual questions rather than the order that they will appear on the form. Clear wording of questions using terms that are likely to be familiar to, and understood by, respondents can improve the validity of the questionnaire. Most types of questionnaire include a combination of open and closed questions. Open questions allow respondents to give answers in their own way (Fink, 1995, cited in Saunders et al., 2000). Closed questions, sometimes referred to as close-ended questions (Salant and Dillman, 1994, as cited in Saunders et al., 2000), provide a number of alternative answers from which the respondent is instructed to choose (de Vaus, 1996, as cited in Saunders et al., 2000). The latter are usually quicker and easier to answer, as they require minimal writing. Responses are also easier to compare, as they have been predetermined. However, if these responses cannot be easily interpreted then these benefits are, to say the least, marginal (Foddy, 1994, as cited in Saunders et al., 2000). Youngman (1986) cited in Bell, 1999, cited in Saunders et al., 2000) identifies six types of closed questions.

- list where the respondent is offered a list of items, any of which may be selected;
- category where only one response can be selected from a given set of categories;
- ranking where the respondent is asked to place something in order;
- scale in which a scaling device is used to record responses;
- quantity to which the response is a number giving the amount;
- grid where responses to two or more questions can be recorded using the same matrix.

3.1.2.3 Wording of Questions

Saunders et al., (2000) suggests the following checklist for the wording of questions;

- Does your question collect data at the right level of detail to answer your investigative question as specified in your data requirements table?
- Will the respondents have the necessary knowledge to answer your questions?
- Does your question talk down to respondents? It should not!
- Are the words used in your question familiar and will all respondents understand them in the same way? In particular you should use simple words and avoid jargon, abbreviations and colloquialisms.
- Are there any words that sound similar and might be confused with those used in your question? This is a particular problem with interviewer – administered questionnaires.
- Are there any words in your question that might cause offence? These might result in biased responses or a lower response rate.
- Can your question be shortened? Long questions are often difficult to understand, especially in interviewer-administered questionnaires, as the respondent needs to remember the whole question. Consequently, they often result in no response at all.
- Are you asking more than one question at the same time? The question ‘How often do you visit your mother and father?’ contains two separate questions, one about each parent, so responses would probably be impossible to interpret.
- Does your question include a negative or double negative? Questions that include the word ‘not’ are sometimes difficult to understand. The question ‘Would you rather not use a non-medicated shampoo’ is far easier to understand as ‘Would you rather use a medicated shampoo?”
- Is your question unambiguous? This can arise from poor sentence structure, using words with several different meanings or having an unclear investigative question. If you ask ‘When did you leave school? Some respondents might state the year, the others might give their age, while those still in education might give the time of day! Ambiguity can also occur in category questions. If you ask employers how many employees they have on their
payroll and categorise their answers into three groups (up to 100, 100-250, 250 plus) they will not be clear which group to choose if they have 100 or 250 employees.

- Does your question imply that a certain answer is correct? If it does the question is biased and will need to be reworded such as with the question ‘Many people believe that too little money is spent on our Health Services. Do you believe this to be the case? For this question, respondents are more likely to answer ‘yes’ to agree with and please the interviewer.

- Does your question prevent certain answers from being given? If it does the question is biased and will need to be reworded. The question ‘Is this the first time you have pretended to be sick?’ Implies that the responded has pretended to be sick whether they answer yes or no!

- Is your question likely to embarrass the respondent? If it is then you need either to reword it or to place it towards the end of the survey when you will, it is to be hoped, have gained the respondent’s confidence. Questions on income can be asked as either precise amounts (more embarrassing) using a question or income bands (less embarrassing) using a category question.

- Have you incorporated advice appropriate for your type of questionnaire (such as the maximum number of categories) outlined in the earlier discussion of question types?

- Are answers to closed questions written so that at least one will apply to every respondent?

- Are the instructions on how to record each answer clear?

3.2 COVERING LETTER

Most self-administered questionnaires are accompanied by a covering letter, which explains the purpose of the survey. This is the first part of the questionnaire that a respondent should look at. Unfortunately some of your sample will ignore it, while others use it to decide whether to answer the accompanying questionnaire.

Research by Dillman (1978) in Saunders et al., (2000) and others has shown that the messages contained in a self-administered questionnaire’s covering letter will affect the response rate. The most appropriate way of structuring a covering letter is summarised as follows:
Table 3.1 Structure of a covering letter

<table>
<thead>
<tr>
<th>Type of paper</th>
<th>Good quality, official letterhead, including telephone number.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum length of letter</td>
<td>One side (12 point font size if possible)</td>
</tr>
<tr>
<td>Salutation</td>
<td>Use recipient's title and name (if possible)</td>
</tr>
<tr>
<td>First set of messages</td>
<td>What research is about, why it is useful</td>
</tr>
<tr>
<td>Second set of messages</td>
<td>Why recipient is important, how long it will take to complete.</td>
</tr>
<tr>
<td>Third set of messages</td>
<td>Promises of confidentiality or anonymity</td>
</tr>
<tr>
<td>Fourth set of messages</td>
<td>How results will be used; token reward or charity donation for participation (if any)</td>
</tr>
<tr>
<td>Final set of messages</td>
<td>Whom to contact, if any queries</td>
</tr>
<tr>
<td>Closing remarks</td>
<td>Thank recipient for their help</td>
</tr>
</tbody>
</table>

3.3 RESEARCH METHODOLOGY

3.3.1 The Target Selection And Sample Population

In order to make the questionnaires as user-friendly as possible, a multiple-choice approach was adopted, so that respondents simply had to place a cross in the appropriate box. Also, it was important that the questionnaire should not take too long to complete. A copy of the questionnaire is included for reference in Appendix A.
To the extent that it was possible, overly academic jargon was avoided. The questionnaire was distributed to all 2800 Trentyre employees.

Of the 2800 questionnaires that were sent out 1535 were returned. In most of the Divisions the response rate was at a statistically significant level of 25% or above.

- The sample should be sufficiently large so that the findings would accurately depict the parameters of the population.
- The sample should be representative of the main employee categories.

All questionnaires had a note attached to state the rationale behind the survey, to emphasise the confidentiality of the exercise and to let respondents know that the questionnaire was purposely user-friendly and would take less than 30 minutes to complete. In order to encourage frankness and openness during completion of the questionnaire, the issue of confidentiality was stressed. In other words all respondents were guaranteed total confidentiality, implying that a person’s name would never be linked to a particular questionnaire. Importantly, respondents were not asked to write their name on the questionnaire.

Certain categories of employees may respond differently to the questions. The categories used, and the number of respondents in each of the components of the various categories, were as follows:

<table>
<thead>
<tr>
<th>Table 3.4 Gender of participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Female</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>
### Table 3.5 Broad Bands of participants

<table>
<thead>
<tr>
<th>Broad Bands</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Officials &amp; Managers</td>
<td>59</td>
</tr>
<tr>
<td>Professionals</td>
<td>75</td>
</tr>
<tr>
<td>Clerks</td>
<td>297</td>
</tr>
<tr>
<td>Services &amp; Sales Workers</td>
<td>212</td>
</tr>
<tr>
<td>Plant and Machine Operators</td>
<td>368</td>
</tr>
<tr>
<td>Elementary Occupations</td>
<td>524</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1535</strong></td>
</tr>
</tbody>
</table>

### Table 3.6 Race of participants

<table>
<thead>
<tr>
<th>Race</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>African</td>
<td>815</td>
</tr>
<tr>
<td>White</td>
<td>473</td>
</tr>
<tr>
<td>Coloured</td>
<td>164</td>
</tr>
<tr>
<td>Indian</td>
<td>83</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1535</strong></td>
</tr>
</tbody>
</table>

### Table 3.7 Age analysis of participants

<table>
<thead>
<tr>
<th>Age</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>18 – 25</td>
<td>219</td>
</tr>
<tr>
<td>26 – 35</td>
<td>553</td>
</tr>
<tr>
<td>36 – 45</td>
<td>639</td>
</tr>
<tr>
<td>46 – 55</td>
<td>99</td>
</tr>
<tr>
<td>Over 55</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1535</strong></td>
</tr>
</tbody>
</table>
Table 3.8 Location of participants

<table>
<thead>
<tr>
<th>Location</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Division (Bloemfontein)</td>
<td>254</td>
</tr>
<tr>
<td>Gauteng Division (Johannesburg)</td>
<td>289</td>
</tr>
<tr>
<td>Head Office (Cape Town/Johannesburg)</td>
<td>94</td>
</tr>
<tr>
<td>North East Division (Durban)</td>
<td>457</td>
</tr>
<tr>
<td>Southern Division (Cape Town)</td>
<td>357</td>
</tr>
<tr>
<td>Technical (Country wide)</td>
<td>84</td>
</tr>
<tr>
<td>Total</td>
<td>1535</td>
</tr>
</tbody>
</table>

As is often the case with surveys of this nature, not all respondents supplied all the information requested from them. In such cases, the questionnaire was not rejected; rather, the incomplete data supplied by these respondents was still used.

**SUMMARY**

The success of managing diversity through Affirmative Action and Employment Equity strategies within TrenTyre will be determined by the results of the questionnaire that was developed for the purpose of the research and the results thereof will be presented in Chapter 4.
CHAPTER 4

4. RESEARCH FINDINGS AND ANALYSIS OF RESULTS

4.1 ANALYSIS

Each result will be analysed by starting whether it confirms or contradicts the literature in Chapter 2. The results will be reported according to the questions that were asked in the questionnaires.
4.1.1 Employment Equity (Employment Equity) implementation

Table 4.1  Question 1: Outcomes expected from Employment Equity implementation

<table>
<thead>
<tr>
<th>Question</th>
<th>Specified in detail</th>
<th>Outlined in general terms</th>
<th>Poorly defined</th>
<th>Not defined</th>
</tr>
</thead>
<tbody>
<tr>
<td>14%</td>
<td>58%</td>
<td>23%</td>
<td>6%</td>
<td></td>
</tr>
</tbody>
</table>

The responses indicate that the outcomes expected from this initiative was fairly well outlined and is supported by the responses of 72% of respondents. 23% believed it was poorly defined whilst 6% believed they were not defined.

Both males and females were fairly positive. The understanding range from slightly positive amongst Elementary Occupations, increasing gradually to become fairly positive at Senior Official and professional levels. The understanding amongst the divisions range from between positive to slightly positive with Central division being the most positive and Southern division being the least positive. Again the response from Africans and Coloureds were slightly positive compared to the positive response from the Indians and Whites. Across all age groups, the responses were fairly positive.

Employees must realise the need for the implementation of Employment Equity. Fuhr (1994) states that employees must be recognised as a resource with which to gain a competitive advantage for the company. Companies must formulate a particular business reason for developing and cultivating a diverse workforce (2.4.1). TrenTyre has communicated the outcomes expected from Employment Equity reasonably successfully.
4.1.2 Attitudes towards Employment Equity

Table 4.2 Question 2: Attitudes towards Employment Equity

<table>
<thead>
<tr>
<th>Question</th>
<th>Extremely Positive</th>
<th>Reasonable Positive</th>
<th>Reasonably Negative</th>
<th>Extremely Negative</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>16%</td>
<td>64%</td>
<td>14%</td>
<td>5%</td>
</tr>
</tbody>
</table>

What is your Attitude to Employment Equity

The overall attitude towards Employment Equity was reasonably positive and supported by 80% of the respondents. Only 5% were extremely negative.

In general

Both males and females are fairly positive. The attitude across the broad bands is positive with senior officials and professionals being the most positive and clerks the least positive. The response across divisions reflects a fairly positive attitude. All race groups have a fairly positive attitude towards Employment Equity in general. All age groups are fairly positive except for the "Over 55" age group, who reflects a slightly positive response.

According to Human (1997) (2.6.2.1) people and management development will be achieved only if values, attitudes and behaviours are addressed. The effective communication process also has a positive impact on the employees attitudes towards Employment Equity of TrenTyre, which is one of the eight elements identified by Kandola and Fullerton as important to the success of Employment Equity strategies (2.6.4.3).
Table 4.3  Question 3: Attitudes towards Employment Equity initiatives

<table>
<thead>
<tr>
<th>Question</th>
<th>Extremely Positive</th>
<th>Reasonable Positive</th>
<th>Reasonably Negative</th>
<th>Extremely Negative</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>15%</td>
<td>61%</td>
<td>19%</td>
<td>6%</td>
</tr>
</tbody>
</table>

More specifically, What is your attitude towards the Employment Equity initiatives in your place of business?

The overall attitude towards Employment Equity was reasonably positive and supported by 76% of the respondents. Only 6% were extremely negative.

There is no significant difference in the attitude towards the Employment Equity initiatives based on gender; both males and females reflected a fairly positive response. There is a correlation between the attitude towards the Employment Equity initiatives and the level in the organisation, with the clerks being slightly positive to management being positive. All divisions reflect a reasonably positive attitude towards the Employment Equity initiatives with service and sales workers being extremely positive. Again Indian and White are fairly positive but the other two race groups only slightly positive. There is a general positive attitude towards the Employment Equity initiatives across the different age groupings with the “18 – 25” group being the least positive.

According to Thomas and Robershaw (1999) one of the key features of any successful Employment Equity initiative is to ensure that the process is driven from the top. Delegating it to a position where it is purely controlled at line management or human resources level sends out a clear message that nothing more than a new management programme that “has” to be done to keep the Government and other stakeholders happy. Conversely, driving the process at top management level indicates a sincere belief in the principles behind Employment Equity and a commitment to bringing about real change in the company (2.7.1.1).
The overall attitude towards Employment Equity initiatives is positive suggesting that the top management at TrenTyre is committed to the Employment Equity initiative strategy.

### 4.1.3 Communication regarding Employment Equity

#### Table 4.4  Question 4: Communication regarding Employment Equity initiative

<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>There has been adequate communications</td>
<td>8%</td>
<td>48%</td>
<td>38%</td>
<td>5%</td>
</tr>
<tr>
<td>(information sharing / creating awareness /</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>sensitising regarding Employment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity initiatives at your place of business.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>There has been adequate communications</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(information sharing / creating awareness /</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>sensitising regarding Employment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity initiatives at your place of business.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Most people tended to either agree or disagree to there being adequate communication, and as a result the overall outcome is a slight agreement with the statement.

Both genders agree with this statement very slightly whilst Males tend to agree a little more that the Females. Responses from Technicians and associates upwards indicate some degree of agreement whilst all other bands below agree very slightly and Elementary occupations disagreeing slightly. Africans disagree slightly, followed by the Coloureds who agree very slightly respectively. All age groups show slight agreement except for the “36 – 45” age group that slightly disagree.
Table 4.5  Question 5: Communication and access to information

<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication and access to information has</td>
<td>8%</td>
<td>64%</td>
<td>23%</td>
<td>5%</td>
</tr>
<tr>
<td>improved</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall there is agreement with this statement.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gender, bands and age share the overall view. Most</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>divisions agree except for slight disagreement</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>from Central division and a neutral response from</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Head Office. Africans agree the least (neutral</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>bias) whilst Indians agree the most.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

According to Thomas and Robertshaw (1999) employees at every level need to understand what the programme for employment equity entails and how it will impact upon them. They have to “buy into the process” by seeing the benefits for themselves and for the company if any degree of success is to be achieved. If employees cannot be convinced of the benefits, the programme will be sabotaged before it has begun or employees will block it, at a later stage, with influence in the company. An intensive communication programme should, therefore, be launched to ensure that all employees, at every level in the company, are fully au fait with the Employment Equity legislation and the plan of action adopted by the company. They should understand how it would impact on their jobs, their career advancement and their future prospects in the company.

An intensive communications programme should be launched to ensure that all employees are fully au fait with the Employment Equity legislation and the plan of action adopted by the company (2.7.1). The message of the Employment Equity initiative strategy within TrenTyre has been communicated successfully to most employees.
### 4.1.4 The Employment Equity Forum

**Table 4.6 Question 6: The Employment Equity consulting process**

<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>6%</td>
<td>54%</td>
<td>34%</td>
<td>6%</td>
<td></td>
</tr>
</tbody>
</table>

The Employment Equity process is sufficiently consultative (i.e. it seeks to obtain opinions/views/information from employees) 60% of the respondents agree that the process was sufficiently consultative, whilst 40% disagreed that there was sufficient consultation.

Top management agreed more strongly whilst the Elementary Occupations were the least positive. There was a range of agreement between the Divisions except for Head Office, whose responses denote a slight disagreement about the process. All groups agree slightly with the Indians agreeing more strongly. Most age grouping agreed slightly with the "over 55" age group the most positive.

---

Thomas (1996) defines managing diversity as "a planned, systematic and comprehensive managerial process for developing an organisational environment in which all employees, with their similarities and differences, can contribute to the strategic and competitive advantage of the organisation, where no-one is excluded on the bases of factors unrelated to productivity" (2.4). Thomas (1996) goes on to say that Managing diversity targets all employees and assumes that multicultural norms can prevail in an organisational culture where there is consensus on performance criteria, rather than a reliance on individual style, which has no bearing on job output. Managing Diversity ensures the natural upward mobility of employees by creating an organisational environment in which all employees can progress without hindrance from factors unrelated to job performance. It promotes the development of a psychological
contract between the organisation and its employees thereby ensuring the full utilisation of the workforce for competitive advantage (2.4).

Table 4.7  Question 7: The Employment Equity Forum

<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Employment Equity Forum is sufficiently representative</td>
<td>9%</td>
<td>60%</td>
<td>27%</td>
<td>4%</td>
</tr>
<tr>
<td>(i.e there is adequate representation from all main employee categories)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>There is majority agreement with 69% of the respondents agreeing and 31% disagreeing that the Employment Equity forum is sufficiently representative.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The males agree more with this statement than the females.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Across the bands agreement becomes more positive with seniority. Top management agree more strongly while Elementary Occupations agree only slightly. The Divisions responses reflect a range between slight agreement to fair agreement except for Technical division that slightly disagree. Indians and whites agreed more than Africans and Coloureds. Most age grouping agreed with the statement and the “over 55” age group agreed the most.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

According to Thomas and Robersthaw (1999) in order to achieve Employment Equity, the Employment Equity Committee is the forum where all issues are debated and extensive consultation occurs. The composition of this Committee and how it is established is vitally important. The sentiment in the Act of having a representative body of employees to approve and monitor progress towards Employment Equity implicitly endorses the need for a workplace “Truth and Reconciliation Commission” equivalent.

Employees or their nominated representatives must include:

- Employees across all occupational categories and levels in the organisation;
Employees from designated group;
Employees not from designated groups;

Members of workplace structures are required to nominate representatives as detailed above. Care must be taken to ensure that employee's of all occupational categories and levels in the company are represented, as well as women, people with disabilities and members of the four broad racial groupings. Should members of the workplace structures be unable to nominate all the required representatives as specified above, the company should then conduct a ballot amongst those employee groupings that are not represented and ask them to nominate employees to ensure a full complement on the Employment Equity Committee (2.7.4). It is evident from the above results that the Employment Equity forum is sufficiently represented by the four broad racial groupings, woman and people with disabilities.

Table 4.8  Question 8: The credibility of the Employment Equity form

<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Employment Equity forum has adequate Credibility (i.e. it is generally acceptable and respected by employees)</td>
<td>5%</td>
<td>61%</td>
<td>31%</td>
<td>4%</td>
</tr>
<tr>
<td>There was fair agreement on the Employment Equity Forum's credibility although 35% disagree.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Both genders agreed slightly. All bands agreed slightly with only Senior management being neutral. Most Divisions agreed whilst Technical and Head Office disagree with this statement. All races agreed to a similar degree with Africans agreeing only slightly. All age groups agreed whilst the “over 55” age group agreed the most.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

According to Thomas and Robertshaw (1999) the Employment Equity committee enjoys a position of high status as the members have a responsibility to their constituencies to ensure that their interest are being represented, it is therefore important for the forum to have credibility.
and be respected by employees (2.7.3). In view of the fact that 66% of employees agree with this statement, the Employment Equity forum within TrenTyre has adequate credibility.

4.1.5 Managing Diversity

Table 4.9  Question 9: Understanding of diversity

<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>TrenTyre understands what diversity is and that managing diversity is really no different from managing people</td>
<td>10%</td>
<td>66%</td>
<td>21%</td>
<td>4%</td>
</tr>
<tr>
<td>There is a general agreement with this statement with 76% of respondents agreeing.</td>
<td>Both genders and all bands share the overall positive view. North/East disagree. Africans agree the least whilst Indians agree the most. All age groups share the overall view.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

According to Thomas (1996) organisations need to see beyond the targets or number games and to seriously consider how they will begin to harness workforce diversity. Managing a diverse workforce involves creating an organisational environment that is flexible enough to work to the advantage of all employees. Such an environment allows for strengths introduced by those new to the company and who have not had a part in the formulation of the prevailing corporate culture, to be used in achieving corporate goals. This demands the examination of the prevailing corporate culture to identify those unspoken rules that may work against the full inclusion of everyone (2.4.2.1).
### Table 4.10 Question 10: Addressing Historical Inequalities

<table>
<thead>
<tr>
<th>Question</th>
<th>Great Extent</th>
<th>Reasonable Extent</th>
<th>Slight Extent</th>
<th>Very Little Or not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>In your opinion, to what extent will the Employment Equity initiatives at your place of business address historical inequalities?</td>
<td>9%</td>
<td>46%</td>
<td>35%</td>
<td>10%</td>
</tr>
</tbody>
</table>

The overall response indicates that Employment Equity initiatives will address historical inequalities to a reasonable extent, although 45% believe that it will only do this to a slight extent or possibly not at all.

There is not much difference in the responses between males and females. From Services and Sales workers upward responded that the extent will be reasonable whilst all other bands below indicate a slight extent. The majority of the Divisions expect a reasonable extent. Only Whites indicate a reasonable extent whilst all other groups reflect a slight extent. The “18 – 35” age group is most negative and the “over 55” is the most positive.

According to Mpufane (1998) the main driving force behind most affirmative action programmes in South African organisations is to address imbalances in order to achieve equality. The black majority in South Africa suffered discrimination under the previous apartheid government, which resulted in a disproportionate distribution of the country’s resources and top positions in companies being occupied mostly by white males. He also emphasised the imbalance in South Africa regarding the sharing of resources, skills and knowledge, and proposes affirmative action in the form of a quota system to provide a means to correct these imbalances (2.2.4).

Khoza (1993) views Employment Equity as a positive measure to correct imbalances created by generations of oppression. Innes (1993) defines it as a “set of procedures aimed at proactively addressing the disadvantages experienced by section of the community in the past” (2.2.2). With 45% of respondents indicating that the initiatives to address historical inequalities are only addressed to a slight extent or not at all, there is definite room for improvement.
### Table 4.11 Question 11: Promotion of cultural diversity

<table>
<thead>
<tr>
<th>Question</th>
<th>Great Extent</th>
<th>Reasonable Extent</th>
<th>Slight Extent</th>
<th>Very Little Or not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>In your opinion, to what extent does the Employment Equity process promote cultural diversity at your place of business</td>
<td>9%</td>
<td>47%</td>
<td>32%</td>
<td>11%</td>
</tr>
</tbody>
</table>

The overall view is that cultural diversity is promoted to a reasonable extent.

Both genders share the overall view. The response form the bands become more positive with seniority and only the Elementary Occupations indicate that cultural diversity is promoted to a slight extent. Most Divisions share the overall opinion with 33% of Divisions indicating that cultural diversity is promoted to a slight extent. Head Office is most vocal. With respect to race groups, only whites indicate a reasonable extent, while all other groups indicate to a slight extent. The "over 55" group was the most positive and the "36 – 45" the most negative.

Wingrove (1993) states that in essence managing diversity is about addressing negative expectations and negative perceptions of black culture and black people without reinforcing cultural differences. According to Fuhr (1998) Blacks should not have to fit into "ready-made" white corporate cultures, culture should rather be expanded to accommodate the diversity of its people (2.4). Rosmarin (1998) defines managing diversity as the ability to work with individuals from different backgrounds in a manner that enables them to reach their full potential, in pursuit of considerations, he goes on to say that this is a process for developing an organisational environment that works for all employees: that does not control or contain diversity, but enables members of the workforce to perform according to their potential (2.4).
4.1.6 Employment Equity Objectives and implementation thereof

Table 4.12 Question 12: Priority of Employment Equity initiatives

<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Employment Equity initiatives have been assigned sufficiently high priority.</td>
<td>10%</td>
<td>55%</td>
<td>30%</td>
<td>5%</td>
</tr>
<tr>
<td>Most respondents (65%) believe this statement to be fairly true.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Both genders believe this statement to be fairly true. All bands except Elementary Occupations believe this statement to be fairly true with a positive correlation between agreement and seniority. Only Africans disagreed. All ages agreed with the statement.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

According to Human et al., (1999) the point of departure of the Employment Equity Act is the requirement that businesses employing 50 or more people must recognise employment equity as a strategic priority, and must formulate plans to achieve this by setting targets and time frames for change. These companies will be obliged to take the following steps towards equity:

- Prepare a profile of the workplace
- Review current employment equity practices and policies.
- Prepare and implement an employment equity plan.
- Lodge a summary of the plan with the Department of Labour.
- Report annually to the Director General of the department on its implementation.

It is of utmost importance that Employment Equity initiatives are assigned high priority as monetary fines will be imposed for non-compliance and could include compensatory and punitive damages for unfair discrimination (Human et al., 1999) (2.3.1).
Table 4.13  Question 13: Is the Employment Equity process moving fast enough

<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4%</td>
<td>48%</td>
<td>39%</td>
<td>9%</td>
</tr>
</tbody>
</table>

| The Employment Equity process is moving fast enough. | The overall view is that there is slight disagreement on the pace of the process. This is supported by both genders. Junior management upwards agree with the statement whilst the Knowledge Workers and Elementary Occupations disagree. The response form the bands become more positive with seniority. About a half of the Divisions don’t agree with the statement. Whites and, to a lesser extent, Indians agreed but the Coloureds slightly disagreed whilst the Africans disagreed. The younger age groups disagree most strongly. |

According to (Singh, 1998) (2.3.1) the aim of the Employment Equity Act is not simply to force employers to crunch numbers, they have to implement employment equity plans that will allow reasonable progress in achieving equity. From the above results it appears that junior staff and Africans believe the process is moving too slow.
Table 4.14  Question 14: Sincerity of Employment Equity implementation in Divisions

<table>
<thead>
<tr>
<th>Question</th>
<th>Great Extent</th>
<th>Reasonable Extent</th>
<th>Slight Extent</th>
<th>Very Little Or not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>16%</td>
<td>43%</td>
<td>30%</td>
<td>12%</td>
</tr>
</tbody>
</table>

In your opinion, to what extent is management sincere / serious about the implementation of Employment Equity initiatives in your division?

The overall view is that management is reasonably serious about the implementation of Employment Equity.

Males agree more than female's. Junior management upwards agree with the statement whilst the Plant & Machine Operators and Elementary Occupations disagree. The responses form the bands become more positive with seniority. About 33% of the Divisions disagree whilst the remainder are fairly positive. Whites and, to a lesser extent, Indians agreed but Coloureds slightly disagreed whilst Africans disagreed. All age groups agreed with a correlation between agreement and age.

According to Rosmarin (1998) each company needs to customise the managing diversity strategy to meet its own specific needs. The guidelines he proposes address content and process as well as the appropriate roles of the organisation and the individual (2.4.3)

This implies being receptive to diversity and gaining the ability to ask the right questions, rather than possessing to correct answers. It also implies spending time participating in interactive forums with a specific focus on challenging your own assumptions. Fuhr (1994) supports this by saying that people need to be exposed to one another to openly discuss differences that cause polarisation (2.4.3.1). He feels that an organisation must foster an awareness and acceptance of individual differences and a greater understanding of one’s own feelings and attitudes about people who are different. One should also explore how differences might be tapped as assets. Human (1993) feels that the first step in managing diversity is managing one’s own prejudices and stereotypes, opening up to the ways in which we subtly damage the self-confidence and
self-esteem of those with whom we work (2.4.3.1). An audit enables the organisation to define and examine the needs of its diverse workforce. This will help the organisation to identify the core areas to be addressed by a diversity strategy in the short to long term. This also involves reviewing the company’s values, systems, strategies, policies, practices and structures to assess factors that would support or inhibit the effective management of diversity according to Rosmarin (1998) (2.4.3.2). Fuhr (1994) is also of the opinion that an audit should be conducted of the existing attitudes and perceptions of all employees with regard to racial polarisation and current management style. The wide perception gap that emerges will provide managers with a dose of reality and help them to understand the need for change (2.4.3.2). An action plan should be developed that is logically feasible and which will incorporate a range of diverse change agents and facilitators to help cascade the awareness and skills developments throughout the organisation.

Implementation structures could include workshops, existing formal and informal worker and management forums, in-house news, letters, and resource centres and closed circuit television. Raise awareness and inspire action by providing information and innovative learning experiences according to Rosmarin (1998) (2.4.3.3).
Table 4.15  Question 15: Ability to achieve Employment Equity objectives

<table>
<thead>
<tr>
<th>Question</th>
<th>Extremely Optimistic</th>
<th>Reasonable Optimistic</th>
<th>Reasonably Pessimistic</th>
<th>Extremely Pessimistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>In general, what are your feelings about the ability of your place of</td>
<td>8%</td>
<td>62%</td>
<td>24%</td>
<td>6%</td>
</tr>
<tr>
<td>business to achieve its Employment Equity objectives?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The overall view is fairly optimistic with 30% of the respondents being</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>pessimistic.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>There was little difference with the responses based on gender. Only</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>the Elementary Occupations were slightly pessimistic. All Divisions are</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>reasonably optimistic with Southern division being neutral. Africans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>are slightly pessimistic. All age groups are fairly optimistic.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The model by Pearce and Robinson (1994) proposes the following important tools for strategy implementation.

The implementation is guided by annual objectives through translating long-term objectives into targets. The annual objectives are derived from long-term objectives, but differ in timeframe, focus, specificity and measurement. To be effective for implementation, annual objectives should be integrated and co-ordinated. The objectives should be consistent, measurable and prioritised.

The operating strategies are derived from business strategy and provide specific, immediate direction to key functional areas within the business in terms of what should be done to implement the strategy.

Policies provide another means of directing and controlling decisions and action at operating levels of the firm in a manner consistent with business and functional strategies.
Effective policies channel actions, behaviours, decisions and practices to promote strategic accomplishment.

Annual objectives, operating strategies and policies represent the start of implementation only. The strategy should be institutionalised so that it permeates daily decisions and actions in a manner consistent with long-term success. To this end, three fundamental elements should be managed to fit the strategy, namely, structure, leadership and culture (2.6.3)

Table 4.16  Question 16: Job Security

<table>
<thead>
<tr>
<th>Question</th>
<th>Great Extent</th>
<th>Reasonable Extent</th>
<th>Slight Extent</th>
<th>Very Little Or not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>To what extent do you feel that you have adequate job security?</td>
<td>6%</td>
<td>43%</td>
<td>36%</td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td>Only 49% of respondents felt they had reasonable or good job security, with 51% feeling slightly secure or had little sense of job security. Males are a little less concerned than females. Clerks downwards are fairly concerned and Senior Officials and Managers are least concerned. Most Divisions show some concern with Central division showing the most concern. Only Whites have reasonable sense of security while others have a higher concern. The younger staff feels more at risk while those above the age of 46 feel slightly more secure.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

According to Thomas and Robertshaw (1999), employees at every level need to understand what the programme for employment equity entails and how it will impact upon them. They have to “buy into the process” by seeing the benefits for themselves and for the company if any degree of success is to be achieved. If employees cannot be convinced of the benefits, the programme will be sabotaged before it has begun or employees will block it, at a later stage, with influence in the company.

An intensive communication programme should, therefore, be launched to ensure that all employees, at every level in the company, are fully au fait with the Employment Equity legislation and the plan of action adopted by the company. They should understand how it
would impact on their jobs, their career advancement and their future prospects in the company (2.6.3). With the majority of employees feeling insecure with regards to job security, TrenTyre needs to place more focus on communicating the benefits of the Employment Equity strategy and policies more effectively.

4.1.7 Commitment by Management

Table 4.17 Question: 17 Commitment to Employment Equity processes

<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5%</td>
<td>56%</td>
<td>31%</td>
<td>7%</td>
</tr>
</tbody>
</table>

The people I work with are committed to the Employment Equity Process. Overall there is a fair agreement with this statement with 62% agreeing. Males agree more than females. There is a correlation between seniority and degree of agreement with only Clerks upwards being in agreement. Plant and Machine Operators disagree slightly. Most Divisions and age groups share the overall view. The “18 – 25” group only agree. Africans and Coloureds disagree while Whites agree the most.

Thomas (1996:5) (2.4) defines managing diversity as a planned, systematic and comprehensive managerial process for developing an organisational environment in which all employees, with their similarities and differences, can contribute to the strategic and competitive advantage of the organisation, where no-one is excluded on the basis of factors unrelated to productivity. In order to achieve this advantage it is important for all employees to be committed to the process. With the majority of employees agreeing with this statement there is a reasonable commitment towards the Employment Equity processes at TrenTyre.
<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Management have to be committed to,</td>
<td>11%</td>
<td>56%</td>
<td>23%</td>
<td>10%</td>
</tr>
<tr>
<td>and actively drive, the employment equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>process</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generally most respondents (67%) believe that</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>senior management are committed to and actively</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>drive the employment equity process.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Males are more positive than females.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elementary are less positive, and there is a</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>correlation between seniority and degree of</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>agreement. Most Divisions share the overall</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>view. Coloureds are slightly less positive and</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Africans are slightly more positive. All age</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>groups share the overall view with younger</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>people slightly less positive than the older.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 4.19  Question 19: Interest and respect of management

<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>I feel that</td>
<td>7%</td>
<td>53%</td>
<td>29%</td>
<td>11%</td>
</tr>
<tr>
<td>management is</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>interested in me</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>and respects my</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ideas</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The overall view</td>
<td>The overall view is to agree with this statement although 29% disagree and 11% strongly disagree.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>is to agree with</td>
<td>Males agreed more than females. There was a correlation between seniority and degree of agreement. Plant and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>this statement</td>
<td>Machine Operators and Elementary Occupations disagreed with the statement. Africans and Coloureds shared a fair degree of disagreement. All ages shared the overall view with the &quot;over 55&quot; being more positive.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

According to Thomas (1996) (2.6.4.4) to be fully committed to this process, top and senior management, led by the Managing Director must formulate clear business reasons for undertaking a managing diversity process. These reasons should steer clear of any moral, ethical or public relations motive but should be firmly based in how managing diversity can increase profitability and / or market share.

The goals of phase 1 are to:

Create awareness of the need for a managing diversity process as a strategic and competitive advantage.

Gain top management ownership of the process.

Identify sustainable business reasons for the organisation to embark upon the process.

Convey and clarify senior executive roles in implementing the initiative.

Clarify the difference between affirmative action and managing diversity.

Develop, with top management, a strategy to implement a diversity process.

Create an enthusiastic version, which will sustain a process.
4.1.8 Employment Equity Strategies

Table 4.20 Question 20: Understanding of the Employment Equity Policy and Strategy

<table>
<thead>
<tr>
<th>Question</th>
<th>Great Extent</th>
<th>Reasonable Extent</th>
<th>Slight Extent</th>
<th>Very Little Or not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>To what extent do you understand the TrenTyre Employment Equity Policy and Strategy?</td>
<td>9%</td>
<td>47%</td>
<td>28%</td>
<td>16%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The overall response is marginally negative. It is interesting to note that 44% of the respondents indicated the extent to which they understand the corporate Employment Equity policy and strategy is &quot;slight&quot; to &quot;very little or no understanding&quot;. 47% of the respondents indicated &quot;reasonable understanding&quot;, whilst a further 9% indicated their understanding to be of a &quot;great extent&quot;.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>With regard to gender, the scores for males were slightly positive whilst the females were slightly negative. Across the bands, top management was the most positive and this response declined gradually down the ranks to the Elementary Occupations who were the most negative. Looking at the Divisions Gauteng was the most positive whilst Central was the most negative. Indians and Whites were positive, whilst Africans and Coloureds responded negatively. The responses seem to indicate a greater extent of understanding with increasing age. The responses of those within the age groups &quot;46 – 55&quot; and &quot;over 55&quot; were positive whilst the younger age groups &quot;18 – 25&quot; and &quot;26 – 35&quot; were slightly negative.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

196
<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>11%</td>
<td>43%</td>
<td>29%</td>
<td>17%</td>
</tr>
</tbody>
</table>

It seems to me that employment equity (affirmative action) is a complex process, which has to combat the effects of inherited privilege.

Overall there was a slight disagreement with this statement.

Females disagreed slightly with this statement. There was a correlation between seniority and degree of agreement. Plant and Machine Operators and Elementary Occupations disagreed with the statement. Almost half of the Divisions disagreed to a fair extent. Only Whites agreed whilst all other groups disagreed, with Indians, Coloured and Africans disagreeing to a greater extent, in that order. Those older than 46 agreed to a fair extent while those in the younger age groups felt a fair amount of disagreement.
<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>I now have a Better understanding of employment equity (and affirmative action) and can use this to judge more critically what I read in the newspapers.</td>
<td>9%</td>
<td>48%</td>
<td>30%</td>
<td>12%</td>
</tr>
<tr>
<td>Overall there was a slight agreement that employees have a better understanding of employment equity (affirmative action).</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>However females indicated slight disagreement (2.54) whilst males agreed (2.26). There is a correlation between seniority and degree of agreement. Elementary Occupations disagreed. Generally most Divisions shared the overall view with a few that disagreed. Coloureds and Africans disagreed to a greater extent in that order. Indians indicated a slight agreement. Those younger than 46 years show slight agreement or some disagreement.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 4.23  Question 23: Employment Equity as a strategic objective

<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>In our organisation, employment equity is integrated with the other strategic objectives of the organisation</td>
<td>8%</td>
<td>42%</td>
<td>34%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Overall there is slight disagreement whilst 16% strongly disagreed that this statement is true.

Females slightly disagreed whilst the males slightly agreed. There is a correlation between seniority and degree of agreement with only Professionals upwards being in agreement. Clerks and lower disagree. There is almost an equal number of Divisions that slightly agree as compared to those that slightly disagree. Only Whites agree whilst all other groups disagree. Those older than 46 years agreed to a fair extent while those in the younger age groups felt a fair amount of disagreement. There is a correlation between age and level of agreement.
### Table 4.24 Question 24: Formulation and Implementation of Employment Equity Strategy

<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>TrenTyre understand that it is necessary to consult with employees about the formulation and implementation of the employment equity strategy</td>
<td>11%</td>
<td>61%</td>
<td>23%</td>
<td>5%</td>
</tr>
<tr>
<td>Overall there is agreement that TrenTyre consult with it's Employees about the formulation and implementation of Employment Equity strategies.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>This is also true for gender, age and broad bands. All Divisions with the exception of Central Division. Indians agree the most whilst Africans agree the least with this statement.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Question</td>
<td>Strongly Agree</td>
<td>Agree</td>
<td>Disagree</td>
<td>Strongly Disagree</td>
</tr>
<tr>
<td>----------</td>
<td>----------------</td>
<td>-------</td>
<td>----------</td>
<td>-------------------</td>
</tr>
<tr>
<td>A detailed audit of critical issues forms the basis of our employment equity strategy</td>
<td>Overall there is a slight disagreement with this statement. Females express disagreement more strongly than males. There is a correlation between seniority and degree of agreement. Clerks disagreed slightly but Plant and Machine Operators and Elementary Occupations disagreed with the statement. Approximately half the Divisions disagreed with Head Office disagreeing the most. Only Whites agreed slightly with the statement. Most age groups shared the overall view except for those over 45 years who agreed slightly.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
endeavour to communicate this more efficiently as emphasised by Kandola and Fullarton as important to the success of this strategy (2.6.4.3).

According to Rosmarin (1998) an audit enables the organisation to define and examine the needs of its diverse workforce. This will help the organisation to identify the core areas to be addressed by a diversity strategy in the short to long term. This also involves reviewing the company's values, systems, strategies, policies, practices and structures to assess factors that would support or inhibit the effective management of diversity. Fuhr (1994) is also of the opinion that an audit should be conducted of the existing attitudes and perceptions of all employees with regard to racial polarisation and current management style. The wide perception gap that emerges will provide managers with a dose of reality and help them to understand the need for change (2.4.3.2).

Rosemarin (1998) further advises that an action plan should be developed that is logically feasible and which will incorporate a range of diverse change agents and facilitators to help cascade the awareness and skills developments throughout the organisation. Implementation structures could include workshops, existing formal and informal worker and management forums, in-house newsletters, and resource centres and closed circuit television. Raise awareness and inspire action by providing information and innovative learning experiences (2.4.3.3).

From the above six questions it is clear that there is a need for improvement in conveying the understanding of the Employment Equity policies and strategies more effectively and also conduct a more thorough audit of the Employment Equity strategy.
### 4.1.9 Disability

#### Table 4.26 Question 26: Employing people with disabilities

<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>We seem to be employing more disabled people.</td>
<td>1%</td>
<td>28%</td>
<td>57%</td>
<td>14%</td>
</tr>
<tr>
<td>All categories express the similar negative view with Senior Officials and Managers, Professionals and Clerks and Africans supporting this negative view. Africans express the most negative view amongst the races and respondents in the category &quot;over 55&quot; agree slightly</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Table 4.27 Question 27: Accommodating people with disabilities

<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structural changes have been made to accommodate people who are disabled</td>
<td>2%</td>
<td>39%</td>
<td>47%</td>
<td>12%</td>
</tr>
<tr>
<td>Overall there is a fair disagreement with this statement.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All categories share the overall view with Senior Officials and Managers and Professionals expressing disagreement.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Employment Equity Act requires employers to categorise staff into 'disabled' and 'not disabled' through an audit process and then to set goals for the future. Employees themselves are part of this decision-making process, as well as deciding whether their disability impacts on
their potential to perform a certain task or job. The Employment Equity Act (Act 55 of 1998) (2.8.1).

This issue is also important, as the degree to which reasonable accommodation by the employer could be expected is dependent upon whether a particular employee is classified as disabled for a particular position (Silver & Koopman, 2000) (2.8.1).

Accessible transport to and from the workplace is critical to the successful employment of people with disabilities (Silver & Koopman, 2000) (2.8.2).

From the above analysis it is evident that TrenTyre do not place sufficient emphasis on employing people with disabilities and providing the necessary infrastructure to adequately accommodate disabled people.

4.1.10 Training and Development

Table 4.28 Question 28: Opportunities for training and development

<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunities for Training and Development</td>
<td>10%</td>
<td>55%</td>
<td>25%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Overall there is a fair amount of agreement.

Both genders agree with this statement. Elementary Occupations disagree and Clerks show slight agreement. There is a fair spread of agreement amongst the Divisions. Africans disagree whilst Coloured and Indians agree slightly and Whites fully agree. There is a correlation between age and level of agreement.

Hofmeyer (1993) provides the following criteria for successful training and development.

- There should be close liaison between training staff, human resources and line management.
• Course content should address general as well as specific needs with the emphasis on training to meet individual needs. This implies training in small groups with the constant involvement of line managers.

• Effective competency-based training and development systems and facilities should be developed to support the affirmative action strategy.

• Career paths should be developed and closely related to the succession plans and vacancies identified in the human resources plan. These are particularly important where blacks, coloureds and Indians are appointed in higher levels of management. Developmental paths need to be identified to allow people to gain the necessary experience and exposure before ultimately being appointed to the position earmarked for them. This may entail a developmental path incorporating positions lower down in the occupational hierarchy. The developmental process entails in-house and external management training, skills training and general work exposure.

• Managers need to be held accountable for adherence to identified career paths. If a person is not appointed in a previously identified position, and explanation should be provided, otherwise the career path becomes no more than an (unfulfilled) good intention.

• In many cases formal management education will be appropriate. The suitability of management programmes at the universities and technikons should be investigated.

A critical component of training is the involvement of the line manager as well as the ongoing evaluation of the effectiveness of training. According to Human (1997), people and management development will be achieved only if the following conditions, inter alia, are met:

• Top management should be committed, and people development should be identified as a key strategic objective.

• Development of blacks and women is treated as a subset of people development.

• Development is a line responsibility.

• Succession and career planning should be implemented.

• Values, attitudes and behaviours should be addressed.

• The selection and assessment of potential should receive top priority and be adapted to changing circumstances.

• Transition experiences need to be understood and managed.

• Diversity should be managed (stereotypes, culture and marginality).

• Manages should be evaluated for development efforts of subordinates.

• Monitoring should take place on an ongoing basis (2.5.2.1).
<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Employment Equity initiatives at your place of business</td>
<td>9%</td>
<td>52%</td>
<td>32%</td>
<td>7%</td>
</tr>
<tr>
<td>sufficient emphasis on the importance of training and development</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Most respondents agree that emphasis is placed on training and development.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Both genders and all bands except for Elementary Occupations also agreed with the statement. Most Divisions shared the overall view with Head Office strongly agreeing and Technical disagreeing. All races shared the overall view but again, the Indians and Whites agreed more than the Africans and Coloureds. All age groups shared the overall view.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Ferndale (1993) points out that many illiterate employees in enterprises may actually be persons with potential. Investing in training thus assists employees to realise their potential, create opportunities and improve their standards. Hofmeyer (1993) provides a list of criteria for successful training and development as stated above (2.5.2.1).

With most employees agreeing with the above statements regarding training and development, it would appear that TrenTyre have adequate strategies in place.
### Table 4.30  Question 30: Recruitment without discrimination

<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>At our place of business recruitment takes place without discrimination</td>
<td>8%</td>
<td>50%</td>
<td>30%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Overall there is slight agreement. Males agree more than females. There is a correlation between seniority and degree of agreement with Clerks and higher levels being in agreement. Most Divisions and age group share the overall view. Whites agreed whilst Indians and Coloureds were fairly neutral. Africans disagreed strongly.
Table 4.31  Question 31: Promotions go to the most deserving

<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>At our place of business promotions go to those who most deserve it.</td>
<td>9%</td>
<td>42%</td>
<td>35%</td>
<td>14%</td>
</tr>
</tbody>
</table>

Overall there is slight disagreement.

Females disagree while males agree. There is a correlation between seniority and degree of agreement with only Clerks upwards being in agreement. 45% of the Divisions disagreed with this statement whilst 55% agreed. Only Whites agreed whilst all other race groups disagreed, with Africans disagreeing the strongest. Those between 18 years and 35 years do not agree while those over 55 agree.
### Table 4.32  Question 32: White males are threatened by Employment Equity

<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>14%</td>
<td>46%</td>
<td>33%</td>
<td>6%</td>
</tr>
</tbody>
</table>

| Overall there is fair agreement with this statement. |
| Males agree more than females. The bands and Divisions share the overall view except for Head Office that disagrees. |
| Coloureds disagree slightly while Whites agree the most. |
| Most age groups agree while the “18 – 25” agree slightly. |

### Table 4.33  Question 33: Reporting to different race groups

<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>20%</td>
<td>58%</td>
<td>17%</td>
<td>5%</td>
</tr>
</tbody>
</table>

| I feel comfortable / would feel comfortable reporting to someone from a different race group. |
| 78% agree to feeling comfortable thus creating an overall view of agreement. |
| Males are more positive than females. Clerks upwards agree more strongly with this statement. All locations, age groups and Divisions agree with Head Office agreeing the most. |
| Whites and Indians agree more and Africans agree the least. |
Table 4.34  Question 34: Reporting to different genders

<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>I feel comfortable / would feel comfortable reporting to someone from a different gender</td>
<td>21%</td>
<td>60%</td>
<td>15%</td>
<td>4%</td>
</tr>
<tr>
<td>Overall there is agreement with this statement with over 80% of the respondents agreeing.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Males are more positive than females. There is a correlation between seniority and degree of agreement. All age groups, locations and Divisions share the overall view. Head Office strongly agree with this statement.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Africans agree the least and whites the most.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

According to Charlton and Van Niekerk (1994) the term “affirmative” implies putting right what has previously been wrong/unfair. This term is used to overcome barriers and access to opportunity in general, and equal employment opportunity in particular – primarily with respect to the integration of black people and females into managerial position. In this respect, affirmative action is a conscious process of eliminating discrimination, rather than a process of furthering the interests of particular groups. Typically, activities such as selection and recruitment, development and training, and promotion practices are viewed as temporary interventions, which will cease as soon as equal employment opportunity has been achieved (2.2).

Nelson Mandela supports this view in his address to the ANC conference of affirmative action in October 1991:

"The primary aims of affirmative action must be to redress the imbalances created by apartheid ... we are not ... asking for hand-outs for anyone. Nor are we saying that just as a white skin was a passport to privilege in the past, so a black skin should be the basis of privilege in the future. Nor ... is it our aim to do away with qualifications. What we are against is not the upholding of standard as such but the sustaining of barriers to the attainment of standards; the special measures that we envisage to overcome the legacy of past discrimination are not
intended to ensure the advancement of unqualified persons, but to see to it that those who have been denied access to qualifications in the past can become qualified now, and that those who have been qualified all along but overlooked because of past discrimination, are at last given their due... The first point to be made is that affirmative action must be rooted in principles of justice and equity." Hugo and Slack, 1996) (2.2).

This category of definitions places the focus on the equal treatment of all people and emphasises interventions aimed at the creation of so-called "equal opportunity". Thomas (1996) (2.2.1) defines affirmative action in such a manner and describes it as a means of correcting historical injustices and as an attempt to work from there to eventually creating level playing fields where everyone can compete, based upon equal access to education training and other opportunities formerly confined to the white minority population.

Mkhwanazi (1993) refers to the South African context and defines affirmative action as a deliberate and sustainable interim strategy to enhance the ability and capacity of all those disadvantaged by apartheid to compete on an equal footing with those who have benefited immensely from that system (2.2.1).

Being a major area where discrimination prevails, the workplace is usually included in definitions advocating equality. Hattingh (1994) for example states that affirmative action is to "correct imbalances regarding employment ratios in terms of race groups enabling the previously disadvantaged to enjoy equal opportunity within the work place" (2.2.1).

Affirmative action definitions focusing on equality in the workplace emphasise the unbiased treatment of all employees when recruiting, selecting, developing or promoting. Equity in managerial positions is often highlighted in definitions promoting the equal opportunity strategy, as blacks who traditionally excluded form these positions and where forced to occupy only the lower-ranked positions. Mc Donald (1994) accentuates this viewpoint by stating that affirmative action involves integrating the majority of the population in South Africa into the management hierarchy of South African businesses through the adoption of compensatory discrimination to ensure equality of employment opportunities and an equitable distribution of these opportunities over all the levels of the management hierarchy (2.2.1).
CHAPTER 5

5. CONCLUSION AND RECOMMENDATION

5.1 INTRODUCTION

This chapter summarises the dissertation by looking at the key success factors that will enable TrenTyre to achieve its Employment Equity and Affirmative Action Strategies in order to manage diversity effectively. Barriers to employment and advancement of the designated groups, the commitment of Employees to employment equity and the organisational culture with regards to diversity were identified. In chapter four, the same headings grouped together in order to adhere to the constraints of the dissertation, suggesting recommendations to assist TrenTyre in achieving success in managing its diverse workforce will be concluded in this chapter.

Research data of perceived barriers to successful employment equity, affirmative action and managing diversity strategies were analysed and possible strategies to overcome such barriers.

An analysis of the overall scores shows that 25 of the 34 questions yielded positive scores (i.e. scores in lower than 2.50), whereas 9 of the 34 questions recorded negative scores (i.e. scores more than 2.50). One also notes that the average score of all the questions was positive. Whilst the overall score is positive it is important to note that with regard to many of the key Employment Equity issues, there is scope for improvement in some instances there is substantial scope for improvement.

5.2 IMPLEMENTATION OF EMPLOYMENT EQUITY

Employees must realise the need for the implementation of Employment Equity. Fuhr (1994) states that employee diversity must be recognised as a resource with which to gain a competitive advantage for the company. Companies must formulate a particular business reason for developing and cultivating a diverse workforce (2.4.1).

The research in chapter 4.1.1 indicates that TrenTyre has communicated the outcomes expected form Employment Equity implementation reasonably successfully as there were a lot more positive than negative responses (Table 4.1).
5.3 ATTITUDES TOWARDS EMPLOYMENT EQUITY

According to Thomas and Robertshaw (1999) (2.7.1.1) one of the key features of any successful Employment Equity initiative is to ensure that the process is driven from the top. Delegating it to a position where it is purely controlled at the line management or human resources level sends out a clear message that nothing more than a new management programme that "has" to be done to keep the Government and other stakeholders happy. Conversely, driving the process at top management level indicates a sincere belief in the principles behind Employment Equity and a commitment to bringing about real change in the company (Chapter 4.1.2).

Human (1997) (2.6.2.1) also stresses that people and management development will be achieved only if values, attitudes and behaviours are addressed (Chapter 4.1.2).

Generally, with regard to attitude towards Employment Equity, there were a lot more positive than negative responses. The overall attitude towards Employment Equity initiatives is positive suggesting that the top management at TrenTyre is committed to the Employment Equity initiative strategy. The majority of respondents were of the opinion that the Employment Equity initiatives had been assigned a sufficiently high priority. The general feeling is that there has been adequate communications regarding Employment Equity initiatives (Table 4.2 & 4.3).

5.4 COMMUNICATION REGARDING EMPLOYMENT EQUITY

According to Thomas and Robertshaw (1999) (2.7.1) an intensive communication programme should be launched to ensure that all employees, at every level in the company, are fully au fait with the Employment Equity legislation and the plan of action adopted by the company. They should understand how it would impact on their jobs, their career advancement and their future prospects in the company (Chapter 4.1.4).

It was found in Chapter 4.1.4 and Tables 4.4 and 4.5 that there are currently initiatives in place that address the dissemination of Employment Equity information within TrenTyre.

5.5 THE EMPLOYMENT EQUITY FORUM
According to Thomas and Robertshaw (1999) (2.7.4) in order to achieve Employment Equity, the Employment Equity Committee is the forum where all issues are debated and extensive consultation occurs. The composition of this Committee and how it is established is vitally important. The sentiment in the Act of having a representative body of employees to approve and monitor progress towards Employment Equity implicitly endorses the need for a workplace “Truth and Reconciliation Commission” equivalent.

Members of workplace structures are required to nominate representatives as detailed above. Care must be taken to ensure that employee’s of all occupational categories and levels in the company are represented, as well as woman, people with disabilities and members of the four broad racial groupings. Should members of the workplace structures be unable to nominate all the required representatives as specified above, the company should then conduct a ballot amongst those employee groupings that are not represented and ask them to nominate employees to ensure a full complement on the Employment Equity Committee.

According to Thomas and Robertshaw (1999) (2.7.3) the Employment Equity committee enjoys a position of high status as the members have a responsibility to their constituencies to ensure that their interest are being represented, it is therefore important for the forum to have credibility and be respected by employees (Chapter 4.1.4).

Chapter 4.1.4 and tables 4.6, 4.7 and 4.8 indicate that on average, the Employment Equity Forum does have adequate credibility and has been effective.

5.6 MANAGING DIVERSITY

According to Thomas (1996) organisations need to see beyond the targets or number games and to seriously consider how they will begin to harness workforce diversity. Managing a diverse workforce involves creating an organisational environment that is flexible enough to work to the advantage of all employees. Such an environment allows for strengths introduced by those new to the company and who have not had a part in the formulation of the prevailing corporate culture, to be used in achieving corporate goals (2.4.2.1).

Khoza (1993) views Employment Equity as a positive measure to correct imbalances created by generations of oppression. Innes (1993) defines it as a “set of procedures aimed at proactively addressing the disadvantages experienced by sections of the community in the past” (2.2.2).
With 45% of respondents indicating that the initiatives to address historical inequalities are only addressed to a slight extent or not at all, there is a definite room for improvement (Tables 4.9, 4.10 & 4.11).

5.7 EMPLOYMENT EQUITY OBJECTIVES AND IMPLEMENTATION

According to Human et al., (1999) the point of departure of the Employment Equity Act is the requirement that business employing 50 or more people must recognise employment equity as a strategic priority, and must formulate plans to achieve this by setting targets and time frames for change. These companies will be obligated to take the following steps towards equity:

- Prepare a profile of the workplace.
- Review current employment equity practices and policies.
- Prepare and implement an employment equity plan.
- Lodge a summary of the plan with the Department of Labour.
- Report annually to the department on its implementation.

It is of utmost importance that Employment Equity initiatives are assigned high priority as monetary fines will be imposed for non-compliance and could include compensatory and punitive damages for unfair discrimination (Human et al., 1999) (2.3.1).

According to Pearce and Robinson annual objectives, operating strategies and policies represent the start of implementation only. The strategy should be institutionalised so that it permeates daily decisions and actions in a manner consistent with long-term success. To this end, three fundamental elements should be managed to fit the strategy, namely, structure, leadership and culture (2.6.3).

In Chapter 4.1.6 it is apparent that most respondents (65%) believe that the Employment Equity initiatives have been assigned sufficiently high priority (Table 4.1.2).

In 4.1.6 it is noted that there is a slight disagreement on the pace of the Employment Equity process (Table 4.13).
In Chapter 4.16 it is evident that the overall view is that Trentyre management is reasonably serious about the implementation of Employment Equity with 59% of employees giving positive feedback (Table 4.14).

The overall view with regards to the ability of TrenTyre to achieve its Employment Equity objectives is fairly optimistic however 30% of the respondents are pessimistic (Table 4.15).

Only 49% of respondents felt they had reasonable or good job security, with 51% feeling slightly secure or had little sense of job security (Table 4.16).

5.8 COMMITMENT BY MANAGEMENT

Thomas (1996:5) (2.4) defines managing diversity as a planned, systematic and comprehensive managerial process for developing an organisational environment ins which all employees, with their similarities and differences, can contribute to the strategic and competitive advantage of the organisation, where no-one is excluded on the basis of factors unrelated to productivity. In order to achieve this advantage it is important for all employees to be committed to the process.

It was found in Chapter 4.1.7 and Table 4.17 that the majority of employees agree that the staff of TrenTyre are committed towards the Employment Equity processes.

According to Thomas (1996) (2.6.4.4) to be fully committed to this process, top and senior management, led by the Managing Director must formulate clear business reasons for undertaking a managing diversity process. These reasons should steer clear of any moral, ethical or public relations motive but should be firmly based in how managing diversity can increase profitability and / or market share.

The goals of phase 1 are to:

- Create awareness of the need for a managing diversity process as a strategic and competitive advantage.
- Gain top management ownership of the process.
- Identify sustainable business reasons for the organisation to embark upon the process.
- Convey and clarify senior executive roles in implementing the initiative.
- Clarify the difference between affirmative action and managing diversity.
Develop, with top management, a strategy to implement a diversity process.
Create an enthusiastic vision, which will sustain a process.

Generally most respondents (67%) believe that Trentyre management is committed to and actively drive the employment equity process as indicated in Chapter 4.1.7 and Table 4.18.

In Chapter 4.1.7 and Table 4.19 it was found that the overall view is that management are interested and respect the individuals ideas, although 29% disagree and 11% strongly disagree.

### 5.9 Employment Equity Strategies

Quinn (1990:39) as cited by Grant (1998) quotes the following definition of strategy, which is particularly useful, since it combines internal resources with external focus:

A strategy is the pattern or plan that integrates an organisation’s major goals, policies and action sequences into a cohesive whole. A well-formulated strategy helps marshal and allocate a organisation’s resource into a unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponents (Quinn, 1990, quoted in Grant, 1998) (2.6.1).

The eight elements that make up (Kandola and Fullerton’s model, figure 2.7) need to be implemented to successfully communicate the policies and strategies (2.6.4.3).

In Chapter 4.18 and Table 4.20 it is noted that the overall response is marginally negative. It is interesting to note that 44% of the respondents indicated the extent to which they understand the corporate Employment Equity policy and strategy is “slight” to “very little or no understanding”. 47% of the respondents indicated “reasonable understanding”, whilst a further 9% indicated their understanding to be of a “great extent”.

According to Rosmarin (1998) an audit enables the organisation to define and examine the needs of its diverse workforce. This will help the organisation to identify the core areas to be addressed by a diversity strategy in the short to long term. This also involves reviewing the company’s values, systems, strategies, policies, practices and structures to assess factors that would support or inhibit the effective management of diversity (2.4.3.2).

Overall there was a slight agreement that employees have a better understanding of employment equity (affirmative action) (Table 4.22).
Overall there is agreement that TrenTyre consults with its Employees about the formulation and implementation of Employment Equity strategies (Table 4.24).

Fuhr (1994) is also of the opinion that an audit should be conducted of the existing attitudes and perceptions of all employees with regard to racial polarisation and current management style. The wide perception gap that emerges will provide managers with a dose of reality and help them to understand the need for change (2.4.3.2).

Rosemarin (1998) further advises that an action plan should be developed that is logically feasible and which will incorporate a range of diverse change agents and facilitators to help cascade the awareness and skills developments throughout the organisation. Implementation structures could include workshops, existing formal and informal worker and management forums, in-house newsletters, and resource centres and closed circuit television. Raise awareness and inspire action by providing information and innovative learning experiences (2.4.3.3).

In Chapter 4.18 and Table 25 it is evident that there is an overall slight disagreement that a detailed audit of critical issues forms the basis of the TrenTyre Employment Equity strategy.

5.10 DISABILITY

In Chapter 4.19 the Employment Equity Act requires employers to categorise staff into 'disabled' and 'not disabled' through an audit process and then to set goals for the future. Employees themselves are part of this decision-making process, as well as deciding whether their disability impacts on their potential to perform a certain task or job (The Employment Equity Act 55 of 1998) (2.8.1).

This issue is also important, as the degree to which reasonable accommodation by the employer could be expected is dependent upon whether a particular employee is classified as disabled for a particular position (Silver & Koopman, 2000) (2.8.1).

Accessible transport to and from the workplace is critical to the sufficient emphasis on employing people with disabilities and providing the necessary infrastructure to adequately accommodate disabled people.
5.11 TRAINING AND DEVELOPMENT

Hofmeyer (1993) (2.5.2.1) provides the following criteria for successful training and development.

- There should be close liaison between training staff, human resources and line management.
- Course content should address general as well as specific needs with the emphasis on training to meet individual needs. This implies training in small groups with the constant involvement of line managers.
- Effective competency-based training and development systems and facilities should be developed to support the affirmative action strategy.
- Career paths should be developed and closely related to the succession plans and vacancies identified in the human resources plan. These are particularly important where blacks, coloureds and Indians are appointed in higher levels of management. Developmental paths need to be identified to allow people to gain the necessary experience and exposure before ultimately being appointed to the position earmarked for them. This may entail a developmental path incorporating positions lower down in the occupational hierarchy. The developmental process entails in-house and external management training, skills training and general work exposure.
- Managers need to be held accountable for adherence to identified career paths. If a person is not appointed in a previously identified position, an explanation should be provided, otherwise the career path becomes no more than an (unfulfilled) good intention.
- In many cases formal management education will be appropriate. The suitability of management programmes at the universities and technikons should be investigated.

A critical component of training is the involvement of the line manager as well as the ongoing evaluation of the effectiveness of training. According to Human (1997), people and management development will be achieved only if the following conditions, inter alia, are met:

- Top management should be committed, and people development should be identified as a key strategic objective.
- Development of blacks and women is treated as a subset of people development.
- Development is a line responsibility.
• Succession and career planning should be implemented.
• Values, attitudes and behaviours should be addressed.
• The selection and assessment of potential should receive top priority and be adapted to changing circumstances.
• Transition experiences need to be understood and managed.
• Diversity should be managed (stereotypes, culture and marginality).
• Managers should be evaluated for development efforts of subordinates.
• Monitoring should take place on an ongoing basis (2.5.2.1).

In Chapter 4.1.10 and Tables 4.28 and 4.29 it is evident that TrenTyre has adequate strategies in place as most employees agree that opportunities for training and development are more open and sufficient evidence is placed on training and development.

5.12 DISCRIMINATION

According to Charlton and Van Niekerk (1994) the term “affirmative” implies putting right what has previously been wrong/unfair. This term is used to overcome barriers and access to opportunity in general, and equal employment opportunity in particular – primarily with respect to the integration of black people and females into managerial positions. In this respect, affirmative action is a conscious process of eliminating discrimination, rather than a process of furthering the interests of particular groups. Typically, activities such as selection and recruitment, development and training, and promotion practices are viewed as temporary interventions, which will cease as soon as equal employment opportunity has been achieved (2.2).

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Being a major area where discrimination prevails, the workplace is usually included in definitions advocating equality. Hattingh (1994) for example states that affirmative action is to “correct imbalances regarding employment ratios in terms of race groups enabling the previously disadvantaged to enjoy equal opportunity within the work place” (2.2.1).
Affirmative action definitions focusing on equality in the workplace emphasise the unbiased treatment of all employees when recruiting, selecting, developing or promoting. Equity in managerial positions is often highlighted in definitions promoting the equal opportunity strategy, as blacks where traditionally excluded from these positions and where forced to occupy only the lower-ranked positions. Mc Donald (1994) accentuates this viewpoint by stating that affirmative action involves integrating the majority of the population in South Africa into the management hierarchy of South African businesses through the adoption of compensatory discrimination to ensure equality of employment opportunities and an equitable distribution of these opportunities over all the levels of the management hierarchy (2.2.1).

In Chapter 4.1.11 and Tables 4.30 and 4.31 there is a slight agreement that recruitment takes place without discrimination and that promotions go to the most deserving.

Overall there is fair agreement that white males feel threatened by the Employment Equity process, with males tending to agree more than females (Table 4.32).

Tables 4.33 and 4.34 reflect that 78% of employees feel comfortable reporting to someone from a different race group and 80% agree that they would feel comfortable reporting to someone from a different gender, thus creating an overall view of agreement.

5.13 RECOMMENDATIONS FOR TRENTYRE TO MANAGE DIVERSITY EFFECTIVELY

Based on the previous sections of the literature review and research, the following are recommendations for TrenTyre to manage diversity effectively in order to achieve its Employment Equity and Affirmative Action targets.

5.13.1 Gain Top Management Support

In order for Employment Equity to succeed it is imperative that top management are committed to the process. The commitment needs to be long term and a hands-on involvement to top and senior line managers in the implementation of employment equity programmes, as well as the strict monitoring of the programme.

5.13.2 Vision
A vision, which encapsulates what it will mean for the Company to have a fully diverse, representative workforce at all levels should be adopted.

5.13.3 Employment Equity Audit

An employment equity audit needs to be undertaken to ensure that perceived barriers to equal opportunity are aired and dealt with. Subtle forms of discrimination and barriers to Employment Equity evident in behaviours and values must be highlighted and intervention must be planned to address prevalent assumptions that give rise to stereotypes, negative attitudes and subtle discriminatory practices.

5.13.4 Employment Equity Strategy

Affirmative action and Employment Equity needs to be managed as a strategic objective. It needs to be integrated with the other strategic objectives and for the policy to be translated into a strategy. The workforce, succession and career planning need to be tied into a strategic plan. The line should manage Employment Equity, as a strategic objective, with the Human Resources function in a support and consultancy role.

5.13.5 Communication

The gap identified is the understanding of where the Divisions fit into the TrenTyre Employment Equity strategy and objectives. This information should be disseminated through the current channels so that all employees can assimilate this information more thoroughly. At present it seems that only management is completely aware of all the communication that is relevant to Employment Equity.

Another issue that has been identified is that information is filtered either consciously or unconsciously whilst it is being disseminated to employees at lower levels. This creates an opportunity to revisit the way communication is general is handled and to develop a communication strategy that will encourage consistent dissemination of information to all levels. A level of insecurity seems to permeate from the lower levels and this is primarily due to the lower levels felling that communication is only occurring top down when it should be occurring in both directions and should be more interactive.
TrenTyre has been successful in producing Employment Equity publications. An additional feature in these publications could be the inclusion of success stories of employees that have started in lower levels and progressed into possibly Clerks and Technicians. This will reinforce the levels of skills development as well as identify role models that employees can aspire to. This will also further reassure high performing employees that there are opportunities to move up the corporate ladder, whilst being aware that recruitment of external Employment Equity candidates will also occur.

### 5.13.6 Diversity

The marginally positive result that is highlighted in the audit begs a deeper analysis of what employees perceive diversity management to be. It seems that a present diversity management is being focused at a strategic level and people at lower levels cannot see the benefit. A more participative and intensive diversity management program needs to be implemented. A train-the-trainer program should be developed and Employment Equity Forum or people of equal commitment should be trained in facilitating these workshops so that personal empowerment and trust is elevated to a higher level where employees are able to appreciate a diverse workforce. This exposure must also contribute to showing the positive correlation between diversity management and bottom line profit.

### 5.13.7 Disability

There does not seem to be a clear strategy on disability, neither is it included in the Employment Equity strategy. A disability strategy that clearly articulates how a gap in the recruiting and retaining disabled employees is going to be addressed needs to be developed.

### 5.14 CONCLUSION

There were more respondents who were optimistic about the ability of their Division to achieve their Employment Equity objectives than those who were pessimistic.

- Respondents indicated that the management team at TrenTyre is committed to Employment Equity.
- A large majority of respondents indicated that they would comfortable report to someone from a different race group.
A large majority of respondents indicated that they would feel comfortable reporting to someone of a different gender.

With regard to negative issues, the following are worth nothing:

- The general feeling is that there has not been adequate communications regarding Employment Equity initiatives to employees.
- On average, respondents felt that they did not have adequate job security.
- The majority of respondents (although not by a wide margin), felt that the Employment Equity process is not moving fast enough.
- The majority of respondents feel that the opportunities for promotion and career advancement are not more open since the Employment Equity policy and process was introduced.
- With regard to disabled people, it was generally felt that not much is being done to employ / accommodate employees with disabilities.

Employment Equity seems to be accepted within the business so it is clear that there should be no real or perceived issues. However whilst the above is true, it is apparent that as new divisions are being integrated into TrenTyre, individuals are bringing in negative baggage from their old company's. Along with the revised communication strategy, transparency needs to prevail so that new employees' perceptions are addressed to ensure buy-in.

In addition career planning and performance assessment procedures need to be articulated so that expectations / fears and anxieties of employees are addressed. The respondents positively articulating that the implementation of Employment Equity does not drop work standards would further enhance this aspect.

Most importantly, issues need to be properly prioritised in terms of impact (or potential impact) on TrenTyre and also bearing in mind budgetary constrains. Furthermore, it is recommended that this process should not adopt too 'narrow' a perspective and focus almost exclusively on short-term issues. Medium and long-term issues and implications also need to be taken into account.

In order to improve the Employment Equity process at TrenTyre, three types of actions can be taken, namely;
• Communicating the results of various actions, focusing on the content of what is communicated, how it is communicated, and to whom it is communicated
• Rectifying perceptions in those cases where incorrect perceptions are found to negatively impact on behaviour/attitudes; and
• Making significant changes with regard to substantive issues.

In an effort to cover the main issues in the planning and implementation of Employment Equity, the researcher has proposed the following model (figure 5.1).
Figure 5.1 Model for the Planning and Implementation of Employment Equity
BIBLIOGRAPHY


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Morba, S (1993). To be affirmative: Get the disadvantaged into the door of corporate S.A. Finance Week, 58 (4).


TrenTyre audit report (2003)


### SECTION A: ADMINISTRATIVE DETAILS

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<td>• White</td>
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<td>• Coloured</td>
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<td>Clerks</td>
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<td>Service and Sales workers</td>
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<td>Technical</td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX B - Questionnaire

Please fill in the following details by placing an “X” in the appropriate block

1. The outcomes expected from the implementation of Employment Equity have been:
   - Specified in detail
   - Outlined in general terms
   - Poorly defined
   - Not defined

2. What is your attitude towards Employment Equity in general
   - Extremely positive
   - Reasonably positive
   - Reasonably negative
   - Extremely negative

3. More specifically, what is your attitude towards the Employment Equity initiatives at your place of business
   - Extremely positive
   - Reasonably positive
   - Reasonably negative
   - Extremely negative

4. There has been adequate communications (information sharing / creating awareness / Sensitising) regarding the Employment Equity initiatives at your place of business
   - Strongly agree
   - Agree
   - Disagree
   - Strongly disagree

5. Communication and access to information has improved.
   - Strongly agree
   - Agree
   - Disagree
   - Strongly disagree
6. The Employment Equity process is sufficiently consultative (i.e. it seeks to obtain opinions / views / information from employees).

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly disagree</th>
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7. The Employment Equity forum is sufficiently representative (i.e. there is adequate representation from all the main employee categories)

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly disagree</th>
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8. The Employment Equity Forum has adequate credibility (i.e. it is generally acceptable to, and respected by, Employees)?

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<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
</table>

9. TrenTyre understand what Diversity is and that managing Diversity is really no different from Managing people.

<table>
<thead>
<tr>
<th>Great extent</th>
<th>Reasonable extent</th>
<th>Slight extent</th>
<th>Very little/not at all</th>
</tr>
</thead>
</table>

10. In your opinion, to what extent will the Employment Equity initiatives at your place of business address Historical inequalities?

<table>
<thead>
<tr>
<th>Great extent</th>
<th>Reasonable extent</th>
<th>Slight extent</th>
<th>Very little/not at all</th>
</tr>
</thead>
</table>

11. In your opinion, to what extent does the Employment Equity process promote cultural diversity at your place of business.

<table>
<thead>
<tr>
<th>Great extent</th>
<th>Reasonable extent</th>
<th>Slight extent</th>
<th>Very little/not at all</th>
</tr>
</thead>
</table>
12. The Employment Equity initiatives have been assigned a sufficiently high priority.

Strongly agree | Agree | Disagree | Strongly disagree

13. The Employment Equity process is moving fast enough.

Strongly agree | Agree | Disagree | Strongly disagree

14. In your opinion, to what extent is management sincere / serious about the implementation of Employment Equity initiatives in your Business Unit?

Great extent | Reasonable extent | Slight extent | Very little/not at all

15. In general, what are your feelings about the ability of your place of business to achieve its Employment Equity objectives?

Extremely optimistic | Reasonably optimistic | Reasonably pessimistic | Extremely pessimistic

16. To what extent do you feel that you have adequate job security?

Strongly agree | Agree | Disagree | Strongly disagree

17. The people I work with are committed to the Employment Equity process.

Strongly agree | Agree | Disagree | Strongly disagree
18. Senior management has to be committed to, and actively drive the employment equity process.

Strongly agree    Agree    Disagree    Strongly disagree

19. I feel that management is interested in and respects my ideas.

Strongly agree    Agree    Disagree    Strongly disagree

20. To what extent do you understand the TrenTyre Employment Equity policy and strategy?

Great extent    Reasonable extent    Slight extent    Very little/not at all

21. It seems to me that employment equity (affirmative action) is a complex process, which has to combat the effects of inherited privilege.

Strongly agree    Agree    Disagree    Strongly disagree

22. I now have a better understanding of employment equity and affirmative action and can use this to judge more critically what I read in newspapers.

Strongly agree    Agree    Disagree    Strongly disagree

23. In our organisation employment equity is integrated with the other strategic objectives of the organisation.

Strongly agree    Agree    Disagree    Strongly disagree
24. TrenTyre understand that it is necessary to consult with employees about the formulation and implementation of the employment equity strategy.

| Strongly agree | Agree | Disagree | Strongly disagree |

25. A detailed audit of critical issues forms the basis of our Employment Equity strategy.

| Strongly agree | Agree | Disagree | Strongly disagree |

26. We seem to be employing more disabled people.

| Strongly agree | Agree | Disagree | Strongly disagree |

27. Structural changes have been made to accommodate people who are disabled.

| Strongly agree | Agree | Disagree | Strongly disagree |

28. Opportunities for training and development are more open.

| Strongly agree | Agree | Disagree | Strongly disagree |

29. The Employment Equity initiatives at your place of business place's sufficient emphasis on the importance of training and development.

| Strongly agree | Agree | Disagree | Strongly disagree |
30. **At our place of business recruitment takes place without discrimination.**

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
</table>

31. **At our place of business promotions go to those who most deserve it.**

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
</table>

32. **White male employees feel threatened by the Employment Equity process.**

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
</table>

33. **I feel comfortable / would feel comfortable reporting to someone from a different race group.**

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
</table>

34. **I feel comfortable / would feel comfortable reporting to someone of a different gender.**

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
</table>

**THANK YOU FOR YOUR CO-OPERATION**
17 April 2003

CONFIDENTIAL

Dear Associate,

Re: EMPLOYMENT EQUITY SURVEY

It has been some time since we implemented our Employment Equity Policy as part of the TrenTyre Strategic Plan. We would like to obtain information in this regard from you as an employee of TrenTyre. Your views will assist in formulating Management actions.

The purpose of the survey is to obtain employees views on the successful implementation of affirmative action and Employment Equity in TrenTyre with regard to:

- Strategies and issues that need to be addressed.
- Barriers to employment equity and advancement of designated groups.
- Employees perceptions to Affirmative Action/Employment Equity.

The survey is confidential and your anonymity is guaranteed. Do not write your name on the questionnaire. So please feel free to express your sincere and candid views.

Your co-operation in completing this questionnaire (it will take a maximum of 20 minutes to complete) and returning it to me via e-mail before end of work on 30 April 2003 will be appreciated.

Thank you for your valuable contribution by completing the questionnaire.

Kind Regards,

Ria Bronkhorst
Human Resources Manager
e-mail address: ria.bronkhorst@trentyre.co.za
Factors inhibiting the franchising of Indian Fast Food Stores in South Africa

By

Nadeem Samad

A research report submitted to the Technikon Witwatersrand, Johannesburg, in partial fulfilment of the requirements for the degree of Master of Business Administration validated and conferred by the University of Wales in the faculty of Business Administration.

Supervisor: Victor Nikitin

Johannesburg, August 2003
DECLARATIONS

STATEMENT 1
This work has not been previously accepted in substance for any degree and is not being currently submitted in candidature for any degree.

STATEMENT 2
This dissertation is being submitted in partial fulfilment of the requirements for the degree of Masters in Business Administration.

STATEMENT 3
This dissertation is the result of my own independent work / investigation except where otherwise stated.
All sources are acknowledged in the Bibliography.

STATEMENT 4
I hereby give my consent for this dissertation to be available for photocopying and for interlibrary loan, and for the title to be made available to outside organisations.

Signed [Signature]

Dated 5 August 2003
ABSTRACT

Franchising systems in South Africa have experienced high and sustained growth over the last decade. The South African government has recognised and supports business format franchising as a low risk way of creating jobs, transferring skills and creating wealth.

At the forefront of this growth, is the fast food franchising industry, which is made up of a mix of global brands and a significant few, highly successful, locally founded, franchised operations based on Portuguese or American cultures.

The fast food industry in South Africa also consists of a number of successful "non franchised" Indian fast food operations, founded by South Africans of Indian descent. None of these entrepreneurs have taken the next logical step and developed their businesses into national franchises.

This study sought to uncover the factors inhibiting the franchising of Indian fast food stores in South Africa and to determine whether there was a market for Indian fast foods amongst a sample of consumers.

The findings were that the independent entrepreneurs lacked the skills and knowledge to enter franchising as the franchisor. In addition, there was a general mistrust of the franchising system and doubts as to whether there was sufficient broad appeal of Indian fast foods. The results of the consumer survey however suggested that Indian fast foods were popular across a cross section of the population.

Consequently, the report recommended that existing Indian fast food entrepreneurs develop strategies to exploit the market opportunities presented and suggested that it is the entrepreneur who franchises first, that will gain first mover advantage through pre-empting real estate and shaping customer preferences and tastes.
ACKNOWLEDGEMENTS

To my Creator, all praises are due to Him.

To my mother, Fawzia Samad, for her love, encouragement and support.

To Razie Samad whose insights and encouragement proved invaluable to the completion of this dissertation.

To my sons Junaid and Rayhaan, whose patience, love and understanding sustained me through difficult times.

To my mentor, Paul Marsh, who got me started on this path in the first place.

To my friend Colin Caister, who provided me with the inspiration to complete encouragement.

To my Supervisor, Victor Nikitin, without whose guidance and advice, the completion of this dissertation would not have been possible.

To Warren Prinsloo, who gave me the space and assistance when I needed it most.

To my close friends and colleagues at Shield for their invaluable assistance and understanding.
DEDICATION

This dissertation is dedicated to late father, Abdul Samad.
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Chapter 1
Introduction

1. INTRODUCTION

1.1 BACKGROUND TO THE PROBLEM

Franchising in South Africa has experienced rapid and sustained growth over the last 10 years. According to a study conducted by Franchise Directions cc (www.1), the average annual growth rates in franchised systems was 32.5% in the period 1994 to 1998.

The same study reveals that of all the franchise systems in operation, fast foods comprise 15.1% of the total and together with retail, leads the other franchise systems by a wide margin.

The Franchise Association of Southern Africa (FASA) estimates that franchising has created over 600,000 direct and indirect jobs. The Franchise Directions survey (www.1), found that franchising generated almost R60 billion (US$6billion) in turnover (sales) in 2000.

According to an article by Nagel, F. in Franchising World (Oct 2002:36), franchising may well hold the key to boosting the South African economy. Many parts of the population do not have basic commodities that are easily accessible and franchising could help address this important market. The government has publicly voiced its support for franchising as an excellent tool for economic empowerment and skills transfer and, given the preferential treatment for businesses owned by the historically disadvantaged, many of those businesses are being encouraged to consider lucrative and low-cost franchises as a good investment.
According to Nagel, F. in an article in *Franchising World* (2002:36), the trend for downsizing and outsourcing continues for large corporations in South Africa, making opportunities available for niche market franchises.

In terms of the racial composition of ownership of franchises, it was interesting to note that the Franchise Directions survey (www.1) reveals that in 1998, South Africans of Indian descent owned 6.19% of franchise outlets in South Africa, whilst Whites owned 82.4% and Blacks just 8.9%.

In reviewing the statistics, the researcher has noted that at the time of this study, there is no national fast food franchise specialising in Indian food, operating in South Africa.

Whilst Indian culture, dress, fashion, music, movies and even philosophy have lately become increasingly popular in most Western countries and particularly in South Africa, Indian cuisine in the form of curries, samoosas and breyani has long been a favourite in Western society.

The report further indicates that there are two clear groups of fast food franchisors:
1. Multi-national franchisors
The better known multi-national fast food franchisors have identified South Africa and other developing countries in Southern Africa as important future growth areas and some already have long established brands in the Southern African market. Most of these international franchise leaders specialise in American or first world type food (hamburgers, French fries, deep fried chicken and grills). Amongst these well known multi-nationals are the likes of the giant McDonalds, Kentucky Fried Chicken and Pizza Hut. Other leading multi national franchises have ethnic leanings towards Italian or Portuguese cultures.
2. Local franchisors
A cursory examination of the ethnicity of certain home grown franchisors reveals that the giant Steers Group (owners of a number of brands including Steers, Debonairs Pizza, Church's Chicken, etc) and Mochachos' were both founded by South Africans of Greek origins whereas others including Nando's Chickenland, specialising in Portuguese Chicken, was co-founded by a South African of Portuguese descent.

The question therefore is:
Are these types of food popular and hence the proliferation of these types of stores nationally or is it that no potential franchisor has identified the popularity and viability of providing an alternate taste to consumers, in the form of Indian food?

Is it likely that there are other significant factors that have inhibited existing successful Indian fast food stores from franchising the concept?

1.2 STATEMENT OF THE PROBLEM

With the background to the fast food franchising market and the challenges and opportunities that it presents, the problem statement has been formulated as:

There is no national Indian fast food franchisor in South Africa.

The research question therefore is:

Why is there no national fast food franchisor in South Africa specialising in Indian food?
1.3 AIMS OF THE STUDY

The aim of this study is to present the critical success factors required for the establishment of a fast food franchise specialising in Indian foods in South Africa.

1.4 OBJECTIVES OF THE STUDY

The proposed study will serve to inform a potential franchisor of the critical success factors in the establishment of a national fast food franchise specialising in Indian Foods.

In order to meet the aims and objectives of the study, the researcher will firstly undertake a literature review focusing on the franchise industry and on converting an existing successful fast food operation specialising in Indian food into a franchise business in South Africa.

This literature study will serve to define concepts and discuss previous research. This will be used as a triangulation instrument during analysis of the research findings.

The researcher will then elicit information from a select group of Indian fast food entrepreneurs in Johannesburg and Durban who have been successful in running single or multiple owner-managed stores, but have not yet converted them into national franchised operations.

Thereafter, the researcher will undertake an opinion survey amongst consumers in various shopping malls in and around Johannesburg, to determine whether there is a market for consumers of Indian fast foods.
The findings from the study will then be triangulated to the available literature to determine the critical success factors for the establishment and operation of a fast food franchise, specialising in Indian Food in Gauteng.

1.5 RELEVANCY OF THE STUDY

This study is relevant to existing entrepreneurs who may not be aware that franchising offers the potential of rapid expansion, growth and indeed survival in an increasingly changing and competitive business environment.

This study will endeavour to determine whether or not the more successful entrepreneurs are aware of the threats to their businesses should a rival entrepreneur establish franchised Indian fast food outlets and the opportunities such a venture offers and whether or not they have considered or rejected the option of franchising their businesses.

The establishment of such a venture is not without challenges and this study will highlight these challenges. A pleasant by product is that it will provide consumers with an alternative taste sensation to the standard fare of burgers and chips.

The aspirant entrepreneur will have a viable business opportunity to pursue together with the necessary information to ensure its likelihood of success.

More importantly however, it is hoped that a study of this nature will inspire an existing fast food entrepreneur to envision a future of developing the concept further into a fully fledged home grown franchise operation which will provide jobs, the transfer of skills and the opportunity for wealth creation for those prepared to put an effort into their own success.
1.6 LIMITATIONS OF THE STUDY

Whilst the title suggests that the entire market in South Africa forms the population, the researcher has relied on the Franchise Directions survey (www.1) to determine the geographical spread of franchising across the provinces and this reveals that as the unofficial economic capital of South Africa, Gauteng has approximately 32% of all franchise systems in the country.

The researcher is therefore of the opinion that it would be sufficient to collect the necessary primary data both in Gauteng and KwaZulu Natal where there is the largest concentration of Indians in South Africa and then to generalise about the effects on other regions.

This approach has limitations in that the findings may not be applicable across the entire country given varying levels of income and different attitudes to taste in different communities.

1.7 RESEARCH METHODOLOGY

The study will be empirical in nature, because the researcher will undertake field work by conducting surveys and semi-structured interviews with a convenience sample of existing fast food operators specialising in Indian foods who have been operating successfully for longer than one year, some of whom may already own multiple outlets but who have not converted into national franchises.

The fast food market is, by its nature, very competitive and hence it is expected that owners of private outlets will be under no obligation to answer confidential questions about their business operations and will be reluctant to reveal details of their trade secrets, as was found by previous researchers.
Previous studies undertaken by Franchise Directions, the Franchise Association of South Africa (FASA), previous academic research and literature available from government institutions such as the Franchise Advice and Information Network (frain) website, will be used to fill any gaps in the information supplied. The literature study will yield secondary data and serve to define concepts and discuss previous research. This can be used as a triangulation instrument during analysis of the research findings.

Field work will yield primary data and will be obtained both by means of semi-structured personal interviews with a sample of Indian fast food outlet owners.

The researcher will select a convenience sample of 10 Indian owned franchises in Gauteng and Kwa-Zulu Natal.

The objectives of the interviews are to specifically elicit opinions from the sampling group on a common set of issues including challenges faced by these entrepreneurs in the markets within which they operate. The researcher expects that obtaining information in this way, instead of collecting information through questionnaires, will yield better results.

There will be additional field work completed by means of conducting a consumer survey to determine buying behaviour and perceptions of value. The questionnaires will include seek to obtain information on frequency and value of purchases and who makes the buying decisions when the family is the consumer.

The results of the consumer questionnaires will then be analysed and conclusions drawn and presented by means of graphs and tables to facilitate ease of comparison. The findings will be triangulated to the findings from the semi-structured interviews, previous research and the literature reviews to
enable the researcher to draw conclusions as to whether there is sufficient market demand for Indian Fast Foods in Gauteng to make such a venture viable.

1.8 STRUCTURE OF THE REPORT

Chapter 1: Background and General Introduction to the Fast Food Franchise Industry

The researcher will provide a background to the research problem, state the research question and provide a review of the available literature on the subject. The scope of the research will be covered in this chapter.

Chapter 2: Literature Review

The researcher will describe the findings of previous studies and the relevance to the research problem. The researcher will further review publications of the Franchise Association of Southern Africa including the Franchise Handbook of Southern Africa (FASA, 2000) as well as How to evaluate a Franchise (FASA, 2000) to present their suggestions for running a successful fast food franchise business in South Africa. This will be supplemented by a review of books, journals and internet resources on running a successful entrepreneurial venture. Practical advice presented in these sources will be triangulated to findings from an analysis of recorded interviews with franchisors, and consumer questionnaires to determine the viability of converting an existing Indian fast food business venture in South Africa, to operate as a national fast food franchise.
Chapter 3: Research Design and Methodology

The researcher will discuss the methodology used in obtaining the required data from consumer surveys and interviews with owners of non franchised Indian Fast food operations. The questionnaires will ask a series of questions relevant to the aims and objectives of the study.

Chapter 4: Research Findings

The research results will be presented in this chapter in the form of tables and graphs. The findings will be discussed and contrasted to findings from previous research and the literature review.

Chapter 5: Conclusions and Recommendations

In this chapter, conclusions and recommendations based on the research findings will be presented and will serve to list the factors inhibiting the franchising of Indian fast food stores in South Africa as well as to inform a potential franchisor of the critical success factors of establishing such a venture.
Chapter 2
Literature review

2.1 Definition of Franchising

The word franchising is closely and immediately identified with organisations such as McDonald’s, KFC, Chicken Licken and Nando’s, amongst other well known fast food brands in South Africa. This instant brand recall, in fact, embodies all the concepts of franchising, which amongst others, is to deliver a uniform product to the end consumer via a recognised outlet owned by an independent local businessperson.

Franchising, especially in the fast food sector, has had a long and generally favourable reputation in the South African economy.

Malan (1987), quoted in Makhubele, N.T. (1994:54-57) has documented the history and growth of franchising in South Africa, and has categorised the development of franchising into four overlapping phases:

- The origin phase 1920 - 1950
- The development phase 1950 - 1965
- The foreign phase 1965 - 1980
- The present phase 1980 to date

Without going into detail in describing the various phases of franchising listed above, it is important to explain that the early start of the origin phase (in the 1920’s) related to fuel distribution, motor manufacturing and soft drink manufacturing and distribution. This meant that franchising was a means of addressing the distribution requirements of the franchisor.
Fast food franchising only really came into being during the development phase of the 1950's. As such, fast food franchising has a long and proven record of success in both South Africa and the rest of the world.

There are as many definitions of franchising to be found in the literature as there are writers on the subject.

For instance, the acknowledged 'guru' of franchising, Mendelsohn, M., (1984:29) has described the well known format of franchising as business format franchising.

This descriptive name is then explained as follows:

The business format franchise is the grant of a licence by one person to another, which entitles that other person to make use of an entire package, comprising all the elements necessary to establish a previously untrained person in the business and to run it on a predetermined basis.

An alternative definition by Vaughn C.L. (1982:1), defines franchising as:

A form of marketing or distribution in which a parent company customarily grants an individual or a relatively small company the right, or privilege, to do business in a prescribed manner over a certain period of time in a specified place. The parent company is termed the franchisor, the receiver of the privilege the franchisee, and the right or privilege the franchise.

It is clear from both these definitions that there are rights and obligations for both the franchisor and franchisee in the business arrangement known as a franchise. Implicit in this arrangement is a symbiotic relationship between
both parties. It is also clear that the success of any one of the parties is dependent on the efforts of both.

In other words, while each party may have different goals and objectives, to succeed, they must work together on a win-win basis.

The different goals and objectives alluded to, will be made clear later, when a discussion on the findings of a study on the personality traits of franchisees is presented, suffice to say that these differences are not mutually exclusive.

Indeed, Makhubele N.T. (1995:46), quotes Pirtle (1994:7) as stating succinctly:

'...Franchising is being in business FOR yourself but not BY yourself.'

The terms of the relationship are generally spelled out in a written contract known as a franchise agreement.

2.2 What franchising is not

Vaughn C.L.(1982:2-3) draws a clear distinction between franchising and licensing to eliminate any confusion between an agent who is granted a licence and a franchisee that enters into a specific contractual agreement. He states that a franchise involves primarily retail, service or wholesale operations managed by one or several individuals.

Franchisees are independent businessmen, not employees, agents or contractors of the franchisor. He further points out that an agent is an extension of the principal, whereas the franchisee is an independent businessman.
2.3 Benefits and advantages of franchising

Whilst there has to be benefits for both the franchisee and franchisor in the franchise agreement, this study will focus on the benefits to a franchisor.

Maitland (1991:13-16), states that the benefits of franchising, for the franchisor can be classified under the following headings:

- Low capital expenditure – after the initial investment, adding on more franchises require little or no additional capital outlay.
- Personal commitment and Motivation – the franchisee would be working harder than any employee-manager and will be motivated to reduce costs and eliminate wastage thereby improving efficiencies, turnover and ultimately profitability.
- Reduced daily involvement. -- once the franchisees have mastered the daily operations as outlined in the operations manual, the daily involvement of the franchisor is vastly reduced.

However, the above does not mean that the franchisor, having duplicated his business through the establishment of franchises, can sit back and collect royalties without any additional ongoing effort on his part. For the entire system to succeed, the franchisor plays a distinct and vital role in the continued growth and development of the franchise system.

For the existing entrepreneur, franchising offers numerous other benefits. Seltz (1980) cited in Kirkman, C.A. (1985:12-13), advocates the following ten marketing advantages of franchising:

1. Expansion rate can be controlled.
2. Once a small and efficient infrastructure for the support of a franchise operation is in place, expansion of the system is financed by franchisees
3. With relatively fixed or stable overheads and capital investments, profits are increased as more franchisees are recruited.

4. Through manual driven administrative processes, significant administrative efficiencies are achieved.

5. Knowledge and skills gained on an ongoing basis from innovative business owners in the form of franchisees are implemented more comprehensively and to the benefit of the organisation.

6. The investment of the franchisee is a lock in mechanism which virtually guarantees his commitment to the success of the business

7. Centralised bulk buying power will ensure that each outlet will enjoy a competitive advantage over non-franchised or smaller rivals.

8. An avenue for the retention and more profitable use of key personnel within the parent organisation is created.

9. High quality promotional material to stimulate greater sales, is created and distributed to each franchisee which would not be economically feasible for a single outlet to produce and distribute on its own. This and other co-ordinated marketing promotions subsidised by franchisee contributions, create and maintain top-of-mind awareness amongst consumers.

10. Through the creation of uniform operating, training and sales procedures, the efficiency of the parent operation is enhanced.

2.4 Disadvantages and problems related to franchising

Given the benefits listed above, it is difficult to understand why not even a single existing independent Indian fast food entrepreneur in South Africa appears to have taken the logical next step in the evolution of their
businesses and offered the format for national franchise ownership. The object of this study is to provide answers to this question.

Perhaps the drawbacks listed by Maitland (1991:16) could have had an influence on the absence of a national Indian fast food franchisor. These drawbacks are:

- Loss of ownership
- Low profits
- Interdependence

In addition to the above, Mendelsohn, Stern et al. cited in Kirkman, C.A. (1985:14-18), lists the following potential problems that could arise from a franchisor’s point of view:

- Independence – The franchisee may gain a desire for independence and freedom to act on his own initiative as he gathers confidence from his successes.
- Supervision – Ongoing supervision may be required to maintain the high level of standards originally practiced.
- Business acumen – Or lack thereof on the part of franchisees. The mere availability of the necessary capital does not automatically mean that a franchisee will have the necessary business acumen to run a demanding business to strict standards, profitably.
- Trust – Or lack thereof by either party.
- Future competitor – Despite restraint of trade clauses embodied in the franchise agreement, there is always the risk that the franchisor’s operating methods will be available for imitation and copying by future competitors.
- Updating and renewing the image of the brand – Problems include securing the co-operation of franchisees to revamp and renew stores to project a uniform image of the franchise across all its franchisees.
• Franchisee being part of another larger business can cause staff conflicts in terms of cultural differences and work methods, processes and procedures.

• Communication — or lack thereof breeds mistrust and resentment when each party is expecting the other to initiate communication links when things are not going according to plan.

• Non-disclosure — there is always the risk that some franchisees will attempt to avoid paying the full amount of fees due by under-declaring sales where fees or royalties are based on a percentage of sales.

• Bad publicity — if the franchisor himself or any individual outlet does anything to create a bad impression with the consumer or public at large, the entire chain is compromised.

• Competition between franchised outlets and company owned units especially if they are in close proximity to one another, will lead to conflicts and dissatisfaction.

In the context of the negatives of being a franchisor, the obvious question is: why would a successful fast food entrepreneur want to risk franchising his operations when he may intuitively feel that franchising will give other similar entrepreneurs access to his secret methods and recipes and could possibly result in his own businesses’ demise?

The counter argument can be partly found in the literature and whether these negatives are indeed the reason why existing owners of Indian fast food stores have not franchised nationally will be revealed by the findings of the study.
2.5 Franchisees are not necessarily entrepreneurs

The literature reviewed intimates that franchisees are not necessarily entrepreneurs.

Van Aardt and Van Aardt (1997:4) defines entrepreneurship as

The act of initiating, creating, building and expanding an enterprise or organisation, building an entrepreneurial team and gathering other resources to exploit an opportunity in the marketplace for long term gain.

The key points of the definition above is that entrepreneurs exploit opportunities for long term gain and that they are not gamblers who look for short term profit regardless of the risks involved. They take calculated risks, which Van Aardt et al (1997:12) mention as:

1. Financial risks
2. Career risks
3. Family and social risks; and
4. Emotional risks

Whilst franchisees do take all of the risks listed above, their risks are mitigated by their involvement in a proven business format. It is the franchisor who acts in an entrepreneurial way, that takes the most risks.

Van Aaardt et al (1997:14) further note the following characteristics of entrepreneurs, as:

1. having a desire to achieve
2. hard workers
3. have a nurturing quality
4. willing to accept responsibility
5. reward oriented
6. optimistic
7. excellence oriented
8. good organisers
9. money-oriented

Whilst it is true that the unintended result of entrepreneurship is a benefit to society in that it creates jobs and promotes prosperity and the creation of wealth, the real driving force for entrepreneurs is personal gain. The proportion of entrepreneurs who fail versus those who succeed is so skewed to the former that most people find comfort in working for others than risking starting up their own business venture, with the result that they become consumers of jobs rather than creators. A developing country such as South Africa is unable to create the necessary jobs it requires annually, hence the government’s desire to encourage the creation of small business enterprises and franchising offers an attractive yet relatively low risk avenue for wealth creation and the transfer of skills.

While the concerns over the negatives of franchising may be justified, it is nevertheless without foundation, as ex-franchisees are unlikely to become competitors if the appropriate selection process was followed at the outset.

The findings of a study conducted by Kasselmann B.von H, de Beer J.H. and Vermeulen L.P. (2002), on the Personality Attributes of Successful Franchisees in the fast Foods Sector in South Africa, highlighted that successful franchisees are not truly entrepreneurial in nature, but instead behave more like intrapreneurs, who want to own and develop their own businesses, but prefer to keep to proven conventional products and services. They argue that franchisees appear to fulfil a distinctly managerial type role in the franchise operation.

The categorisation of franchisees as intrapreneurs is based on the fact that they exercise a unique blend of entrepreneurial and managerial characteristics by exposing themselves to a moderate degree of risk within a
proven and established business framework. On the one hand, their behaviour is entrepreneurial in nature because they risk their own capital, but it is also managerial in nature because they operate strictly within the terms of an agreed format and blueprint.

Kasselman et al argue that despite the fixed upfront fee charged to establish the franchise, the majority of the income for franchisors, is derived from ongoing royalty fees based on sales and therefore the greatest asset for a franchisor, is the franchisees. This makes recruiting the correct type of person to be a franchisee, a crucial and indeed, expensive task and one of the most difficult aspects of franchising.

Potential franchisors can be at risk if they make the common mistake of recruiting people exactly like themselves, namely people with entrepreneurial aspirations and characteristics. The franchisor should look for people with complementary skills and characteristics rather than people who duplicate their own abilities and weaknesses.

Kasselman (1996) found in a survey of franchisors that the single most important selection factor appeared to be whether or not an applicant could obtain guaranteed financing and that very few applicants were rejected on the basis of biographical, educational or demographic factors.

This lack of deliberate screening of potential franchisees on the basis of personality traits can lead to some of the problems aspirant Indian Fast Food may be fearful of and will be tested in this study.

The figure below reproduced from the Kasselman et al. article clearly distinguishes between and compares the similarities of entrepreneurs, intrapreneurs, franchisees and managers.
### Table 2.1  Personality Attributes of Successful Franchisees in the fast Foods Sector in South Africa

<table>
<thead>
<tr>
<th>Trait</th>
<th>Entrepreneurs</th>
<th>Intrapreneurs</th>
<th>Franchisees</th>
<th>Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary motives</td>
<td>Independence, creativity and money</td>
<td>Interdependence, advancement and corporate rewards</td>
<td>Interdependence, self-employment and money</td>
<td>Promotion and corporate culture</td>
</tr>
<tr>
<td>Risk Taking</td>
<td>Moderate to high</td>
<td>Moderate</td>
<td>Limit risk</td>
<td>Control risk</td>
</tr>
<tr>
<td>Failures and mistakes</td>
<td>Deal with failures and mistakes</td>
<td>Hide risky projects from view till ready</td>
<td>Minimise chances of failures and mistakes</td>
<td>Try to avoid failures and mistakes</td>
</tr>
<tr>
<td>Activity</td>
<td>Direct involvement in all aspects of the business</td>
<td>Direct involvement more than delegation</td>
<td>Direct involvement with some delegation</td>
<td>Delegate and supervise, more than direct involvement</td>
</tr>
<tr>
<td>Decisions</td>
<td>Follow own vision</td>
<td>Try to get others to help achieve own vision</td>
<td>Support the vision of the franchisor</td>
<td>Usually agree with senior management</td>
</tr>
<tr>
<td>Who serves</td>
<td>Self and customers</td>
<td>Self, customers and sponsors</td>
<td>Self customer and franchisor</td>
<td>The corporation</td>
</tr>
<tr>
<td>Time orientation</td>
<td>Long-term focus on survival, growth, sales and profits</td>
<td>Depend on urgency of self-imposed and corporate timetables</td>
<td>Long-term focus on profits and return on investment</td>
<td>Short-term focus on achieving targets and budgets</td>
</tr>
</tbody>
</table>


It is clear from the table, that entrepreneurs (i.e. franchisors) will have very different characteristics, motives and goals to franchisees and that their attributes (franchisors and franchisees) should ideally complement one another rather than be in conflict. Hence, the fear that by franchising, one could be preparing a future competitor is unfounded, if the correct selection and recruitment is followed.
In addition there are further considerations, according to the literature, that indicate that the benefits to the franchisor will outweigh the risks.

2.6 When is franchising appropriate

Another key variable, in deciding on whether or not, or indeed, when to venture into franchising, is to ensure that it forms part of a well researched and thought out strategy of the company.

Researchers argue that franchising is appropriate when a company has been in existence for some time and wishes to grow but may not have the necessary access to capital or sufficient managerial capacity.

Seltz (1980) cited in Kirkman C.A. (1985:8), stated that in the 1980’s, there were a number of crucial issues facing business and the combination of these issues required companies to expand as rapidly as possible. These issues were:

- Voracious competition
- Heavy advertising costs
- High operating expenses, low net profit
- Personnel mobility (replacement costs)
- Regulatory constraints
- New consumer trends
- Inability to survive as a single unit

The above-mentioned issues are still crucial in 2003 and businesses in South Africa in the 21st century have the added pressure of international competition and instant communications.
Building new brands in this type of environment where consumers are bombarded with junk mail, spam and other electronic images adds to the challenges faced by new entrepreneurs in the 21st century.

Existing successful entrepreneurs cannot be satisfied with 'more of the same' when competitors are bound to spot new opportunities and exploit it. They must continue to innovate and utilise their skills and resources for competitive advantage.

In fact, Michael S.C. in the Journal of Business Venturing 18 (2003 : 61-80) argues that franchising is a technique for entrepreneurs in service industries to assemble resources in order to rapidly create large chains and gain first mover advantage.

His argument is based on theories from strategic management and marketing which intimates that first mover advantage initially takes the form of a lead in the number of retail outlets, followed by a market share lead, and finally superior profitability. This relationship is depicted in the model below:
In essence, his argument is that when an entrepreneur wishes to expand his business to take advantage of economies of scale and scope, instead of incrementally building own outlets, which will yield less profitable results, he should look for growth through offering the appropriate franchisees the right to own franchises in the system.

According to the results of the study by Michael, S.C. (2003), it is the first mover who franchises first that dominates the market and has superior profitability, not the oldest established business. The first mover pre-empts valuable real estate and shapes consumer tastes, which is difficult for subsequent entrants to duplicate.

The researcher is of the opinion that there must be other reasons, apart from gaining first mover advantage, for a fast food entrepreneur to franchise.
LaFontaine, F and Kaufman P.J. in the Journal of Retailing vol 70 no.2, 1994 (97-113) state that according to existing theories, the reasons for choosing to franchise fall into the following two main categories:

(1) Resource constraints; or
(2) Incentive issues.

LaFontaine et al quoting Oxenfeldt and Kelly (1969), state that the constraint argument holds that franchisors use franchising to obtain access to some resources which franchisees own. These resources include financial capital, human capital or managerial talent and the franchisee’s capacity to provide local market expertise.

Underlying the resource constraint argument is the assumption that ideally, entrepreneurs would prefer to own their own outlets, but are forced to choose to franchise because of the limitation of the requisite resources.

Dant et al. however disagree and argue that offering ownership (by way of franchise) in a single outlet, is an expensive way of obtaining capital. By owning a single unit, franchisees incur higher risks and consequently require higher returns for their investments. An easier and cheaper way of obtaining finance is to offer ownership across all outlets (in essence an equity stake in the parent company). In this way, risk is spread (and hence lowered) and the requisite return would be lower. It is reasoned that since franchisors offer ownership to franchisees in single outlets, their objective must be to secure resources other than capital.

Dant’s reasoning does have some logic since franchisors clearly want more than the capital offered by franchisees. They want managerial talent and conviction, local knowledge, disciplined adherence to the franchise format and the sharing of knowledge and expertise.
La Fontaine et al however, found that franchisors intend to continue to operate a mix of company-owned and franchised outlets with the proportion of company owned outlets being relatively small.

They surmised that the franchisor would prefer a mix of the two because the existence of each form positively impacts on the management of the other side of the business.

By having company owned outlets, franchisors are able to obtain first hand operational insights and credibility when recruiting new franchisees and having franchised outlets provides innovative ideas and cost saving methods that otherwise would not be available to the company owned management.

These findings corroborate the findings, albeit with a different study objective, of Dant R.P. and Kaufmann P.J., *Structural and strategic dynamics in franchising*, Journal of Retailing, vol 79, 2003: (63-75), which sought to explain the choice of franchising as an organisational form and compared two seemingly contradictory strategic firm-level explanations, namely those of signalling and resource acquisition.

In simple terms, signalling theory suggests that a company would want to initially own its own outlets to signal the success of its concept to the market before allowing for franchise ownership whereas resource acquisition would suggest that the company would display an initial preference to offer franchise ownerships but as the franchisor grows in size (and resources), it would subsequently want (and be able) to own its own stores.

The middle ground is that franchisors would want a mix of the two forms of ownership (plural system) with the majority of outlets franchised, but with some outlets owned by the company.
Like La Fontaine and Kaufmann, Dant and Kaufmann suggest that in a plural system, company units may serve as laboratories for market testing new products before they are promoted to the franchisees while franchisee units can be a source of valuable new business and product ideas.

The results of their findings confirm that a plural form is preferred by franchisors and advise that managers would do well to bear in mind the synergies to be gained from plural forms.

The aforementioned studies clearly indicate that aspirant franchisors would benefit from franchising the majority of their outlets whilst retaining ownership of some outlets and that franchising is an appropriate and necessary strategy for rapid expansion.

2.7 Evaluating a business for its suitability for franchising

Having defined franchising, its benefits to the franchisor and the reasons for franchising, it is intuitively obvious that not all businesses can be franchised and there must be certain critical factors or features of a business that will make it amenable to the franchise format.

According to the FRANCHISE ADVICE AND INFORMATION NETWORK (www3), when assessing an existing business for the viability of franchising, there are nine critical factors that must be assessed.

These factors are:

1. The business must operate in a large and growing market
2. The growth in the market must be sustainable
3. The margins must be sufficient to cover the monthly royalty
4. The product must demand a price premium
5. The franchisor must have access to sufficient capital
6. There must be the potential to establish a brand
7. There must be a substantial barrier to entry
8. There must be a satisfactory return on investment
9. There must be franchise culture (i.e. open and learning, a vision for the future of the concept and a strategy for continued success, combined with the highest business ethics of the franchisor).

Mason and Mayer (1990:726) concur and state that in addition to the above, other elements of an ideal franchise program are:

- In-Store value added – at least partial processing in the store
- Secret processes – concepts, formulas or products which the franchisee can’t duplicate without joining the franchise program
- Real estate profits – for the franchisor
- Simplicity

Clearly therefore, because an establishment makes good food and appear to be well supported, not all businesses can be franchised.

However, it is the researcher’s opinion that while a number of prominent Indian owned and managed fast food outlets specialising in Indian food in South Africa, do not meet all nine of the critical factors listed above, some of the existing businesses appear to meet all the requirements, while others may require minor upgrades (e.g. to inculcate a comprehensive franchise culture where only some elements of such a culture exists naturally) to meet all the requirements.

This study will specifically target those establishments that meet the requirements and will try to understand why ‘qualifying’ entrepreneurs have not considered franchising nationally or if they have, why franchising nationally has not become a reality.
2.8 What do franchisees look for in a franchisor?

Having made the case for franchising an existing business from a potential franchisor’s point of view, it may be that Indian owners of existing fast food outlets are uncertain of the chances of finding suitable franchisees or that potential franchisees may not have the confidence in their system to risk their capital.

It will therefore be instructive to note the theoretical view on what franchisees should be looking for in potential franchisors and to test these against the opinions of the selected sample of non-franchised entrepreneurs.

According to a checklist prepared by FASA, *How to Evaluate a Franchise*, some of the features that potential franchisees must evaluate are:

1. Whether the franchisor has proven systems and procedures
2. Maintenance of an established trademark and corporate identity
3. Offer of set-up assistance and access to preferential sources of supply
4. Initial training
5. Whether the franchisor offers ongoing guidance and support
6. Access to joint marketing and promotional schemes as well as discounts or rebates from bulk joint purchases
7. Direct benefits from market research and product development are passed on to franchisees
8. Peer support

Essentially, a franchisee would want a potential franchisor to demonstrate that a proven and tested system exists and that the franchisor has all the necessary knowledge and skills to provide solutions to any or all the franchisees problems as and when they arise.
In addition, the franchisee would expect the franchisor to be continually scanning the competitive landscape for opportunities and threats and to introduce new ideas and products on a regular basis to enable the franchisees to maintain a competitive advantage over their competitors.

Despite the obvious advantages of franchising, there are also some disadvantages for franchisees.

Some of these disadvantages include:

- Rigid format
- High set up costs
- Need for Ongoing management services

Franchisees will require a number of services to be performed by the franchisor to ensure the success of the franchise system.

Van Aardt et al (1997: 32) list the following services that franchisors must offer:

- The establishment of the business and proving that it is successful
- Recruitment, selection, and training and assisting the franchisee in opening the business
- Provide services such as advertising and advice throughout the lifespan of the organisation

In addition, the franchisor must assist the franchisee in the following:

- Site selection
- Attend to the urban planning aspects including ensuring that the site has business rights
- Negotiation of the lease agreement on favourable terms – perhaps even leasing from the owner and then sub-leasing to the franchisee
• Designing and modelling the outlet to comply with the image of the franchise
• Selecting appropriate equipment and negotiating the purchase price and delivery thereof
• The opening of the business
• Ongoing assistance and support

There are clearly onerous responsibilities on the shoulders of franchisors and this study will establish to what extent these responsibilities have inhibited the successful entrepreneur of Indian Fast Foods from expanding his business through franchising.

2.9 Franchise facts and figures – the state of the sector in South Africa

Franchising has the potential to make a greater impact on the South African economy. It is well documented that unemployment in South Africa has far reaching implications on crime and investment in the country. According to the 2001 Census, unemployment in the age group 15-65 is at 41.6%. Amongst the black population, the unemployment figure is quoted at 50.2%.

The Franchise Association of Southern Africa (FASA) estimates that franchising has created over 600,000 direct and indirect jobs. The Franchise Directions survey (www.1), found that franchising generated almost R60 billion (US$6billion) in turnover (sales) in 2000.

According to an article in Franchising World, franchising may well hold the key to boosting the South African economy. Many parts of the population do not have basic commodities that are easily accessible and franchising could help address this important market. The government has publicly voiced its support for franchising as an excellent tool for economic empowerment and skills transfer and, given the preferential treatment for businesses owned by
the historically disadvantaged, many of those businesses are being encouraged to look at lucrative and low-cost franchises as a good investment.

The South African government has repeatedly emphasised the need to develop the small business sector and has set up numerous bodies to assist in its growth and development including Business Partners, The Industrial Development Corporation, Ntsika Trust and Khula Financing amongst others.

The business format of franchising is particularly appropriate as a proven, low risk avenue for creating employment, sharing business expertise and creating wealth.

According to the Franchise Baseline Census 2002 (www.2), there are 393 franchised branded systems verified as operational at the date of their survey. Of these there are 294 franchisors and 236 operate as single branded systems and 58 operate as multi branded systems.

Some 1109 of the estimated 9399 employees at head office level are of Indian origin.

Take-outs are the second largest of the franchised branded systems accounting for 61 systems.

Gauteng had the highest number of outlets at 40%, followed by the Western Cape province at 16% and Kwa-Zulu Natal at 14%.

Of further interest is the fact that 89.7% of franchised systems originated locally whilst those originating from abroad were 10.3% of the total.

The survey estimates that 389 outlets closed down in the preceding two years and 21 franchisors exited the market during the 2002 financial year.
Takeouts accounted for 15% of outlets closed. However, 3480 outlets opened during the course of that financial year. The highest number of new outlets developed locally was for Chicken type take outs. These numbered 145 out of a total of 2959.

Of the 387 respondents to the question on factors affecting growth trends, the most cited reason was the state of the economy (48%), followed by lack of funding (21%), selection of suitable franchisees and site selection (both at 11%).

It is interesting to note that the notion of market saturation did not feature prominently. As far as operational problems were concerned, the reason most often cited was maintaining operational standards (21%), staff and labour problems (13%) followed by royalties not paid at 12%. It was interesting to note that some 12% of respondents indicated no problems.

Indians accounted for 11.8% of the total of 26725 owners. This is significantly higher than the Franchise Directions Survey (www.1) findings in 1998, when Indians owned 6.19% of franchises. Of these, 14.5% of Indian owners were operating for more than 20 years, whilst 14.2% were operating for less than one year.

Having reviewed current literature, the majority consensus view is that franchising is the best way to expand, and grow rapidly with limited risk.

There appears to be no plausible reason as to why not a single Indian entrepreneur who has resources, skills, entrepreneurial flair and unique food concepts as well as the operation of a successful established fast food outlet, has not implemented franchising as a growth strategy for his business.

It is the purpose of this study to shed some light on this question.
2.10 Is the franchise sector growing?

According to a study of franchising in 1999, conducted by Franchise Directions (www.1), Franchising turnover in 1998, excluding the retailing of petroleum, was R39.969 billion and contributed 11.45% to the adjusted annual private consumption figures in the country. This figure grew from 9% in 1995, clearly indicating that the franchising industry is fast growing.

According to the study the annual growth rates in franchised systems have been 32.5% in the period 1994 to 1998.

Fast food franchising operations are of necessity, labour intensive and the establishment of new franchise systems will create additional jobs.

2.11 Who is involved in franchising?

According to the findings of the Franchise Directions Survey (www.1), 6.19% of franchisees were from the Indian population group, up from 5% in 1995. The Franchise Baseline Survey 2002 (www.2) found that Indians own 11.8% of franchises. Viewed against a population ratio of 2.5%, Indians own a disproportionately high number of existing franchises.

Franchising is therefore clearly not a new concept to Indian business people.

The survey however, failed to indicate the racial composition of franchisors.

Gauteng had the highest percentage of outlets at 31.96% followed by Kwa-Zulu Natal (KZN) with 14%.
2.12 The role of the Indian community in South Africa

As an officially recognised component of the South African population since 1961, with a continued presence since the first indentured labourers arrived from India in 1860, South Africans of Indian descent play a prominent role in the economy, politics, culture and educational fields in South Africa.

However, Indians have also been victims of the past policy of Apartheid in South Africa and their contribution to the struggle for democracy has been well documented.

It is expected that perhaps it is this past of racial segregation and discrimination that has lead Indian business owners to remain small independent operators and franchisees rather than franchisors.

However, to determine the impact of apartheid as an inhibiting factor on Indian franchisors, it would be necessary to delve into the history of Indians in South Africa to understand their backgrounds and this would be beyond the scope of this study. Accordingly, this factor is excluded and will not be examined in any detail.

2.12.1 Indians in the new South Africa - Current Statistics

2.12.1.1 Population

In 1904, Indians were 2.4% (122 000) of the population of RSA and as per the 1996 Census, they comprise 2.6% (1 046 000) of the population. In the 2001 Census, they constitute a similar percentage, indicating that their growth rates are consistent with the national average. South Africans of Indian descent are concentrated mainly in KZN, where they comprise 9.4%
(Blacks 81.7%, White 6.6% and Coloured 1.4%), followed by Gauteng where they make up 2.2% of the population.

2.12.1.2 Education

The statistics further reveal that Indians are generally well educated as they are better than the national average in terms of numbers matriculated (22% against the national average of 10.5%) and post matric qualifications at 7.7% against the national average of 4.3%. The percentage of people with no schooling is 8.4% for Indians whilst the national average is 21%.

Hence, education (or the lack thereof) is unlikely to be the reason for the absence of an Indian fast food franchisor.

2.12.1.3 Occupations

In terms of occupation, their numbers are greatest as clerks (15%, national average is 8%), and they better the national average in Professionals (11%, national average of 10%) and service, shop and market sales workers (10%, national average of 9%).

Clearly, high education levels and goods occupations must translate into high living standards and consequently greater disposable income and so the next important statistic is very instructive.

2.12.1.4 Standard of Living (Human Development Index)

According to the 1997 UN Human development report, HDI is defined as follows: The human development index measures the average achievements in a country in three basic dimensions of human development – longevity, knowledge and a decent standard of living. A composite index, the HDI thus contains three variables: Life expectancy, educational attainment (adult
literacy and combined primary, secondary and tertiary enrolment) and real GDP per capita (in PPP$) i.e. purchase power parity. The HDI is used for obtaining internationally comparable indications of the ability of individuals within a country or across various countries to live long, informed and comfortable lives. The scale of the HDI ranges from 0 (indicative of a very low development level) to 1 (indicative of a very high level).

According to statistics released in 2001, Whites have the highest HDI in South Africa at 0.858 followed by Indians at 0.778, coloureds 0.698 and Blacks 0.630. The combined gross primary, secondary and tertiary enrolment for Indians is at 91.95%, followed by whites at 89.69%. In terms of Real GDP per capita (PPP$) Indians are at 10,382 and Whites 27,942 where the minimum value PPP is US $100 and maximum PPP is US$40000

2.13 Business formats of Indian entrepreneurs in South Africa

It is difficult, if not impossible to obtain any statistics, of Indian businesses in South Africa, including the large numbers of independently owned fast food outlets. From anecdotal evidence and the researcher’s personal experiences within the South African Indian business community, it is clear that there are hundreds of independently owned non-franchised Indian fast food outlets throughout South Africa. It is the view of the researcher, that very few of these outlets would meet the nine critical success factors listed on the Frain website to allow for franchising, but there could be a significant few that will meet the requirements.

It is these outlets, some who may require minor upgrades to meet all of the nine critical success factors to expand and grow through franchising, that this study has targeted. It is these entrepreneurs who will be interviewed to uncover the reasons why they have not embraced growth through franchising their successful business operations.
2.14 Why franchising is a natural evolution for Indian businesses

Existing successful Indian fast food operations have succeeded because they have a unique taste not available through the many recognised franchised outlets. However, as these businesses mature and the market is found to be increasingly attractive to both a potentially new locally based operator or an international franchisor, it is not unthinkable that a franchisor preparing Indian fast foods in a clean, consistent and unique way, will enter the market and take away business from the existing non franchised entrepreneurs.

An astute fast food entrepreneur will realise that alternate strategic initiatives, if not implemented, will threaten the profitability, if not the very survival of their enterprises.

In a nutshell, this alternate strategic initiative may be to attain growth through expansion, even in the absence of the required capital or a shortage of managerial talent.

The answer to this dilemma of ensuring the survival and growth of an established fast food business is clearly franchising, where growth and expansion will be obtained through selling franchises. The capital will be supplied by franchisees, who will also make up for any shortage of managerial talent and skill.

2.15 Other Studies on Franchising

A search of previous research completed at the major tertiary institutions in South Africa confirms that no study of this nature has been conducted before (NEXUS DATABASE SYSTEM), but did reveal that other research into the fast food franchise industry exists.

Volschenk’s (2002) study of the success of internationally branded franchises in South Africa, suggests that strong brand identity and huge advertising budgets coupled with international expertise and modes of entry into local markets have played a major role in the success of internationally branded franchises.

The researcher will attempt to determine whether a local operator with knowledge of local conditions can achieve similar results.

Of greater relevancy to this study, are the findings by Makhubele (1995), that black entrepreneurs failed to establish themselves as franchisees because of a lack of finance and a lack of interest in franchising.

The researcher, in answering the research question, will necessarily have to address whether there is sufficient access to capital and sufficient interest in franchising from aspirant Indian franchisors and potential franchisees.

The researcher has further found several other studies examining different aspects of franchising.

In an unpublished MBA report entitled *Franchising from a franchisors perspective*, Kirkman CA (1985), sought to highlight the motives franchisors have in franchising their operations, the types of problems they aimed to solve and how, to document the criteria used in selecting franchisees and
once the franchise system was in place, to identify the types of problems faced and how they were solved.

His findings confirmed that franchisors rated the need for growth and product and market penetration as their main drivers to enter into franchise arrangements. The study further highlighted that in hindsight, most franchisors were of the opinion that company owned branches would be more profitable even though the “headache” would be greater.

A significant majority of both franchisors and franchisees agreed that communication or lack thereof were at the route of most of the problems. This finding was supported by Edelstein J.R. whose top three findings in his study *Expert Systems in the Franchisor, Franchisee Relationship* (Wits MBA, 1991) was the need for:

- Regular communication,
- Training; and
- National and Group Advertising.

Edelstein maintains that it is critically important to a franchise operation to monitor the relationship in a structured, controlled and regular manner.

The main disadvantage for franchisors was that franchisees were rated and had to pay royalties on the basis of gross sales. Most of the franchisors agreed that their franchisees were not fully disclosing their sales and, consequentially, short paying the fees. However, this issue was adequately addressed by the majority of franchisors as they profited from margins on the sale of goods and services to their franchisees.

The concern that franchisors may feel threatened by having spent a great deal of time and trouble training a franchisee who could become a future competitor, were allayed as most franchisors were not concerned by this possibility.
These studies have not addressed the absence of a national fast food franchise specialising in Indian fast food and hence the researcher will attempt to discover the reasons why existing successful Indian fast food entrepreneurs have not expanded through franchising their concept and provide suggestions to a new potential franchisor on the issues relevant to an aspirant fast food franchisor in South Africa.

The studies mentioned above, do however, provide a wealth of information on both the operations of Fast Food franchises and the market space in which it operates and will no doubt prove instructive to the research process that will be followed.

2.16 The Franchisee Lifecycle Concept (FLC)

A final consideration for an aspirant franchisor is the theory than franchisees go through a lifecycle similar to product lifecycle.

According to the FRAIN website (www3.), based on original work done by Gregory Nathan, franchisees go through four lifecycle phases in their relationship with their franchisor. The researcher is of the opinion that a prospective franchisor should be aware of the different phases in order to maintain and nurture the long term franchising relationship.

The four phases are:

- **Phase 1: The “Courting” phase**
  This phase has been described as similar to a honeymoon period for a couple, where both parties are very happy with the relationship and are excited about the future. This phase typically lasts for about one year and records the highest likelihood of franchisee retention.
- **Phase 2: The “We” phase**
  During this phase, the franchisee will still value the relationship with the franchisor and would work hard to make the relationship work, but franchisee satisfaction will start to deteriorate due to doubts, relationship conflicts as well as restrictions enforced by the franchisor. This phase too would last approximately for one year and the likelihood of franchisee retention will deteriorate.

- **Phase 3: The “Me” phase**
  This phase usually starts around the third year when franchisees start to question the reasons for the royalty payments and start to think that the success achieved up to that stage, was purely due to their own hard work. The relationship with the franchisor typically would deteriorate even further and the likelihood of franchisee retention will be at its lowest level.

- **Phase 4: The “Rebel” phase**
  This phase is usually a defining phase in the relationship when the franchisee will make decisions about the future of the relationship. The more entrepreneurial franchisees may decide to do their “own thing” and some will end the relationship. Those franchisees that see out the fourth year would go on to renew the usual 5 year franchise contract term and will re-enter phase 1 of the lifecycle. For those franchisees that enter the fifth year the average likelihood of franchisee retention is close to its highest levels.

Clearly, a franchisor that is aware of the different phases prior to recruiting and training franchisees, will be better placed to utilise appropriate strategies to rescue the relationship as and when it deteriorates. An understanding of these phases is important for this study as independent Indian fast food store owners, may have prior experience or knowledge of franchising that failed and consequently may be reluctant to franchise their businesses due to a lack of understanding of the franchisee lifecycle.
Chapter 3
Research Methodology

3.1 Introduction

The researcher aims to present to a potential franchisor, the critical success factors in the establishment of a national fast food franchise specialising in Indian foods in South Africa.

The research question around which this study revolves can be stated as follows:

Why is there no national fast food franchisor in South Africa, specialising in Indian food?

From the literature reviewed in Chapter 2, it is evident that franchising is an attractive, low risk means for rapid expansion and growth for established entrepreneurs. It has the added advantage of giving the entrepreneur first mover advantage and is thus of strategic importance to an existing enterprise.

Franchising as a business format has the support of the South African government as a means of creating jobs, transferring skills and creating wealth.

The literature review also revealed that there are onerous duties and responsibilities for franchisors and this study will determine whether these and other factors linked to their knowledge or experience of franchising have had the effect of inhibiting the involvement of Indian fast food stores in franchising.
3.2 Research Methodology

3.2.1 Research Approach

The researcher decided to utilise an inductive approach to the research problem because the data was first obtained and then the theory was formulated after the findings were analysed.

Saunders et al. (2000:88-91) suggests that an inductive approach is suited to a study where there is limited access to data and the study is primarily concerned with why something is happening rather than what is happening.

Given the small number of successful 'qualifying' Indian fast food entrepreneurs in South Africa, their expected reluctance to co-operate with the study and the absence of previous research into the franchising of Indian fast food stores, the inductive approach was considered appropriate.

The inductive approach was particularly suited to the context of this study where the sample was small and confined to a specific setting.

3.2.2 Research Strategy

In order to answer the research question, the researcher collected data from existing entrepreneurs of Indian Fast Foods in South Africa, by means of semi structured interviews with a selection of entrepreneurs owning well known single or multiple outlets in Gauteng and Kwa Zulu Natal, to determine the following:

- Whether they have any previous personal experience with franchising
- Whether they have considered franchising as a means of expanding and growing their businesses
- Whether there are factors inhibiting their involvement as franchisors
- What these factors are

The researcher chose to utilise semi-structured interviews as it allowed the entrepreneurs an opportunity to explain their particular circumstances, challenges and experiences which was expected to yield better quality results to answer the research question.

The data collected was qualitative in nature and this served the purpose of the study, which is an explanatory report.

The researcher hypothesised that the respondents would argue that their reluctance to franchise was based on their assumptions that there would be a limited consumer market for their products.

The researcher therefore undertook a consumer survey amongst a sample of consumers to determine their tastes, preferences and willingness to buy Indian foods to confirm or dispute this possible explanation.

The consumer survey was conducted amongst shoppers in shopping centres in and around Johannesburg to determine their buying behaviour and perceptions of value towards their purchases of fast foods and included obtaining information on the frequency and value of purchases and to find out who made the buying decisions when the family was the consumer.

The researcher chose to utilise standardised questionnaires for the consumer survey as this format would enable easier interpretation of the findings.

The objectives of the interviews with Indian fast food entrepreneurs served to specifically elicit opinions from the sampling group and the questionnaires served to confirm or dismiss the expected responses from the interviews which enabled the researcher to triangulate the findings of the study with findings from previous studies and the available literature.
If the interviews revealed that entrepreneurs were willing to franchise their businesses but were uncertain of the market potential and this was confirmed by the consumer survey, the research question would have been answered as to why there is no national Indian fast food franchisor in South Africa.

If on the other hand, the consumer surveys indicated a willingness of consumers to buy Indian food, then the researcher would be able to examine the responses to the interviews to determine whether there are other factors, unique to the entrepreneurs' circumstances, skills and resources that have inhibited them from franchising their business.

3.3 The population and sample

It is virtually impossible to determine the population of Indian fast food operations in South Africa, as these are businesses that are not necessarily affiliated to any association, chamber of commerce or trade organisation.

The population of stores is however concentrated mostly in Kwa-Zulu Natal where the majority (71.6%) of Indians in South Africa live, followed by Gauteng with 19.5% of the total (Statssa: Census 2001).

A sample of 10 Indian fast food operations was selected for the study. The location and regional scope of the fast food operations were as follows:

- 4 operations were located exclusively in Kwa Zulu Natal,
- 4 operations were located exclusively in Gauteng
- 2 operations had outlets both in Gauteng and Kwa Zulu Natal.

The researcher selected the sample on both a judgemental and convenience basis given the limited number of entrepreneurs who would qualify, in the researcher's judgement, as being suitable for franchising.
Despite the small sample size, the researcher is of the opinion that the validity of the results of the study will not be compromised and that recommendations could be generalised across the population of stores.

For the consumer survey, the sample was selected from shoppers visiting 4 of the largest shopping malls in and around Johannesburg, Gauteng. A total of 200 consumers from varying backgrounds, ages and economic status were selected on a random basis to provide answers to a set of standard questions.

3.4 The collection and analysis of data

3.4.1 Design of semi structured interviews

The researcher decided upon utilising semi-structured interviews with established entrepreneurs of Indian fast food stores as a means of eliciting responses which would serve to answer the research question. These semi structured interviews were guided by a standard set of questions and the researcher personally noted responses from each respondent to each of the questions, in face to face meetings.

This approach was decided as having a better chance of obtaining data for analysis than postal surveys, given the sensitive nature of the questions and suspicions that might be created through anonymous contact.

Whilst meeting face to face with respondents in Kwa Zulu Natal was not cost effective, the researcher was compelled to contact these entrepreneurs to obtain their views as well as the views of Gauteng based entrepreneurs.

The interview questions sought to obtain information on the background of the entrepreneur, the source of his finance, the level of skills and knowledge,
the challenges facing his business and the alternate strategies he had in place or was developing to deal with opportunities and threats to his business.

It also sought to obtain information on whether his business was viable for franchising and whether he had the necessary resources to make this option a reality.

A presentation of the findings of the 10 interviews appears in Chapter 5 and a copy of the list of questions asked, is included as Appendix 1, at the end of this report.

The interpretation of the findings from the qualitative study will be presented in section 5.1 in Chapter 5.

3.4.2 Consumer survey - Questionnaire design

The consumer survey was designed around obtaining information on the buying behaviour of consumers of fast foods.

For ease of data collection and analysis, the questions were close ended and required the respondent to select one of the given options to each question.

It was decided to utilise questionnaires of the shortest possible length without compromising the quality of the data, as it was felt that busy shoppers in shopping malls would be reluctant to spend more than a few minutes answering questions. Hence the questionnaire consisted of just 17 questions.

The survey was carried out over consecutive weekends at the largest shopping malls in and around Johannesburg, Gauteng only. This exercise was not duplicated in Kwa Zulu Natal, due to the expense of making several trips to obtain the necessary data.
The researcher was however of the opinion that it was more useful to obtain data on the Gauteng market since Gauteng is the economic hub of South Africa and the Franchise 2002 survey (www.2) found that 40% of fast food outlets were located in Gauteng.

It was also the province where fewer Indians reside according to the 2001 Census, which indicated that Indians made up 2.5% of the population against Kwa Zulu Natal where they made up 8.5% of the population.

In other words, 71.6% of Indians live in Kwa Zulu Natal whilst 19.5% of them live in Gauteng. To determine the cross over appeal of Indian foods to the other race groups, it would make more sense to survey a market with a higher percentage of people from other race groups, hence the survey conducted in Gauteng only, would have more relevance.

A set of 6 screening questions were utilised to screen respondents and any respondent who answered in the negative to any of the questions relating to whether they lived in Gauteng, were employed, or purchased fast foods, were automatically excluded as were those who answered in the affirmative to whether they worked for an advertising agency, fast food outlet or a market research company.

This screening was done to specifically include only Gauteng residents who were able and willing to purchase fast foods and to exclude the obvious bias of respondents working in or connected to the industry.

The survey questions centred around the buying behaviour, frequency and value of purchases, preferences and tastes of consumers as well as their prior experience and willingness to buy Indian fast food from a new franchised outlet.
The purpose of the survey was to determine whether there was a market amongst a cross-section of consumers from different backgrounds, income levels and age groups, for Indian fast foods to either confirm or discard the suspicion that the market is not big enough or viable.

The findings from this survey were compared and contrasted to the findings of the Franchise Directions Survey (www.1) which found a high growth rate amongst fast food franchises in South Africa.

A presentation of the findings of the responses from the 200 respondents appears in Chapter 4 and a copy of the 17 questions asked, is included as Appendix 2, at the end of this report.

3.5 The report of findings

The results of the consumer questionnaires were collated and then analysed. The results of the analysis, are presented in the form of graphs and tables to facilitate ease of comprehension and appear in Chapter 4.

The findings are triangulated to findings from the semi-structured interviews with Indian fast food entrepreneurs and previous research, as well as the literature reviews discussed in Chapter 2.

These findings have enabled the researcher to draw conclusions and address the research aims and objectives in Chapter 5.

3.6 Possible sources of bias

The main potential source of bias is the researcher himself, who was born in Kwa Zulu Natal, is currently resident in Gauteng and is of Indian descent. It is unavoidable that the researcher's own knowledge, experiences, preferences
and taste will lead to a measure of bias in the manner in which the semi-structured interviews were carried out or would lean towards a preference for Indian foods.

The researcher is of the opinion that instead of negatively affecting the validity of the findings, the researcher’s knowledge of the subject matter and insider position, enhances the potential to obtain accurate information for analysis.

A second potential source of bias are the entrepreneurs themselves who may have given responses to questions to mask their own underlying strategies for expansion and growth and may not have fully revealed their plans and intentions for fear of forewarning their competitors.

The researcher has sought to counter both these sources of bias by adding some structure to the interviews in the form of a set of standard questions appearing in Appendix 1 and to pose the same set of questions to each of the 10 respondents.

The potential bias of consumers was mitigated by the screening process outlined earlier. However, it is impossible to totally eliminate all bias and surveys are prone to respondents providing answers they believe the researcher wants to hear.
Chapter 4
Research Findings

4.1 Findings from the Consumer Surveys

A total of 200 questionnaires were completed by a random sample of Gauteng residents.

Some respondents refused to supply answers to certain questions and depending on the number of blank responses, these questionnaires were rejected in total, if too many blanks were left or were captured onto the data list if there were few non-critical omissions.

A number of responses were scrapped during the screening process when respondents indicated they were unemployed, did not live in Gauteng or did not purchase fast foods.

The completed questionnaires were captured on a Microsoft Excel worksheet and this information served as a datasheet which was used as a basis for creating both pivot tables and pivot charts for instant updating and analysis.

The input area of the datasheet was set up to validate entries from the pre-determined alternatives thus restricting entries to the list.

Utilising the methodology mentioned above, limited the risk of handling errors and input errors and ensured high levels of data integrity and accuracy enabling proper analysis to follow.
4.1.1 Demographics of respondents

Respondents by Race Groups

Table 4.1  Respondents by Race Group

<table>
<thead>
<tr>
<th>Race</th>
<th>Number of Respondents</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asian</td>
<td>27</td>
<td>14%</td>
</tr>
<tr>
<td>Black</td>
<td>70</td>
<td>35%</td>
</tr>
<tr>
<td>Coloured</td>
<td>32</td>
<td>16%</td>
</tr>
<tr>
<td>White</td>
<td>71</td>
<td>35%</td>
</tr>
<tr>
<td><strong>Total Respondents</strong></td>
<td><strong>200</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

The table above reflects that of the sample of 200 respondents, 71 were from the White community, 70 were from the Black community, 32 were from the Coloured community and 27 were from the Asian community.

Figure 4.1  Percentage of Respondents by Race Groups

A total of 35% of the respondents were from the White community and 35% from the black community with 16% from the Coloured community and 14% from the Asian community.

The sample was entirely random and the racial composition does not reflect the demographics of the entire population. The screening question, relating to whether the respondent was employed or not, contributed to the skewness of
the sample, as many of the potential participants from the Black community indicated that they were unemployed and were consequently left out of the sampling group.

Respondents by Age Groups

Table 4.2 Respondents by Age Groups

<table>
<thead>
<tr>
<th>Age</th>
<th>Number of Respondents</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 – 24</td>
<td>52</td>
<td>26%</td>
</tr>
<tr>
<td>25 – 34</td>
<td>76</td>
<td>37%</td>
</tr>
<tr>
<td>35 – 49</td>
<td>53</td>
<td>27%</td>
</tr>
<tr>
<td>50+</td>
<td>19</td>
<td>10%</td>
</tr>
<tr>
<td>Total Respondents</td>
<td>200</td>
<td>100%</td>
</tr>
</tbody>
</table>

The table above, indicates that 76 of the respondents were in 25-34 age group, followed by 53 in the 35-49 age group and 52 in the 12-24 age group. The smallest number of respondents, at just 19, was in 50 and over age group.

Figure 4.2 Percentage of Respondents by Age Groups

In terms of percentages, 37% were in the 25-34 age group, 27% in the 35-49 age group, 26% in the 12-24 age group and 10% in the 50 and over age group.

In other words, 90% of the respondents were younger than 50.
Respondents by Gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Number of Respondents</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>113</td>
<td>56%</td>
</tr>
<tr>
<td>Male</td>
<td>87</td>
<td>44%</td>
</tr>
<tr>
<td>Total Respondents</td>
<td>200</td>
<td>100%</td>
</tr>
</tbody>
</table>

The sampling group consisted of 113 females and 87 males.

**Figure 4.3 Percentages of Respondents by Gender**

The figure above indicates that 56% of the sample were females and 44% were males.
Respondents by Income Categories

Table 4.4 Respondents by Total Monthly Household Income

<table>
<thead>
<tr>
<th>Income</th>
<th>Number of Respondents</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to R1999</td>
<td>34</td>
<td>17%</td>
</tr>
<tr>
<td>R2000 - R4999</td>
<td>45</td>
<td>22%</td>
</tr>
<tr>
<td>R5000 - R9999</td>
<td>56</td>
<td>27%</td>
</tr>
<tr>
<td>R10000 – R14999</td>
<td>31</td>
<td>16%</td>
</tr>
<tr>
<td>R15000 – R19999</td>
<td>11</td>
<td>6%</td>
</tr>
<tr>
<td>R20000+</td>
<td>23</td>
<td>12%</td>
</tr>
<tr>
<td><strong>Total Respondents</strong></td>
<td><strong>200</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

The monthly household income of respondents, were fairly evenly spread with the highest number of respondents falling within the income category R5000 to R9999.

The researcher had reservations about the accuracy of values supplied in respect of the monthly household incomes during the collection phase, as the figures provided appeared to be inflated, at first glance. It was however, impossible to verify the accuracy of the responses, given the sensitive and confidential nature of personal income. The intention of this question was to obtain the total monthly household income of the respondent and given that many households could have more than one person earning a salary, it is plausible to expect a high number of respondents with total monthly household incomes in excess of R20 000.

Utilising a maximum upper limit of R40 000, a calculation of the mean or average value as well as a mode or most frequently indicated range within the different class ranges is possible.
Calculation of mean and modal total monthly household income

<table>
<thead>
<tr>
<th>Count of Respondents</th>
<th>frequency f</th>
<th>Midpoint x</th>
<th>fx</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to R1999</td>
<td>34</td>
<td>1000</td>
<td>34,000</td>
</tr>
<tr>
<td>R2000 - R4999</td>
<td>45</td>
<td>3500</td>
<td>157,500</td>
</tr>
<tr>
<td>R5000 - R9999</td>
<td>56</td>
<td>7500</td>
<td>420,000</td>
</tr>
<tr>
<td>R10000 - R14999</td>
<td>31</td>
<td>12500</td>
<td>387,500</td>
</tr>
<tr>
<td>R15000 - R19999</td>
<td>11</td>
<td>17500</td>
<td>192,500</td>
</tr>
<tr>
<td>R20000+</td>
<td>23</td>
<td>30000</td>
<td>690,000</td>
</tr>
<tr>
<td>Grand Total</td>
<td>200</td>
<td></td>
<td>1,881,500</td>
</tr>
</tbody>
</table>

mean \( \bar{x} = \frac{1,881,500}{200} = 9,408 \)

mode \[ M_o = O_{mo} + \frac{c(f_m - f_{m-1})}{2f_m - f_{m-1} - f_{m+1}} \]

\[ = 5000 + \frac{5000 (56 - 45)}{2(56) - 45 - 31} \]

\[ = 5000 + 1527.78 \]

\[ = 6527.78 \]

The mean or average total monthly household income of the sample group was R9,408 and the mode or most frequently occurring value was R6,527.78.

Figure 4.4 Percentage of Respondents by Monthly Household Income

As discussed, the highest number of respondents, as indicated on the above figure, occurs in the R5000-R9999 monthly total household income group at 27%, with the fewest number of respondents at 6% falling in the R15000 to R19999 group.
Respondents by Marital Status

Table 4.5  Respondents by Marital Status

<table>
<thead>
<tr>
<th>Marital Status</th>
<th>Number of Respondents</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Divorced</td>
<td>31</td>
<td>16%</td>
</tr>
<tr>
<td>Married</td>
<td>90</td>
<td>44%</td>
</tr>
<tr>
<td>Single</td>
<td>79</td>
<td>40%</td>
</tr>
<tr>
<td>Grand Total</td>
<td>200</td>
<td>100%</td>
</tr>
</tbody>
</table>

As reflected on the table above, of the 200 respondents, 90 indicated that they were married, followed by 79 who indicated that they were single and 31 who indicated that they were divorced.

Figure 4.5  Respondents by Marital Status

The figure above reflects the proportion of respondents according to their marital status. A total of 44% of the respondents indicated that they were married, whilst 40% indicated that they were single and 16% indicated that they were divorced.
The figure above combines the age groups by race to indicate the number of respondents by age group within each group. For instance, within the Asian race group, the majority were in the 12-24 year age group and there were no respondents over 50 years, whilst within the Black group, the majority of the respondents were within the 25-34 year age group and amongst the white group, there was an even number of respondents in both the 25-34 year group and 35-49 year age group.

The section that follows will present the responses to each of the questions from the consumer survey.
4.1.2 Question 1 asked how far away did the respondent live from their favourite Fast Food Outlet

<table>
<thead>
<tr>
<th>Distance respondent lives from store</th>
<th>Number of Respondents</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 5 km</td>
<td>118</td>
<td>59%</td>
</tr>
<tr>
<td>6 - 10km</td>
<td>51</td>
<td>25%</td>
</tr>
<tr>
<td>11 - 20 km</td>
<td>21</td>
<td>11%</td>
</tr>
<tr>
<td>More than 20km</td>
<td>10</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>200</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

The highest number of respondents at 118 out of the total of 200 lives within 5 kilometres of their favourite fast food outlet, whilst 51 live within 6 to 10 km, 21 respondents within 11 to 20 km and 10 respondents a distance greater than 20 kilometres.

These figures are presented graphically below.

**Figure 4.7** Distance respondent lives from favourite fast food outlet

The majority of respondents (59%) lived within 5 kilometres of their favourite fast food store, whilst 5% lived more than 20 kilometres from their favourite fast food store.
Calculation of mean and modal Distance Respondent Lives from Fast Food Store

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Midpoint</th>
<th>fX</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 5 km</td>
<td>118</td>
<td>2.5</td>
<td>295</td>
</tr>
<tr>
<td>5 - 10 km</td>
<td>51</td>
<td>7.5</td>
<td>383</td>
</tr>
<tr>
<td>11 - 20 km</td>
<td>21</td>
<td>15</td>
<td>315</td>
</tr>
<tr>
<td>More than 20 km</td>
<td>10</td>
<td>30</td>
<td>300</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>200</strong></td>
<td></td>
<td><strong>1,293</strong></td>
</tr>
</tbody>
</table>

\[
\text{mean } \bar{x} = \frac{1,293}{200} = 6.46
\]

\[
\text{mode } M_o = O_{mo} + \frac{c (f_m - f_{m-1})}{2 f_m - f_{m-1} - f_{m+1}}
\]

\[
= 0 + \frac{5 (118 - 0)}{2 (118) - 0 - 51}
\]

\[
= 3.19
\]

The mean or average distance that respondents live from their favourite fast food store is 6.46kms, whilst the modal or most frequently occurring distance is 3.19km.

The figure that follows provides a clearer picture of the location of the sample group from their favourite fast food stores, by geographical area around Johannesburg.
It is interesting to note that almost 74% of respondents' who live in the Northern suburbs, are within 5 km's of their favourite fast food store, whereas in the other areas, some 50% to 60% of respondents live within 5km's of their favourite outlet.

Almost 90% of respondents who live in the both the Northern and Western areas live within 10km's of their favourite fast food store.
4.1.3 Question 2 asked whether the respondent made a special trip for their fast food purchase

Table 4.7 Special trip made for fast food purchase

<table>
<thead>
<tr>
<th>Special Trip</th>
<th>Number of Respondents</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>81</td>
<td>41%</td>
</tr>
<tr>
<td>Yes</td>
<td>118</td>
<td>58%</td>
</tr>
<tr>
<td>(blank)</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Total Respondents</strong></td>
<td><strong>200</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

A total of 118 respondents indicated that they made a special trip for their fast food purchase, whilst 81 respondents indicated that they did not and 1 respondent did not provide a response.

Figure 4.9 Percentage of Respondents who made a Special trip for their fast food purchase

The majority (58%) of respondents indicated that they made a special trip for their fast food purchase whilst 41% indicated that they did not. 1 respondent did not provide a response.
A total of 38% of respondents or 104 out of 118 respondents, who live within 10km's of their favourite fast food outlet, indicated that they made a special trip for their fast food purchase.
4.1.4 Question 3 asked whether the respondent had any special dietary needs

Table 4.8 Special dietary needs by area in which respondent lives

<table>
<thead>
<tr>
<th>Number of respondents</th>
<th>Special Dietary Needs</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Live</td>
<td>No special preference</td>
<td>Halaal</td>
<td>Vegetarian</td>
<td>Non-beef</td>
<td>Kosher</td>
<td></td>
</tr>
<tr>
<td>East</td>
<td>41</td>
<td>5</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>52</td>
</tr>
<tr>
<td>North</td>
<td>37</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>42</td>
</tr>
<tr>
<td>South</td>
<td>39</td>
<td>10</td>
<td>3</td>
<td>4</td>
<td></td>
<td>56</td>
</tr>
<tr>
<td>West</td>
<td>38</td>
<td>4</td>
<td>5</td>
<td>1</td>
<td>2</td>
<td>50</td>
</tr>
<tr>
<td>Grand Total</td>
<td>155</td>
<td>21</td>
<td>10</td>
<td>8</td>
<td>6</td>
<td>200</td>
</tr>
</tbody>
</table>

The majority of respondents (78%) had no special preferences and these respondents were spread evenly throughout each of the 4 regions. A total of 11% of respondents indicated that they required their fast foods to be halaal and 50% of these respondents live in the area South of Johannesburg. The constituent breakdown per area, is depicted by the figure below.

Figure 4.11 Special dietary needs by area in which respondent lives
4.1.5 Question 4 asked for what reason the respondent mostly purchased fast foods

Table 4.9 Analysis of work area by meal

<table>
<thead>
<tr>
<th>Count of Respondents</th>
<th>Meal</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Work area</td>
<td>Live</td>
<td>Breakfast</td>
<td>Lunch</td>
<td>Snack</td>
<td>Supper</td>
<td>Grand Total</td>
</tr>
<tr>
<td>East</td>
<td>East</td>
<td>8</td>
<td>2</td>
<td>12</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>South</td>
<td>East</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td>West</td>
<td>East</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td>East Total</td>
<td></td>
<td>11</td>
<td>2</td>
<td>12</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>North</td>
<td>East</td>
<td>1</td>
<td>8</td>
<td>5</td>
<td>10</td>
<td>24</td>
</tr>
<tr>
<td>North</td>
<td>East</td>
<td>13</td>
<td>7</td>
<td>20</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>South</td>
<td>East</td>
<td>1</td>
<td>10</td>
<td>7</td>
<td>25</td>
<td>43</td>
</tr>
<tr>
<td>West</td>
<td>East</td>
<td>1</td>
<td>7</td>
<td>6</td>
<td>22</td>
<td>35</td>
</tr>
<tr>
<td>North Total</td>
<td></td>
<td>2</td>
<td>38</td>
<td>25</td>
<td>77</td>
<td>142</td>
</tr>
<tr>
<td>South</td>
<td>East</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>North</td>
<td>East</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>South</td>
<td>East</td>
<td>4</td>
<td>5</td>
<td>9</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>West</td>
<td>East</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>South Total</td>
<td></td>
<td>7</td>
<td>1</td>
<td>8</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>West</td>
<td>East</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>South</td>
<td>East</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>West</td>
<td>East</td>
<td>1</td>
<td>3</td>
<td>8</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>West Total</td>
<td></td>
<td>1</td>
<td>3</td>
<td>11</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>Grand Total</td>
<td></td>
<td>3</td>
<td>59</td>
<td>31</td>
<td>107</td>
<td>200</td>
</tr>
</tbody>
</table>

Table 4.12 Analysis of resident area by meal

<table>
<thead>
<tr>
<th>Count of Respondents</th>
<th>Meal</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Live</td>
<td>Work area</td>
<td>Breakfast</td>
<td>Lunch</td>
<td>Snack</td>
<td>Supper</td>
<td>Grand Total</td>
</tr>
<tr>
<td>East</td>
<td>East</td>
<td>8</td>
<td>2</td>
<td>12</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>North</td>
<td>East</td>
<td>1</td>
<td>8</td>
<td>5</td>
<td>10</td>
<td>22</td>
</tr>
<tr>
<td>South</td>
<td>East</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>West</td>
<td>East</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>East Total</td>
<td></td>
<td>2</td>
<td>19</td>
<td>7</td>
<td>24</td>
<td>52</td>
</tr>
<tr>
<td>North</td>
<td>East</td>
<td>13</td>
<td>7</td>
<td>20</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>South</td>
<td>East</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>North Total</td>
<td></td>
<td>13</td>
<td>7</td>
<td>22</td>
<td>42</td>
<td>42</td>
</tr>
<tr>
<td>South</td>
<td>East</td>
<td>2</td>
<td>10</td>
<td>7</td>
<td>25</td>
<td>43</td>
</tr>
<tr>
<td>North</td>
<td>East</td>
<td>4</td>
<td>5</td>
<td>9</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>West</td>
<td>East</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>South Total</td>
<td></td>
<td>1</td>
<td>17</td>
<td>7</td>
<td>31</td>
<td>56</td>
</tr>
<tr>
<td>West</td>
<td>East</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>North</td>
<td>East</td>
<td>7</td>
<td>6</td>
<td>22</td>
<td>35</td>
<td></td>
</tr>
<tr>
<td>South</td>
<td>East</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>West</td>
<td>East</td>
<td>1</td>
<td>3</td>
<td>8</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>West Total</td>
<td></td>
<td>10</td>
<td>10</td>
<td>30</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Grand Total</td>
<td></td>
<td>3</td>
<td>59</td>
<td>31</td>
<td>107</td>
<td>200</td>
</tr>
</tbody>
</table>
The majority (54%) of respondents purchased their fast foods for supper followed by lunch for which 30% indicated as their reason for purchase. The analysis that follows indicates that 82 respondents or 41% of the sample, who lives in areas outside of the Northern suburbs but who work in the North, purchase their meals for either supper or lunch.

4.1.6 Question 5 asked for how many people were the purchases made

<table>
<thead>
<tr>
<th>For how many</th>
<th>Number of Respondents</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family</td>
<td>88</td>
<td>43%</td>
</tr>
<tr>
<td>Single person</td>
<td>49</td>
<td>25%</td>
</tr>
<tr>
<td>Two people</td>
<td>63</td>
<td>32%</td>
</tr>
<tr>
<td>Grand Total</td>
<td>200</td>
<td>100%</td>
</tr>
</tbody>
</table>

The table indicates that 88 of the sample of 200 respondents, purchased their meals for the family, whilst 63 purchased fast foods for two people and 49 respondents purchased for a single person.

Figure 4.12 Number of people for which purchases are made

The figure above indicates that 43% of respondents purchased fast foods for the family, whilst 32% purchased for two people and 25% purchased fast foods for a single person.
Table 4.11 Number of people by meal for which purchases are made

<table>
<thead>
<tr>
<th>Count of Respondents</th>
<th>Meal</th>
<th>Breakfast</th>
<th>Snack</th>
<th>Lunch</th>
<th>Supper</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>For how many</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Family</td>
<td></td>
<td>2</td>
<td>12</td>
<td>16</td>
<td>58</td>
<td>88</td>
</tr>
<tr>
<td>Single person</td>
<td></td>
<td>1</td>
<td>7</td>
<td>25</td>
<td>16</td>
<td>49</td>
</tr>
<tr>
<td>Two people</td>
<td></td>
<td>12</td>
<td>18</td>
<td>33</td>
<td></td>
<td>53</td>
</tr>
<tr>
<td>Grand Total</td>
<td></td>
<td>3</td>
<td>31</td>
<td>59</td>
<td>107</td>
<td>200</td>
</tr>
</tbody>
</table>

It is interesting to note that, for supper, more than 54% of respondents indicated that their purchases are for the family, whilst for lunch, the highest number of respondents purchased for a single person.

Figure 4.13 Number of people - Fast Food purchases by meal

The figure above graphically shows that Family purchases are mainly for Supper, whilst for lunch, purchases are mainly for a single person.
4.1.7 Question 6 asked who made the buying decision

Table 4.12 Decision makers by meal

<table>
<thead>
<tr>
<th>Buying Decision</th>
<th>Breakfast</th>
<th>Lunch</th>
<th>Snack</th>
<th>Supper</th>
<th>Grand Total</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yourself</td>
<td>1</td>
<td>36</td>
<td>15</td>
<td>31</td>
<td>83</td>
<td>42%</td>
</tr>
<tr>
<td>Spouse</td>
<td>2</td>
<td>4</td>
<td>9</td>
<td>15</td>
<td>15</td>
<td>8%</td>
</tr>
<tr>
<td>Joint</td>
<td>1</td>
<td>17</td>
<td>9</td>
<td>57</td>
<td>84</td>
<td>42%</td>
</tr>
<tr>
<td>Children</td>
<td>1</td>
<td>4</td>
<td>3</td>
<td>10</td>
<td>18</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3</strong></td>
<td><strong>59</strong></td>
<td><strong>31</strong></td>
<td><strong>107</strong></td>
<td><strong>200</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

It is interesting to note that for the Supper meal, more than 53% of respondents or 57 out of 107 respondents, indicated that the decisions on where to purchase are made jointly, whilst 61% of respondents or 36 out of 59 respondents, indicated that for the lunch meal, the individual makes the decision.

Figure 4.14 Decision makers by meal

The table above, graphically depicts the decision maker by meal type. Clearly for Supper, the majority of the decisions are made jointly, whilst both for Lunch and for Snacks, the individual makes the buying decision.
Table 4.13 Decision maker by number of people for which purchases are made

<table>
<thead>
<tr>
<th>Count of Respondents</th>
<th>For how many</th>
<th>Family</th>
<th>Single person</th>
<th>Two people</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buying Decision</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yourself</td>
<td></td>
<td>11</td>
<td>49</td>
<td>23</td>
<td>83</td>
</tr>
<tr>
<td>Spouse</td>
<td></td>
<td>7</td>
<td>8</td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>Joint</td>
<td></td>
<td>54</td>
<td></td>
<td>30</td>
<td>84</td>
</tr>
<tr>
<td>Children</td>
<td></td>
<td>16</td>
<td>2</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>Grand Total</td>
<td></td>
<td>88</td>
<td>49</td>
<td>63</td>
<td>200</td>
</tr>
</tbody>
</table>

Similarly, where the purchase is made for the family, 61% of respondents indicated that the decision on where to purchase the meal, is made jointly. Nearly 50% of respondents indicated that where the purchase is for two people, the decision on where to purchase is made jointly. Interestingly, where the purchase is for the family, some 18% or 16 of the 88 respondents indicated that the decision is made by the children.

4.1.8 Question 7 asked from how many different stores each purchase was made

Table 4.14 Number of people by number of outlets

<table>
<thead>
<tr>
<th>Count of Respondents</th>
<th>Buy from</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>One store only</td>
<td>Two different franchised outlets</td>
<td>Three or more outlets</td>
<td>(blank)</td>
<td>Grand Total</td>
</tr>
<tr>
<td>For how many</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Family</td>
<td>26</td>
<td>27</td>
<td>33</td>
<td>1</td>
<td>92</td>
<td>56</td>
</tr>
<tr>
<td>Single person</td>
<td>36</td>
<td>6</td>
<td>6</td>
<td>1</td>
<td>92</td>
<td>56</td>
</tr>
<tr>
<td>Two people</td>
<td>26</td>
<td>23</td>
<td>12</td>
<td>1</td>
<td>92</td>
<td>56</td>
</tr>
<tr>
<td>Grand Total</td>
<td>92</td>
<td>56</td>
<td>51</td>
<td>1</td>
<td>92</td>
<td>56</td>
</tr>
</tbody>
</table>

The analysis reveals that the majority (46%) or 92 of the respondents purchase their meals from one store only. Where purchases are made from three or more outlets, this is most frequently for the family. One respondent did not provide a response to this question.

4.1.9 Question 8 asked what the average value of each purchase was
The most frequently cited average purchase value was in the range of R36 – R80.

Table 4.15 Average value of each purchase

<table>
<thead>
<tr>
<th>Average Purchase Value</th>
<th>Number of respondents</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>R20 or less</td>
<td>15</td>
<td>8%</td>
</tr>
<tr>
<td>R21 – R35</td>
<td>63</td>
<td>32%</td>
</tr>
<tr>
<td>R36 - R80</td>
<td>74</td>
<td>37%</td>
</tr>
<tr>
<td>More than R80</td>
<td>48</td>
<td>24%</td>
</tr>
<tr>
<td>Grand Total</td>
<td>200</td>
<td>100%</td>
</tr>
</tbody>
</table>

The majority of respondents at 74 out of 200 or 37% of the sample of respondents, indicated that the average value of each purchase was between R36 and R80, followed by 63 respondents indicating that the average value of their purchase was between R21 and R35. There were just 15 respondents or 8% of the total who indicated that the average purchase value was R20 or less.

Figure 4.15 Average value of each purchase
The figure above, clearly indicates the relative average purchase value with the category R36 to R80 recording the highest number of respondents.

Calculation of mean and modal average value of each purchase

<table>
<thead>
<tr>
<th>Average Purchase Value</th>
<th>Count of Respondents</th>
<th>frequency</th>
<th>Midpoint</th>
<th>fx</th>
</tr>
</thead>
<tbody>
<tr>
<td>R20 or less</td>
<td>15</td>
<td>10</td>
<td>150</td>
<td></td>
</tr>
<tr>
<td>R21 - R35</td>
<td>63</td>
<td>28.5</td>
<td>1,796</td>
<td></td>
</tr>
<tr>
<td>R36 - R80</td>
<td>74</td>
<td>57.5</td>
<td>4,255</td>
<td></td>
</tr>
<tr>
<td>More than R80</td>
<td>48</td>
<td>115</td>
<td>5,520</td>
<td></td>
</tr>
<tr>
<td>Grand Total</td>
<td>200</td>
<td></td>
<td>11,721</td>
<td></td>
</tr>
</tbody>
</table>

\[
\bar{x} = \frac{\sum fx}{\sum f} = \frac{11,721}{200} = 58.60
\]

\[
M_o = O_{mo} + \frac{c(f_m - f_{m-1})}{2f_m - f_{m-1} - f_{m+1}}
\]

\[
= 36 + \frac{45(74 - 63)}{2(74) - 63 - 48}
\]

\[
= 36 + 13.38
\]

\[
= 49.38
\]

Assuming an upper limit on the highest band at R150, the mean or average amount spent on each purchase is R58.60 whilst the mode or most frequent amount spent on each purchase is R49.38.

The results of the above calculation makes intuitive sense as the 100th observation in the ordered dataset would fall into the R36 to R80 category and so would the mean.
4.1.10 Question 9 asked how many times fast foods were purchased each month

Table 4.16 Number of purchases per month

<table>
<thead>
<tr>
<th>How many times per month</th>
<th>Breakfast</th>
<th>Lunch</th>
<th>Snack</th>
<th>Supper</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>1</td>
<td>6</td>
<td></td>
<td>9</td>
</tr>
<tr>
<td>2</td>
<td>4</td>
<td>5</td>
<td>15</td>
<td></td>
<td>24</td>
</tr>
<tr>
<td>3</td>
<td>3</td>
<td>1</td>
<td>10</td>
<td></td>
<td>14</td>
</tr>
<tr>
<td>4</td>
<td>1</td>
<td>8</td>
<td>5</td>
<td>25</td>
<td>39</td>
</tr>
<tr>
<td>5</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>12</td>
<td>24</td>
</tr>
<tr>
<td>6</td>
<td>5</td>
<td>6</td>
<td>15</td>
<td></td>
<td>26</td>
</tr>
<tr>
<td>7</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>8</td>
<td>1</td>
<td>1</td>
<td>9</td>
<td></td>
<td>11</td>
</tr>
<tr>
<td>10</td>
<td>10</td>
<td>4</td>
<td>9</td>
<td></td>
<td>23</td>
</tr>
<tr>
<td>12</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>14</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>15</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>16</td>
<td>1</td>
<td>5</td>
<td></td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>20</td>
<td>1</td>
<td>5</td>
<td></td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>22</td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>23</td>
<td>2</td>
<td></td>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>25</td>
<td>2</td>
<td></td>
<td></td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>30</td>
<td>2</td>
<td></td>
<td></td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total Respondents</strong></td>
<td><strong>3</strong></td>
<td><strong>59</strong></td>
<td><strong>31</strong></td>
<td><strong>107</strong></td>
<td><strong>200</strong></td>
</tr>
</tbody>
</table>

A total of 39 respondents indicated that they will purchase fast foods 4 times a month and these purchases will mainly be for supper.

The sum of the number of times the sample group purchases meals each month is 1353 which translates into a mean or average of 6.77 times per month. The median divides the set of data into two parts and the 100th observation in the ordered dataset is 5. Both the mode and interquartile ranges are 4.

This means that on average, a fast food shopper will purchase fast foods 7 times a month with most consumers purchasing 4 times a month.
4.1.11 Question 10 asked what the average total amount was spent each month on fast foods

**Calculation of Total amount spent each month on fast foods**

<table>
<thead>
<tr>
<th>Count of Respondents</th>
<th>Frequency</th>
<th>Midpoint</th>
<th>( f \times )</th>
</tr>
</thead>
<tbody>
<tr>
<td>R50 or less</td>
<td>7</td>
<td>25</td>
<td>175</td>
</tr>
<tr>
<td>R51 - R150</td>
<td>42</td>
<td>87.5</td>
<td>3,675</td>
</tr>
<tr>
<td>R151 - R200</td>
<td>56</td>
<td>175</td>
<td>9,800</td>
</tr>
<tr>
<td>More than R200</td>
<td>95</td>
<td>250</td>
<td>23,750</td>
</tr>
<tr>
<td>Grand Total</td>
<td>200</td>
<td></td>
<td>37,400</td>
</tr>
</tbody>
</table>

\[ \bar{x} = \frac{\sum fx}{\sum f} = \frac{37,400}{200} = 187 \]

Mode

\[ M_o = Q_{mo} + \frac{c(f_m - f_{m-1})}{2f_m - f_{m-1} - f_{m+1}} \]

\[ = 200 + \frac{100(95 - 56)}{2(95) - 56} \]

\[ = 200 + 29.10 \]

\[ = 229.1 \]

Utilising an upper limit of R300, the mean or average of the total amount spent each month on fast foods is R187 whilst the mode is R229.10.

The calculation above makes intuitive sense as the 100th observation in the ordered dataset would fall into the R151 to R200 category and the category with the highest frequency of respondents fall into the more than R200 category.
4.1.12 Question 11 asked the respondent to indicate which type of meal was preferred.

Table 4.17 Type of meal preferred

<table>
<thead>
<tr>
<th>Preferred Meal</th>
<th>Number of Respondents</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burgers and Chips (Wimpy / Steers)</td>
<td>30</td>
<td>15%</td>
</tr>
<tr>
<td>Deep Fried Chicken e.g. KFC</td>
<td>42</td>
<td>21%</td>
</tr>
<tr>
<td>Grilled Chicken e.g. Nandos</td>
<td>80</td>
<td>40%</td>
</tr>
<tr>
<td>Other e.g. Seafood / Chinese</td>
<td>16</td>
<td>8%</td>
</tr>
<tr>
<td>Pizza or pasta</td>
<td>32</td>
<td>16%</td>
</tr>
<tr>
<td><strong>Total Respondents</strong></td>
<td><strong>200</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

A total of 80 respondents out of the sample of 200, indicated that grilled chicken was their favourite type of fast food, whilst the least popular type of fast food was the category described as Other.

Figure 4.16 Type of meal preferred

Grilled Chicken was the most popular type of fast foods with 40% of the total respondents, whilst deep fried chicken was the second most popular preferred meal choice with 21% of the total. This means that a total of 61% of respondents indicated that they preferred chicken over other meals and this percentage excludes the chicken content of other meal types indicated on the above figure.
4.1.13 Question 12 asked where the respondent consumes the fast food meal

Table 4.18 Where fast food meals are consumed

<table>
<thead>
<tr>
<th>Eat where</th>
<th>Number of Respondents</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivery</td>
<td>18</td>
<td>9%</td>
</tr>
<tr>
<td>Eat in Car</td>
<td>6</td>
<td>3%</td>
</tr>
<tr>
<td>Eat in store</td>
<td>48</td>
<td>24%</td>
</tr>
<tr>
<td>Take away</td>
<td>128</td>
<td>64%</td>
</tr>
<tr>
<td>Total Respondents</td>
<td>200</td>
<td>100%</td>
</tr>
</tbody>
</table>

A total of 128 of the 200 respondents indicated that their meals are for take away whilst 48 indicated that they consume their meals in store, 18 respondents indicated that their meals are delivered and 6 indicated that they eat their meals in their cars.

Figure 4.17 Where fast food meals are consumed

The majority of respondent's numbering 128 out of the sample of 200 or 64% of the total, indicated that their purchases were for take-away, whilst 48 respondents or 24% of the total preferred to eat their meals in the store.
4.1.14 Question 13 asked which was the most important deciding factor in the choice of which fast food outlet to support

Table 4.19 Deciding factor in choice of fast food outlet

<table>
<thead>
<tr>
<th>Deciding factor</th>
<th>Number of Respondents</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convenient location</td>
<td>22</td>
<td>11%</td>
</tr>
<tr>
<td>Quality of product</td>
<td>62</td>
<td>31%</td>
</tr>
<tr>
<td>Speed of Service</td>
<td>30</td>
<td>14%</td>
</tr>
<tr>
<td>Unique taste</td>
<td>23</td>
<td>12%</td>
</tr>
<tr>
<td>Value for money</td>
<td>62</td>
<td>31%</td>
</tr>
<tr>
<td>(blank)</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Total Respondents</strong></td>
<td><strong>200</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

An equal number of respondents at 62 each indicated that the deciding factor on where to purchase their meals from was value for money and quality of product. A total of 30 respondents indicated that speed of service was the deciding factor whilst 23 and 22 respondents respectively, indicated that a unique taste and convenient location were the deciding factor and 1 respondent did not answer the question.

Figure 4.18 Deciding factor in decision on where to purchase fast food

The graphic displays the number of respondents indicating the key deciding factor on where to purchase their fast food meal. It can easily be noted that
the most important deciding factors were quality of product and value for money.

4.1.15 Question 14 asked whether the respondent had tasted any of the listed Indian fast foods.

<table>
<thead>
<tr>
<th>Tasted</th>
<th>Asian</th>
<th>Black</th>
<th>Coloured</th>
<th>White</th>
<th>Grand Total</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>27</td>
<td>61</td>
<td>31</td>
<td>68</td>
<td>187</td>
<td>94%</td>
</tr>
<tr>
<td>No</td>
<td>9</td>
<td>1</td>
<td>3</td>
<td>13</td>
<td>200</td>
<td>7%</td>
</tr>
<tr>
<td>Respondents</td>
<td>27</td>
<td>70</td>
<td>32</td>
<td>71</td>
<td>200</td>
<td>100%</td>
</tr>
</tbody>
</table>

A total of 187 respondents indicated they had tasted one or more of the listed Indian fast foods, whilst 13 indicated that they had not. Of the 13 who indicated that they had not tasted Indian fast food, 9 were from the Black community.

Figure 4.19 did respondent taste Indian fast foods, by race group

A minority of 6.5% of respondents indicated that they did not taste any Indian foods. The proportions of respondents who did not taste Indian foods are
13% of members of the Black community, 4% of Whites and 3% of Coloureds.

Of greater interest, is the table and chart presented below which indicate the number of respondents who tasted all the listed Indian Fast Foods.

<table>
<thead>
<tr>
<th>Table 4.21 Respondents who tasted all the listed Indian fast foods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roti</td>
</tr>
<tr>
<td>Samosas</td>
</tr>
<tr>
<td>Bunny Chow</td>
</tr>
<tr>
<td>Chicken Tikka</td>
</tr>
<tr>
<td>Breyani</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Tasted</th>
<th>Total Sample</th>
<th>% Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Race</td>
<td>Tasted All</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asian</td>
<td>20</td>
<td>27</td>
<td>74%</td>
</tr>
<tr>
<td>Black</td>
<td>13</td>
<td>70</td>
<td>19%</td>
</tr>
<tr>
<td>Coloured</td>
<td>15</td>
<td>32</td>
<td>47%</td>
</tr>
<tr>
<td>White</td>
<td>20</td>
<td>71</td>
<td>28%</td>
</tr>
<tr>
<td>Total Respondents</td>
<td>68</td>
<td>200</td>
<td>34%</td>
</tr>
</tbody>
</table>

The difference between the chart above which lists the groups who have tasted some of the products and those below who have tasted all the products, represents an opportunity for increasing the share of wallet of existing consumers. To illustrate this point, in the chart above, 61 Black respondents indicated that they had tasted some of the listed Indian Fast foods whilst in the chart below, only 13 indicated that they had tasted all of the foods listed. Therefore, there are 48 Black respondents who may be willing to try the other foods listed.

As the group with the highest population growth rate, this represents a huge growth opportunity, especially if the firm is implementing a concentration type growth strategy.
The graphic above, shows the number of respondents who have tasted all the listed Indian fast foods against the number of respondents from each race group. A total of 47% of Coloureds and 28% of Whites against 19% of Blacks have tasted all the listed Indian fast foods.

4.1.16 Question 15 asked where the respondent tasted Indian foods

Table 4.22 Where respondent tasted Indian fast foods by work area

<table>
<thead>
<tr>
<th>Where Tasted</th>
<th>East</th>
<th>North</th>
<th>South</th>
<th>West</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At a social event</td>
<td>6</td>
<td>26</td>
<td>1</td>
<td>3</td>
<td>36</td>
</tr>
<tr>
<td>Purchased from a non franchised Indian food outlet</td>
<td>8</td>
<td>45</td>
<td>5</td>
<td>7</td>
<td>65</td>
</tr>
<tr>
<td>Purchased ready to heat and eat from a Supermarket / deli</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>13</td>
</tr>
<tr>
<td>Restaurant</td>
<td>6</td>
<td>30</td>
<td>8</td>
<td>2</td>
<td>46</td>
</tr>
<tr>
<td>Self prepared</td>
<td>2</td>
<td>24</td>
<td>1</td>
<td>1</td>
<td>27</td>
</tr>
<tr>
<td>(blank)</td>
<td>2</td>
<td>9</td>
<td>1</td>
<td>1</td>
<td>13</td>
</tr>
<tr>
<td>Total Respondents</td>
<td>25</td>
<td>142</td>
<td>16</td>
<td>17</td>
<td>200</td>
</tr>
</tbody>
</table>

The majority of respondent's who indicated that they had tasted all the listed Indian fast foods, tasted the products from a non-franchised Indian fast food store.
These respondents numbered 65 out of 200 or 33% and worked mainly in the Northern area. A total of 46 respondents indicated that they had tasted Indian foods at a restaurant and these individuals also worked in the Northern suburbs.

**Figure 4.21 Where respondent tasted Indian fast foods by work area**

The figure and table indicate that the largest proportion of people who tasted Indian Fast Food work in the Northern areas. These people mainly purchased their Indian Fast Foods from a non-franchised Indian fast food outlet, followed by a second group who purchased their Indian fast foods at a restaurant. A further significant finding is that the next largest group of people who work in the North, had their taste experience of Indian Fast Foods, at a social event.
4.1.17 Question 16 asked whether the respondent was willing to support an Indian fast food outlet

Table 4.23 Willingness to support new store by race group

<table>
<thead>
<tr>
<th>Will support Indian Fast Food Store</th>
<th>Asian</th>
<th>Black</th>
<th>Coloured</th>
<th>White</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>25</td>
<td>59</td>
<td>30</td>
<td>58</td>
<td>172</td>
</tr>
<tr>
<td>No</td>
<td>2</td>
<td>11</td>
<td>2</td>
<td>13</td>
<td>28</td>
</tr>
<tr>
<td>Total Respondents</td>
<td>27</td>
<td>70</td>
<td>32</td>
<td>71</td>
<td>200</td>
</tr>
</tbody>
</table>

A total of 13 White respondents or 18% of the total number of White respondents and 11 Black respondents or 16% of the total number of Black respondents indicated that they would not support a franchised store selling Indian fast foods.

It is however significant that an average of 86% of respondents indicated that they would support a fast food store specialising in Indian foods.

Figure 4.22 Willingness to support new store by race group

The chart above, indicates that a total of 82% of White and 84% of Black respondents were willing to support a fast food store specialising in Indian fast foods.
Table 4.24 Willingness to support new store by work area

<table>
<thead>
<tr>
<th>Will support Indian Fast Food Store</th>
<th>East</th>
<th>North</th>
<th>South</th>
<th>West</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>20</td>
<td>125</td>
<td>15</td>
<td>12</td>
<td>172</td>
</tr>
<tr>
<td>No</td>
<td>5</td>
<td>17</td>
<td>1</td>
<td>5</td>
<td>28</td>
</tr>
<tr>
<td>Total Respondents</td>
<td>25</td>
<td>142</td>
<td>16</td>
<td>17</td>
<td>200</td>
</tr>
</tbody>
</table>

A total of 125 respondents out of 142 who work in the North and 15 out of the 16 respondents who work in the South are willing to support a franchise outlet selling Indian fast foods.

Figure 4.23 Willingness to support new store by work area

In terms of proportion to the number of people working in an area, 94% of people who work in the South and 88% of people who work in the North, are willing to support an Indian fast food store.
Table 4.25 Willingness to support new store by total amount spent on fast foods each month

<table>
<thead>
<tr>
<th>Will support Indian Fast Food Store</th>
<th>R50 or less</th>
<th>R51 - R150</th>
<th>R151 - R200</th>
<th>More than R200</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>6</td>
<td>35</td>
<td>49</td>
<td>82</td>
<td>172</td>
</tr>
<tr>
<td>No</td>
<td>1</td>
<td>7</td>
<td>7</td>
<td>13</td>
<td>28</td>
</tr>
<tr>
<td>Grand Total</td>
<td>7</td>
<td>42</td>
<td>56</td>
<td>95</td>
<td>200</td>
</tr>
</tbody>
</table>

The table above reflects that the majority of respondents indicating that they would support an Indian fast food store, spend more than R200 a month on fast foods. This means that 86% of respondents who spend more than R200 per month on fast foods, 88% of respondents who spend between R151 and R200 and 83% of respondents who spend between R51 and R150 each month on fast foods would support an Indian fast food store.

Figure 4.24 Willingness to support new store by total amount spent on fast foods each month

Of greater interest in understanding the preferences and attitudes of fast food consumers towards Indian fast foods, is the need to examine the amounts spent monthly in relation to their propensity to spend on Indian fast foods.
Of the respondents who spend between R151 and R200 a month on fast foods, 88% indicated that they would support a franchised store selling Indian fast foods, whereas 86% of respondents who spend R200 or more indicated the same.

4.1.18 Question 17 asked what factor would attract the respondent to the store

Table 4.26 Factor that will attract respondent to the store

<table>
<thead>
<tr>
<th>What will attract to store</th>
<th>East</th>
<th>North</th>
<th>South</th>
<th>West</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attractive store design and layout</td>
<td>6</td>
<td>42</td>
<td>4</td>
<td>1</td>
<td>53</td>
</tr>
<tr>
<td>Newspaper Advertisement</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>Radio Advertisement</td>
<td>3</td>
<td>1</td>
<td></td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>Television Advertisement</td>
<td>2</td>
<td>20</td>
<td>2</td>
<td>3</td>
<td>27</td>
</tr>
<tr>
<td>Word of mouth recommendation (blank)</td>
<td>13</td>
<td>74</td>
<td>8</td>
<td>12</td>
<td>107</td>
</tr>
<tr>
<td>Grand Total</td>
<td>25</td>
<td>142</td>
<td>16</td>
<td>17</td>
<td>200</td>
</tr>
</tbody>
</table>

The table above, indicates that more than 50% of respondents will be attracted to the store on word of mouth recommendations.

Figure 4.25 Factor that will attract respondent to the store
An overwhelming majority of 54% of respondents indicated that they would support the store on the basis of word of mouth recommendations from family, friends or colleagues, as opposed to responding to any of the advertising media. This percentage is twice that of the next most mentioned factor in attracting shoppers to the store, which is to have an attractive store design and layout to attract passing shoppers.

This pattern is repeated throughout the regions except in the West where the second most mentioned factor in attracting shoppers to the store is through television advertisements and is mentioned by 18% of respondents working in the western region.
Chapter 5
Analysis, Conclusions and Recommendations

5.1 Interpretation of Qualitative Study
The interviews with owners of Indian Fast food stores were surprisingly frank and yielded high quality data and insights into the workings of the independent fast food entrepreneur.

The analysis that follows will be centred on the following areas which will assist in answering the research question and aims of the study:

5.1.1 Are their businesses franchisable?
In almost every instance, the answer is a qualified, yes!

The questions and discussions were tested against the 9 critical factors outlined on the Frain website, as follows:

1. The business must operate in a large and growing market

Every store owner was confident that his business was operating in a large and growing market. This was evidenced by the rapid growth in the number of company owned outlets or other obvious signs of investments to increase production capacities.

One business began operations in 1999 and has grown from a single outlet employing 10 staff to owning 14 outlets employing 120 people in a 4 year period. The number of stores could easily have been doubled if there was sufficient managerial capacity to manage a larger business.
The owner has received various offers ranging from an offer to purchase his business by a well known multi-national operation who have noted his success, to franchise his business venture, to open stores in additional areas in the region and to expand to other provinces but has rejected all of these options due to a reluctance to lose control.

This entrepreneur has been unable to keep pace with demands for his products that are produced from a central kitchen and has stopped selling at wholesale prices to other retailers, opting to supply only his company owned stores.

Another entrepreneur was offered the opportunity to sell his business to one of the largest multi-brand fast food holding companies in South Africa, who had the exclusive rights to set up stores in filling station forecourts throughout the country and wanted to develop his business into these areas. He rejected this offer as he would then have become a corporate employee and would lose his independence. He has however entered into a limited franchising venture and has franchised 4 outlets to one consortium. He still manages 1 company owned outlet.

Yet another entrepreneur who has been in business for 14 years, has steadfastly refused to expand through franchising but has seen huge growth in his business. He has built a factory and supplies his products to more than 40 restaurants, various international airlines and to dozens of small retailers. He has turned down an approach by one of the largest supermarket chains in the country to supply them with products on a wholesale basis as he was wary of the terms of the deal and the difficulty of obtaining prompt payments.

2. The growth in the market must be sustainable
It was found consistently throughout the interviews that every entrepreneur experienced growth in trade from the black consumer. Given the demographics in the country where blacks make up more than 70% of the population coupled with increasing urbanisation and with twin breadwinners in each family, the entrepreneurs felt that their growth is sustainable. It was interesting to triangulate this finding to the consumer survey in the previous section, which focused on buyer behaviour.

3. The margins must be sufficient to cover the monthly royalty

Even whilst operating company owned stores only, it was found that the margins generated in the fast food sector was sufficiently high to cover any potential royalty should the entrepreneurs enter the franchising arena.

The entrepreneur with 14 outlets operated by employee managers is of the opinion that additional margins would be generated by a “hands on” owner of each store who would eliminate waste and control costs better and those with single store outlets admitted that additional margins could be generated through economies of scale and scope.

4. The product must demand a price premium

The uniqueness of the food products and the secret methods and recipes used enabled the entrepreneur to demand a price premium. This differentiation according to classical marketing theory as suggested by Michael Porter is a source of competitive advantage and enables the entrepreneur to demand a price premium. In addition, it is a basic economic principle that a scarce product will sell for a higher price and these entrepreneurs have cleverly introduced their wares at break-even prices initially and have gradually increased prices while maintaining a
With a few exceptions, most of these businesses utilise offsite factories or central kitchens and only the final preparations are made in-store.

A new entrant would have to duplicate this capacity whilst keeping overheads low to compete on price and every entrepreneur operates with equity finance and does not have any loans or debts to repay.

8. There must be a satisfactory return on investment

By charging premium prices, keeping overheads low and operating on a strictly cash only basis without any debt finance whatsoever, these entrepreneurs are proud to reveal that they are rewarded with a generous return on their investment.

9. There must be franchise culture (i.e. open and learning, a vision for the future of the concept and a strategy for continued success, combined with the highest business ethics of the franchisor).

It is on this score that most of the businesses would have difficulty in achieving in their present state.

The vision of many of these entrepreneurs is not clear and many have expressed the desire to sell their businesses in 5 years or so.

One entrepreneur even envisions his business would be smaller as he diverts his energies to more lucrative pursuits.

Almost all of the entrepreneurs interviewed, personally manage almost every aspect of their businesses and have expressed their dissatisfaction with the performance and demands of their employees.
Union activity and continuous wage demands coupled with worker apathy and the need for close monitoring of work performance and output has without exception created mistrust between workers and the owner and together with long hours and hard work are the primary reasons cited for the entrepreneurs’ desire to move into less labour intensive businesses.

5.1.2 Reasons for not Franchising

A number of reasons were given by each of the entrepreneurs for not franchising their businesses.

An often cited reason for not franchising was on moral grounds. All the entrepreneurs interviewed stated that it was against their moral convictions to charge royalties and earn a living from somebody else’s hard work in their own businesses.

When it was pointed out that the fees charged is a return on their own proven business methods shared with an inexperienced franchisee and that the royalty and advertising fees payable under a franchise agreement can be directly related to services rendered, as well as the fact that profits are also generated from selling products to the franchisee, the entrepreneurs then cited other reasons for their reluctance to franchise.

These include:

- The fear of arming a future competitor with a successful business blueprint which could threaten the survival of the founder’s business.
- Mistrust of potential franchisees who would not fully declare their sales thus short paying royalty fees
- Lack of skills and know-how to establish a franchise
- The fear of loss of control over something they have worked hard to build. One entrepreneur said “what you can see is what you can control. A franchisee may substitute products he sourced on his own
and could bring your name into disrepute which could affect the entire system...It's just not worth the headache"

- The general feeling that the rewards would not adequately compensate for the potential problems of franchising.
- Most of the entrepreneurs interviewed were satisfied with the wealth they have created and felt that they would risk their gains by entering into legal wrangles with difficult franchisees.
- Two entrepreneurs owned recognised franchises as franchisees in the past and experienced poor support from their respective franchisors, which have clouded their judgements of franchising. When it was put to them that they could have taken the matter up with FASA, their response was that they had and that FASA as a non-statutory body was of no assistance. Their contention is that franchising is a "get rich quick money making scheme".

5.1.3 What alternatives have they chosen to franchising?

Growth for most of the entrepreneurs interviewed has come from the following:

- One entrepreneur has opened 14 company owned outlets and established a factory which produces the completed products which are supplied exclusively to his stores. He no longer sells on a wholesale basis to other food retailers.
- One entrepreneur has established a central kitchen where par cooked products are vacuum packed and supplied daily to his own outlet and 4 other outlets franchised to a single consortium.
- One entrepreneur has no company owned stores and sources both the raw materials and spices which are sold to the 5 franchised outlets. The franchisees prepare the products entirely on their own premises according to recipes given to them when the stores were purchased and the original franchise agreements were entered into. These
franchisees are operating autonomously and there are legal wrangles over the franchisors' ability to enforce the terms of the original franchise agreements.

- One entrepreneur has established a number of outlets with his own capital which is managed by employee managers. These managers have been set certain profit and sales targets over a 5 year period which if met will result in them being given 49% of their business with no capital outlay at the end of the 5 year period.
- One entrepreneur is growing his business through increasing the manufacturing capacity at his factory and supplies restaurants, international airlines and other independent general retailers. He has also won a contract to supply certain of his products to a national restaurant franchise.

5.1.4 Will their businesses succeed in a formerly “non Indian” suburb?

Whilst most entrepreneurs agree that their customers are increasingly “non Indian” and they have adapted their recipes to the palate of these consumers, most were uncertain of the viability of their businesses in other areas.

Their contention was that “non Indian” consumers that were amenable to Indian foods would travel to formerly Indian areas where these stores are located for an exotic experience and that these individuals travel from all areas to a few concentrated areas. However, they felt that a single store in a different urban setting would be unable to attract sufficient consumers from one area to remain viable.

They were unsure of the “cross over” appeal of their products and cited past failures of other Indian entrepreneurs who opened fast food restaurants and stores in formerly “white areas”, as reasons for their reluctance to move into unfamiliar territory.
The entrepreneur with 14 stores has however been successful in all areas, although he admits that his original store located in a former Indian suburb is by far the busiest.

The researcher's decision to conduct a consumer survey is thus vindicated, as this was be the only way to test the opinion of potential consumers of Indian fast foods.

5.2 Conclusions

The research set out to determine the factors that inhibited the franchising of Indian Fast Food Stores in South Africa.

These factors are:

1. **The lack of skills and know how**
   
   Whilst the sample of Indian fast food entrepreneurs were able to establish and operate successful fast food stores for many years and demonstrated innate business acumen, it was clear that most of the interviewees lacked the knowledge and skills to develop, maintain and grow a successful fast food franchise operation. This lack of skills and knowledge is exacerbated by the absence of tertiary educational courses on entrepreneurship and franchising as noted by Makhubele, N.T. (1995:216).

   The sample of Indian fast food entrepreneurs indicated that they were content with managing owner operated “one man” businesses and none of them employed a professional management team. Some of the interviewees did however have prior experience of franchising as franchisees and were disillusioned with the franchise system.

   None of the interviewees were however prepared to entrust their business processes to the scrutiny of external franchise consultants.

2. **Mistrust of the Franchising system**
At present, there are no specific laws in South Africa to regulate the franchising industry and protect the interests of both franchisors and franchisees. The law views the franchise agreement as a private contract between the parties and redress for breaches of any clauses are left entirely in the hands of the contracting parties. Organisations such as FASA (Franchise Association of South Africa) have no legislative powers and in an era of increasing business scams and "get rich quick" quick schemes, the mistrust of Indian fast food entrepreneurs toward franchising, is understandable.

3. **Absence of suitable franchisees**

Indian businessmen and women do however have experience of franchising as franchisees and the studies conducted both by Franchise Directions (www.1) and Franchising Plus (www.2) confirms that a disproportionately high percentage of franchisees in relation to their population size, in South Africa, are of Indian origin. A potential franchisor has to develop a franchise system and advertise his business to attract potential franchisees at trade fairs, business publications and in newspapers. This implies that a concerted effort has to be made in order to formulate and run a business format franchise system and a serious franchisor cannot build his franchise business in a passive manner.

4. **The fear of creating a future competitor**

This fear is documented in the literature by Mendelsohn in Kirkman C.A. and is validated by the findings of this study. However Kasselman et al suggests that the fear of arming future competitors is vastly reduced or eliminated by the thorough screening, recruitment and selection of suitable franchisees through evaluating the character traits and personality of franchisees to ensure that they have the right set of complementary traits to the franchisor.
Also, a successful franchisor needs to understand that franchisees go through various stages in their lifecycle and have different needs at each stage thus requiring the franchisor to have appropriate strategies at each stage in order to retain the franchisee within the system.

5. **The Effort required versus the Reward offered**
   Every entrepreneur interviewed, expressed their doubts that the expected rewards from franchising would be worth the effort required. The literature reviewed in Chapter 3 indicates that whilst it is understandable that this is an inhibiting factor, gaining first mover advantage pre-empts prime real estate space and defines consumer preference. Michael, S.C. suggests that, as the first mover rapidly expands through opening new franchisee owned outlets, he gains higher outlet share leading to increased market share which leads to superior profitability.
   Also, the franchisor is able to extract economies of scale through spreading the costs of advertising campaigns and special promotions across all the franchisees, whilst utilising the bulk buying power of the group, thus increasing the rewards or returns for all parties in the franchise system.

6. **Doubt about the broad market appeal for Indian fast food products**
   This factor featured prominently in every interview. The findings of the consumer survey, however refutes this contention and suggests, as discussed in Chapter 4, that there is ample scope and appeal for Indian fast foods across all population groups.

7. **Lack of a franchise culture**
   It was clear from the study that most of the businesses lacked a franchise culture, with critical elements missing. Tight managerial
control by the founder results in a lack of organisational learning from the experiences of the customer and the depth of management was clearly lacking.

**A model demonstrating the effectiveness of franchising**

Franchising offers the opportunity to generate higher profitability through exploiting the synergies between the parties, mainly deriving benefits through the economies of scale.

The graphic below illustrates this relationship.

**Figure 5.1 Operating independently**

*Dealing direct (increased contact points)*

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<table>
<thead>
<tr>
<th>Suppliers</th>
<th>Independent Stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>1</td>
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<td>B</td>
<td>2</td>
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<td>C</td>
<td>3</td>
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</tbody>
</table>
```

In this model, there are clearly inefficiencies which translate into higher costs for all.

The introduction of a franchisor, who acts as an intermediary, has the effect of the following:
Clearly in the model above, the franchisor is able to negotiate on a central basis with suppliers of raw materials, packaging, signage, and printers etc to reduce costs and generate superior profitability for the entire system.

5.3 Recommendations

The research has uncovered the factors inhibiting the franchising of Indian Fast food stores in South Africa and validated these factors with a consumer survey and a review of other studies. The conclusions are clear: Indian fast food stores are franchisable, provided they undertake strategic marketing research with a view to preparing their businesses for franchising, in the short to medium term.

1. The first step is to understand the core competence of his fast food business

The entrepreneur must undertake an analysis of the true strengths of the business and identify the sources of competitive advantage. Some authors refer to the core competence as an enabling culture or a sum of its various capabilities blended together and the entrepreneur must
first understand what this core competence is before he can exploit it for optimum advantage.

2. The second step is to undertake an analysis of the target market
The standard marketing framework of segmenting the market, targeting a suitable segment of the market and positioning the business and products within the target market, is crucial.

3. The third step involves undertaking market research
By profiling the market, the entrepreneur will be able to understand the current market size, his relative market share, the trends in the market and the future potential of the overall market.

4. The fourth step involves understanding both the customer and the competition
By profiling his target customers and his competition, the future franchisor will be able to understand the demographics and psychographics of his future customers, understand the impact if any of changing lifestyles and values and the emergence of consumerism in the 21st century. This will enable him to devise appropriate strategies to attract customers to his business whilst maintaining a competitive advantage over his competitors.

5. The fifth step is to prepare a marketing plan which incorporates plans for the 4 P’s of the marketing mix
The entrepreneur must have a dynamic Product Plan which effectively will be the organisation’s product strategy and will include listing the needs of the customers that the product are attempting to satisfy, changes to the products envisaged and the plan for introducing new products in the future.
The second element of the marketing mix is to have a Pricing Plan or strategy which defines the pricing objectives and an evaluation of the firm’s pricing position in relation to its competitors.

The third element is to have a Promotion Plan, which must set out the sales promotion plan and advertising plan.

The final element of the marketing plan is to have a Plan for the Place where the business would be located. This would include a location strategy and plan to find suitable facilities and premises within which the other elements of the marketing mix are delivered.

The researcher is of the opinion that a potential franchisor will incorporate some or all of the suggestions and recommendations to overcome the factors inhibiting the franchising of Indian fast foods in South Africa.
Figure 5.3 Steps to prepare the business for franchising

1. Core Competence Audit
   Analysis of the true strengths of the business and identification of the sources of competitive advantage.

2. Define and Analyse Target Market
   Segment market, Target chosen segment, Position firm and products in market

3. Undertake Market Research
   Profile Market, Market Trends, Future Market Potential

4. Customers and Competition
   Understand the demographics and psychographics of his future customers. Devise appropriate strategies

5. Marketing Mix (4 P's)
   Devise plans to support strategies. Promotion Plan, Pricing Plan, Product Plan, Place
5.4 Critique and Limitations of the Research

With the benefit of hindsight, the researcher has identified a number of weaknesses in the research design and methodology. Amongst these weaknesses is the size of the sample in the Qualitative Study which should have been greatly enlarged in terms of number and geographical spread to yield statistically significant findings and enable the generalisation of the findings, conclusions and recommendations across the population across the entire country. Constraints especially in terms of costs and time made this option unfeasible.

The researcher could have attempted to answer the research question through conducting a case study of a locally developed franchise which would have been useful in triangulating to the findings of the semi-structured interviews and survey questions.

A further critique relates to the analysis of the data which could have been completed by utilising advanced statistical techniques including correlation and regression analysis.

A final critique relates to the conclusions and recommendations which could have yielded a model or framework for guiding potential Indian fast food entrepreneurs through the process of franchising his business.

5.5 Further Research

During the course of conducting this study, numerous areas for further research presented themselves, but were ignored as extending beyond the scope of this study. The researcher suggests that some of the following could be explored in future studies:
5.5.1 The suitability of selection criteria used for the recruitment of franchisees

5.5.2 Does the Legislative and Regulatory environment in South Africa serve to promote or hinder the establishment of small and medium sized businesses?

5.5.3 Factors contributing to business failures in the small, medium and micro businesses in South Africa.
REFERENCES


Unpublished MBA Research Report, Johannesburg: University of the Witwatersrand


KIRKMAN, C A (1985): Franchising from a Franchisor Perspective


MAKUBELE, N T (1995): Factors Limiting the Involvement of Black Entrepreneurs in Franchising


MAYERS, D.J. (1996): Influencing criteria in the selection of a franchise
Unpublished MBA Research Report, Johannesburg: University of the Witwatersrand


Unpublished MBA Research Report, Johannesburg: University of the Witwatersrand

Other Publications


SA Central Statistical Services The people of South Africa, Population Census 1996

STATSSA: 2001 Population Census of South Africa

UNITED NATIONS HUMAN DEVELOPMENT REPORT, 1997.


Appendix 1: Questionnaire 1

Semi-Structured Interviews

1 Have you ever owned a franchised outlet in the past

2 If yes to 1, do you still own a recognised franchised outlet

3 If yes to 1, and you no longer own a franchised outlet, please provide details of your experience as a franchisee

4 How long have you been in the fast food business?

5 How long have you been trading under your current store name in the fast food industry?

6 Is your existing store a re-branded former franchised outlet?

7 Did you purchase your first store or start it from scratch?

8 How do you cope with managing your business? Do you employ professional managers?

9 How many outlets do you have?

10 Do you have standard operating manuals?

11 Did you make use of any outside consultants in the naming, design and layout of your store?

12 What are the biggest problems facing your fast food business?

13 What strategies have you adopted / considered to meet these challenges?

| expand and grow by increasing number of outlets | consolidate and grow existing businesses | introduce new products | enter new markets | maintain the status quo and grow incrementally |

14 Have you considered expanding or growing your existing business through franchising?

15 If no, list the factors that have stopped you from franchising your business?
16 How different would that be from what you are responsible for now?

17 Indicate what is the most important (1) to least important (9) factor is responsible for your success

<table>
<thead>
<tr>
<th>Factor</th>
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<tbody>
<tr>
<td>1 Convenient location</td>
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<td>2 Awareness of Brand (advertising)</td>
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<td>3 Sufficient skilled manpower / staff</td>
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<td>4 Speed of Service</td>
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<td>5 Quality of product</td>
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<td>6 Value for money</td>
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<td>7 Unique taste</td>
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<tr>
<td>8 Regular innovation, store and image upgrades</td>
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<tr>
<td>9 Established reputation, length of time in business</td>
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</table>

18 Do you think that Indians will be accepted and trusted as a franchisor?

19 What percentage of your customers are non Indian (best estimate):

20 Do you think that people from other race groups would purchase Indian foods?
   In other words, would your business to be viable in a non Indian neighbourhood?
### Consumer Questionnaire

#### SECTION 1: Screening

1. Do you live in Gauteng?  
   | Y | N |

2. Do you or your family work for or own any one of the following:  
   | a. An advertising agency | Y | N |
   | b. Fast Food Outlet | Y | N |
   | c. A Market Research company | Y | N |

3. Are you currently employed?  
   | Y | N |

4. Do you purchase food from Fast Food Outlets  
   | Y | N |

Close interview if "No" to 1, 3 and 4 or "Yes" to any of the questions in 2.

#### SECTION 2: Demographics

**Race:** Fill on your own - don't ask respondent

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**Area in which you live**

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**Area in which you work**

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**Area Survey Conducted**

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**Monthly Household Income**

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**Marital Status:**

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<tr>
<td>Divorcee</td>
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</tbody>
</table>
SECTION 3: Questionnaire

1. How far away from your favourite Fast Food Outlet do you live? (select 1 only)

   1.1 0 - 5 km  1.2. 6 - 10km  1.3. 11 - 20 km  1.4. More than 20km

2. Do you make a special trip for your fast food purchase?

   2.1 Y  2.2 N

3. Indicate whether you have any of the following special dietary needs (can select more than 1)


4. For which reason do you mostly purchase fast foods (select 1 only)


5. Indicate for how many people your purchases are made

   5.1 Family  5.2 Single person  5.3 Two people

6. Who makes the buying decision? (select 1 only)

   6.1 Children  6.2. Spouse  6.3. Yourself  6.4 Joint

7. If you purchase family meals, indicate from how many different stores your purchases would be made

   7.1. One store only  7.2. Two different franchised outlets  7.3. Three or more outlets

8. Please indicate the average value of each purchase

   8.1 R20 or less  8.2 R21 - R35  8.3 R36 - R80  8.4 More than R80

9. How many times would you make a fast food purchase each month?

   Insert a number

10. What is your average total amount spent on Fast Food purchases each month?

    10.1 R50 or less  10.2 R51 - R150  10.3 R151 - R200  10.4 More than R200
11. Please indicate which type of meal you prefer (select one only)

<table>
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<th>67</th>
<th>68</th>
<th>69</th>
<th>70</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.1 Deep Fried Chicken eg KFC</td>
<td>11.2 Grilled Chicken eg Nandos</td>
<td>11.3 Burgers and Chips (Wimpy / Steers)</td>
<td>11.4 Pizza or pasta</td>
<td>11.5 Other eg Seafood / Chinese</td>
</tr>
</tbody>
</table>

12. Please indicate when consuming your meal, would you

<table>
<thead>
<tr>
<th>71</th>
<th>72</th>
<th>73</th>
<th>74</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.1 Eat in store</td>
<td>12.2 Eat in Car</td>
<td>12.3 Take away</td>
<td>12.4 Delivery</td>
</tr>
</tbody>
</table>

13. Please indicate which is the most important to you when deciding where to buy (1 being the most important and 5 being the least important)

<table>
<thead>
<tr>
<th>Factor</th>
<th>Rank (eg 1, 2, 3 etc)</th>
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<tbody>
<tr>
<td>13.1 Convenient location</td>
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<tr>
<td>13.2 Speed of Service</td>
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</tr>
<tr>
<td>13.3 Quality of product</td>
<td>77</td>
</tr>
<tr>
<td>13.4 Value for money</td>
<td>78</td>
</tr>
<tr>
<td>13.5 Unique taste</td>
<td>79</td>
</tr>
</tbody>
</table>

14. Please indicate with a yes or no, if you’ve tasted any of the following Indian foods (can select more than 1)

<table>
<thead>
<tr>
<th>80</th>
<th>81</th>
<th>82</th>
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<th>84</th>
</tr>
</thead>
<tbody>
<tr>
<td>14.1 Roti</td>
<td>14.2 Samosas</td>
<td>14.3 Bunny Chows</td>
<td>14.4 Chicken Tikka</td>
<td>14.5 Breyani</td>
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15. If the respondent indicates yes to any of the above, where did the respondent taste this food (select 1 only)

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<th>87</th>
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<th>89</th>
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<tr>
<td>15.1 Restaurant</td>
<td>15.2 At a social event</td>
<td>15.3 Self prepared</td>
<td>15.4 Purchased from a non franchised Indian food outlet</td>
<td>15.5 Purchased ready to heat and eat from a Supermarket / deli</td>
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16. Would you be prepared to support a well presented Outlet specialising in Indian Fast Food

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<tr>
<td>16.1 Y</td>
<td>16.2 N</td>
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17. If yes, what would attract your attention to the store or if no what would change your mind (select 1 only)

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THE USE OF COMPETITIVE INTELLIGENCE BY COMPANIES IN SOUTH AFRICA AS A TOOL TO INFORM CORPORATE DECISION MAKING

By

CHRISTO KLOPPERS

Dissertation submitted in partial fulfilment of the requirements for the Masters Degree in Business Administration (MBA) offered by Technikon Witwatersrand and validated by the University of Wales

Under the supervision of Professor R.W.E. van der Wal

Johannesburg 2003
DECLARATION

I hereby declare that the content hereof is my own work and that all relevant sources were referenced.

CHRISTO KLOPPERS
October 2003
ACKNOWLEDGEMENTS

I would like to thank everybody who has contributed to making a success of this study – it is much appreciated.
DEDICATION

I dedicate this work to wife Sulize, and my children, Liam, Kris and Mieke - without their support and encouragement this would not have been possible.
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CHAPTER 1 INTRODUCTION

1.1 BACKGROUND

Frederick the Great said, ‘It is pardonable to be defeated, but never to be surprised’ (Combs & Moorhead, 1992).

Competitive Intelligence, also known as corporate or business intelligence is an emerging discipline that has only become increasingly important in the world of business in the early 1980’s (Fourie, 1999). Fleischer and Blenkhorn (2001:4) defined Competitive Intelligence (CI) as ‘the process by which organisations gather actionable information about competitors and the competitive environment and, ideally apply it to their decision-making and planning process in order to improve their performance’. The use of competitive intelligence in the strategic decision making process has grown in potential importance due to the intensification and globalisation of competition in most fields (Gilad, et al., 1993).

Many emerging economies view competitive intelligence as a way to win economic wars against more industrialised larger companies and it has become the ‘latest weapon in the world war of economics’ (Kahaner, 1996a). According to Fuld (1995:23) well - designed products and services, hard-won marketing campaigns and the strategic use of intelligence result in most corporate victories, while most failures could be ascribed to a combination of bad timing, poor judgement and the misuse or insufficient use of business intelligence.

McCrohan (1998:588) is of the opinion that a paradox exist in the world of business as most companies cite increased levels of competition as a significant corporate challenge, however, very few of these companies have a formal system in place for the gathering of competitive information. Improved market and environmental knowledge, improved
cross-functional organisational relationships, greater confidence in making strategic plans and improvements in product and service quality versus the competition, are all benefits of competitive intelligence (Johnson, 1998).

1.2 AIM

To determine the extent to which Competitive Intelligence is used by South African companies to achieve a competitive advantage.

1.3 OBJECTIVES

1.3.1 To discuss, through a literature review, South Africa’s standing with regards to its global competitiveness.

1.3.2 Through a literature review, discuss the value of CI as a tool to inform corporate decision-making.

1.3.3 To determine, through means of a questionnaire, the extent to which CI is used by South African companies to inform their corporate decision-making.

1.3.4 To draw conclusions about the extent of use of CI by South African companies compared to their counterparts abroad, as well as to explore the possible impact of this on South Africa’s competitiveness.
1.4 DEFINITIONS

1.4.1 COMPETITIVE INTELLIGENCE (CI)

Competitive Intelligence is the process by which organisations gather actionable information about competitors and the competitive environment and, ideally apply it to their decision-making and planning process in order to improve their performance (Fleischer & Blenkhorn, 2001).

1.5 LIMITATIONS

- Due to the sensitive nature of CI, the target population might be reluctant to willingly and honestly disclose the information that is required to complete this study.

- Due to the same reasons as mentioned, the survey might yield a low response rate.

- For fear of being identified, respondents might furnish incomplete information which could lead to the author not being able to draw the stated conclusions regarding the status of CI in South Africa, in relation to international benchmarks.

1.6 VALUE OF THE RESEARCH

Conclusions relating to the sub-optimum application of CI by South African Companies in general when compared to global competitors might induce South African companies to realize the value of CI and through the implementation and utilisation thereof improve their global competitiveness.
1.7 METHODOLOGY

- Although CI is an emerging discipline, enough information on the topic exist to define a theoretical framework for the research, therefore the author has opted for a deductive approach to the research. The author intends using the survey method, which is traditionally also associated with the deductive approach, to collect data for the research.

- The author intends using a quantitative approach to research the topic in question. The quantitative research paradigm enables the researcher to report realities faithfully and is value free, formal and unbiased. Reality is viewed as objective and independent of the researcher and a questionnaire is used to measure issues objectively (Creswell, 1994: 4 – 6). A questionnaire will be used to collect data that could be analysed objectively in order to satisfy the research objectives.

- Data will be collected through means of a questionnaire that will be sent electronically (on line) to South African companies. This research method was preferred as it enabled the author to collect a large amount of data from a sizeable population which could be standardised for easy comparison. Covering letters explaining the context as well as the requirements of the research will accompany the questionnaires. Follow-ups will be made to recipients of questionnaires if no response is received after the stated due date of return.

- Data collected by means of the questionnaire will be analysed and interpreted by inter alia the use of Excel spreadsheets. Tables and figures will also be created by using the same software. The questionnaire has been designed in a format that would provide the researcher with discrete date to work with. The questions will be pre-coded to facilitate analysis.
1.8 LAYOUT OF RESEARCH REPORT

Chapter 1: Introduction

The research introduction details the aim, objectives and value of the research project to be undertaken as well as a brief description of the methodology that was employed to achieve the set aim and objectives.

Chapter 2: Literature Review

In the literature review, the author will discuss South Africa’s competitiveness in the global context, the concept of CI will be defined, and the role and value of CI are explored. Issues such as the current status of CI, as well as Counterintelligence and ethics are also covered.

Chapter 3: Methodology

The methodology that was applied in the research as well as the interpretation and analysis of data are discussed.

Chapter 4: Discussion of Results

The analysed data and survey results are discussed in detail.

Chapter 5: Conclusion and Recommendations

In this chapter the author, make certain conclusions regarding the status and use of CI by the population group in relation to the aims and objectives of this study, as well as recommendations based on the findings of this research.
CHAPTER 2 LITERATURE REVIEW

2.1 COMPETITIVENESS

2.1.1 INTRODUCTION

'SA is generally perceived not to be competitive and in order for it to become competitive, new tools for decision making are required. CI should play an important role to enhance the competitiveness of institutions' (Havenga & Botha, 2003).

Competitiveness is defined in the United States as the nation's 'ability to increase the real income of all Americans by producing high-value products and services that meet the test of the world markets' (Council on Competitiveness, 2001). In Ireland, competitiveness is defined as 'the ability to win and keep business in domestic and foreign markets' (National Competitiveness Council, 2001).

According to Singo (2003), 'competitiveness has become the primary focus of national policy and investment in the developed and developing worlds of the 21st century. Even countries that have and are performing well economically are engaged in a never-ending struggle to locate competitiveness at the centre of the national endeavour to create and institutionalise sustainable development'.

National Research Foundation manager, Lebasa Monyoo (2003) said in an article focusing on economic growth and international competitiveness that with the increasing impact of globalisation on business and with the scope for competition no longer limited by national boundaries South Africa needs to improve its international competitiveness.

Pistorius (2001:15) argues that South Africa's lagging competitive performance has become a national threat. 'Noting Michael Porter's comment that South Africans have a
‘tendency to dream’ in this regard, little time can be lost in addressing competitiveness as an issue in its own right on the national as well as organisational levels’ (Pistorius, 2001).

2.1.2 THE BUILDING BLOCKS OF COMPETITIVE STRATEGY

According to Monyoo (2003), the keys to building a competitive industrial base are knowledge, innovation and productivity. In the European Commission White Paper on growth, competitiveness and employment, it was stated categorically that the wealth of nations is increasingly based on the creation and exploitation of knowledge.

Singo (2003) contends that the search for a competitiveness strategy for South Africa signals the dawn of a paradigm that South Africa can become a learning nation, and that South African organisations can become ‘learning organisations’. Senge (1990) defined learning organisations as ‘organisations where people continually expand their capacities to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together’. According to Singo (2003), the people he interviewed during a competitiveness trip revealed that individuals and organisational learning are the foundations of national and international competitiveness and ‘they affirmed Spender’s (1996) contention that knowledge is the foundation of competitive advantage’.

Writing on the research findings of his book, The Competitive Advantage of Nations, Michael Porter noted: ‘...I found that competitive advantage springs not from static deficiencies but from improvement, innovation and the ability relentlessly to upgrade competitive advantages to more sophisticated types’ (www b, 2001).

Pistorius (2001) argues that the prosperity (and competitiveness) of organisations depend on their capacity to innovate. There exists a clear and concise link between competitiveness and the process of innovation. Innovation depends on a number of factors for its success of which information and intelligence are believed to be primary
drivers (Havenga & Botha, 2003). Firms practice intelligence more extensively when they are trying to be innovative (Miller, 2000).

2.1.3 THE ROLE OF COMPETITIVE INTELLIGENCE

The use of competitive intelligence in the strategic decision making process has grown in potential importance due to the intensification and globalisation of competition in most fields (Gilad, et al., 1993). Many emerging economies view competitive intelligence as a way to win economic wars against more industrialised larger companies and it has become the ‘latest weapon in the world war of economics’ (Kahaner, 1996a).

Economic intelligence – the ability of using knowledge as the basis of economic advantage has become over the past three decades a key-factor of national competitiveness. As world development and international relations shift from geopolitics to geo-economics, competitive advantage of nations lies in their abilities to strategically handle strategic knowledge, for their administrations, their industries, their people, their economic wealth and social welfare. Economic competition between nations is fierce and it is now widely accepted that knowledge plays a major role in acquiring and defending competitive advantages at both national and industry levels (Baumard, 1993).

According to Havenga and Botha (2003), it is internationally recognized that CI is fast becoming the norm, rather than the exception, to assist management with decision making in the modern knowledge based organisation. CI should be positioned in the organisation to identify threats in the external environment capable of impacting negatively on the future of the organisation, as well as to identify new opportunities for the organisation, leading to innovation and ultimately benefiting the status of the organisation.

‘If one recognizes that CI plays an important role in the capability of industries and countries to become or remain competitive, the lack of training in this area may be one of
the factors contributing to the poor performance of South Africa by instruments measuring the status of competitiveness of countries’ (Havenga & Botha, 2003).

South African companies are however starting to realize that there is value in knowledge building and pooling in order to secure a competitive edge over competitors that have access to very much the same information. The need for competitive intelligence is vast. (Muller, 2002b).

2.1.4 PRIVATE AND PUBLIC SECTOR CO-OPERATION

Havenga and Botha (2003) argues that South Africa needs a mindset and attitude change and calls for close co-operation between the public and private sector, in which regard the role of competitive intelligence is paramount. Close co-operation between the state intelligence community and the business community is essential in order to bring South Africa in line with countries such as Germany, Israel and France whose Intelligence Services concentrate more on economic support than on political intelligence. Changed factors have naturally led to political intelligence becoming a supportive element of economic and technical intelligence. Recently, there have been encouraging signs that the formal intelligence community is looking at ways to divert resources to support economic development.

Competitive Intelligence is becoming part of the academic curriculum and there is a growing interest from Government in this field, who, through the department of Trade & Industry, is launching a programme with the assistance of Professor Jonathan Calof (Naude, 2001).

2.1.5 A CULTURE OF COMPETITIVENESS

Singa (2003) contended that if a competitiveness strategy is to bear any lasting fruits to
be enjoyed by all South Africans, competitiveness has to become a way of life in South Africa. This is what Schein (1992) calls ‘culture’ which is defined as ‘A pattern of shared basic assumptions that the... [nation] learned as it solves its problems of external adaptation and internal integration, that has worked well enough to be considered valid and therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems’. According to Singo (2003), competitiveness has become a way of life in Ireland and the United States and there is a competitive culture that drives how people do business and how the nation invests its resources. ‘Competitive nations have succeeded in creating a fit between the “organisational habits [and] mindsets” (Schein, 1992) on the one hand and the competitiveness strategy on the other’. Competitiveness thrives under a culture that is dominated by such a mindset and this is the type of culture that South Africa must create and nurture.

2.2 WHAT IS COMPETITIVE INTELLIGENCE?

2.2.1 INTRODUCTION

Intelligence for has been practised over ages - Moses has sent twelve spies to the land of Canaan to bring back produce and describe the environment and enemies of Israel and the Roman emperor Justinian used Persian monks to steal silk secrets from China. The Celts used Roman wheel manufacture methods to improve the wheels of their own chariots, and dating back to 400 BC, is the book written by the master military strategist, Sun Tzu - The Art of War is still considered today as one of the best war strategy books ever written and sees intelligence as one of the fundamental requirements for success (Havenga, 2003).

‘Competitive Intelligence is the process by which companies inform themselves about every aspect of their rivals’ activities and performance. It is an essential ingredient when planning not only marketing campaigns but also production programmes, human
resources, finance and all other corporate activities that competitors can influence directly or indirectly’ (West, 2001).

2.2.2 THE COMPETITIVE INTELLIGENCE PROCESS

How information is gathered, managed and used, is the key to competitive differentiation (Gates, 1999). According to Kahaner (1996:16a), Competitive Intelligence is a systematic programme for gathering and analysing information about your competitors’ activities and general business trends to further your own company’s goals.

It helps spotting new opportunities or help averting disasters, as it is a kind of a radar screen enabling a firm to observe its environment (Rouach & Santi, 2001).

CI is both a product and a process. The product is actionable information that is used as the basis for a specific action, while the process refers to the systematic acquisition, analysis, and evaluation of information about known and potential competitors (Graef, 1996).

McGonagle and Vella (1999:3) view CI as consisting of two overall facets – firstly the use of public sources to develop data (raw facts) on the competition, competitors and the marketing environment. The second facet is to, through analysis; transform the data into information (usable results).

The need to distinguish between information and intelligence is emphasised by Kahaner (1996a), and managers need intelligence and not information, to make decisions. Information is about numbers, statistics and data about people and companies, while intelligence is information that has been filtered, distilled and analysed.
2.2.3 **TYPES OF INTELLIGENCE**

McGonagle and Vella (1999:3) identified four separate types of intelligence which they regard as subsets of CI, namely strategic intelligence, competitor intelligence, technical intelligence and market intelligence.

- *Strategic intelligence* is competitive intelligence provided in support of strategic, as distinguished from tactical decision making and it focuses on the overall strategic environment.

- *Competitor intelligence* focuses on information about competitors, their capabilities, current activities, plans and intentions.

- *Market intelligence* is intelligence developed on the current activities in the marketplace and can include information on the current sales levels of a specific product, prices of these products and knowledge on what other products a consumer bought at the same time. ‘To keep track of its competitors (so it can respond instantly to pricing changes), rental car giant, The Hertz Corporation, tracks the changes its car rental competitors make each week. This involves a dozen categories of prices, six major large competitors, scores of major markets, and at least four rate categories. Hertz then makes 50 000 price changes each week on its car rental sales. Hertz does this with less than ten analysts and supervisors, supported by a sophisticated computer system. As a result, it can quickly respond to changes in the market’ (McGonagle & Vella, 1999).

- *Technical intelligence activities* are those that allow a firm to respond to threats and exploit opportunities resulting from technical and scientific change.

In addition to the above, West (2001:43) also identified *People intelligence* as an important driver as the methods by which companies compete, the intensity of competitive action, as well decision making are all driven by the calibre and experience of the staff that implement them.
2.2.4 THE INTELLIGENCE CYCLE

McGonagle and Velia (1999:25) divided the CI process into four basic phases, each linked to the others by a formal or informal feedback loop. These phases are as follows:

- Establishing your CI needs;
- Collecting the raw data you need in relation to the needs identified;
- Evaluating and analysing the raw data, thus transforming the data into intelligence;
- Preparing, presenting and using the results.

Similarly, Kahaner (1996a) defines the intelligence cycle in terms of planning and direction, collection, analysis and dissemination. Bernhardt (see figure 2.1) views the process as planning and direction, collection, processing, analysis and production and dissemination.

2.2.4.1 PLANNING AND DIRECTION

Management gets involved in the first step and decides what intelligence is required, thereby defining the intelligence needs. Based on this the CI function would decide which course it should take to deliver on the intelligence needs specified by management (Kahaner, 1996a).

In Bernhardt’s view (1994:14), the intelligence need could however not exist without appropriate answers to three questions:

- What do we need to know?
- Why do we need to know it?
- What decision is to be made or action taken, once we know it?
The answers to the above need to be framed in the context that is strategically relevant to the firms, as the main purpose of CI is to underpin and enhance strategic decision making at the business unit level.

This step could however also be seen as the other end of the cycle, because delivery on needs specified by decision makers might spur further intelligence requirements (Kahaner, 1996a).
2.2.4.2 COLLECTION AND PROCESSING

Bernhardt (1994:16) sees this as the research phase of the intelligence process. In this phase, the raw information from which intelligence will be produced is gathered – in other words, raw data is turned into usable intelligence (Kahaner, 1996a).

Rouach and Santi (2001:555) distinguishes three types of data:

- 'White Information', which is open-source information and can be publicly found in databases, newspapers, internet, etcetera.
- 'Grey Information', which covers private domain information such as trade shows or publications ignored by competitors.
- 'Black Information', which includes illegally-obtained data through for example computer piracy.

As most of the information that is needed is available in the public domain, collectors can find almost anything they need legally and ethically (Kahaner, 1996a).

2.2.4.3 ANALYSIS AND PRODUCTION

According to McGonagle and Vella (1993:48), this phase involves the following:

- Establishing the reliability of the sources of the raw data obtained;
- Estimating the accuracy of the data;
- Ensuring the data is relevant to the CI needs;
- Analysing the raw data, identifying and dealing with misinformation and disinformation;
- Anticipating how competitors think, based on what they have done;
- Drawing conclusions and if necessary conducting supplementary data collection.
‘Analysis represents the ‘value added’ element of intelligence. It is analysis, and the options and recommendations which emerge from analysis that senior managers use for strategy formulation and decision-making purposes’ (Bernhardt, 1994:19).

2.2.4.4 DISSEMINATION

This step involves distributing the intelligence product to those who requested it. In this step the CI section would also make recommendations regarding possible courses of action based on the intelligence produced (Kahaner, 1996a).

2.3 IS COMPETITIVE INTELLIGENCE IMPORTANT?

2.3.1 INTRODUCTION

Czerniawska and Potter (1998:25) referred to a scene in the James Bond film, Goldeneye, where the villain stated to Bond that he was not after the gold in the vaults of the Bank of England, however, that he intended to take off all the information off all the computers across London: bank account details, share accounts, credit card numbers....its information, not gold, which he is after. ‘What the bad guy realized – and much of business is starting to catch up with his thinking – is that information is the most important asset of our society today’ (Czerniawska & Potter, 1998).

Information is starting to change radically the way in which business is conducted and is revolutionising the competitive landscape. According Czerniawska and Potter (1998) information enables smaller companies to seize the advantage from larger companies and set a new agenda – to complete effectively organisations need knowledge more than they need financial capital.
2.3.2 THE NEED FOR COMPETITIVE INTELLIGENCE

Kabaner (1996a) argues that companies need CI now more than ever, because:

- The pace of business is increasing rapidly
- Information overload
- Increased global competition from new competitors
- Existing competition is becoming more aggressive
- Political changes affect us quickly and forcefully
- Rapid technological change.

Instead of operating in a marketplace of fixed and known competitors and stable customer preferences, the successful company or institution of tomorrow will deal with a competitive environment that is akin to a war zone where a number of companies are vying for the same consumers and where strategy needs to be revised and adapted constantly. Without the professional ability to assess changing technology, markets and competitors, companies will no longer be able to survive or prosper (Havenga, 2003).

'I believe companies that do not conduct CI and conduct it well will fail. This is a life and death issue for companies and they need to find a way to do this' (www d, 2003).

'Ongoing competitive analysis is critical. Know all you legally and ethically can about competitive factors (competitors, markets, etcetera) and establish a formal system dedicated to that activity' (www d, 2003).

The scope and influence of CI activities apply to both current and future operations, as well as immediate and future threats and opportunities, with more of a strategic than a tactical focus (www d, 2003).
McGonagle and Vella (1999:23) have also analysed the categories of the Malcolm Baldrige National Quality Award (MBNQA) programme and have found that overall, CI directly affects almost 50% of the points, and nearly 10 percent of them 'Highly'. 'What this means is that, in a properly managed company, it is now well accepted that CI's presence should be pervasive. While it is not everywhere critical, its existence throughout is now acknowledged as vital' (McGonagle & Vella, 1999).
2.4 THE ROLE OF COMPETITIVE INTELLIGENCE

2.4.1 INTRODUCTION

According to West (2001:30), the interest in competitive strategy was kindled and nurtured in the 1980s by books such as *Competitive Advantage* and *Competitive Strategy* by Michael Porter.

One way to understand the appropriate role of CI in the overall management of a firm is to view it from the perspective of its role in establishing and maintaining a competitive advantage (Cory, 1996).

The intelligence process can create competitive advantages for the firm. The awareness of an upcoming move of a competitor or the capacity of a competitor's new plant can provide a competitive edge. According to Miller (2000:18), the scope of the intelligence process is quite broad and can be applied to various issues within a firm, such as a firm's corporate strategy, operational efficiency, competitive position within the industry, and/or new product planning. Intelligence can therefore support key decisions at various levels and departments within a firm and both small and medium sized businesses could benefit from CI.

Due to the intensification and globalisation of competition, the use of CI in the strategic decisions making process has grown in potential importance; however, evidence suggests that many companies have serious blind spots concerning their competitors' capabilities, intentions and possible reactions to offensive moves (Gilad, et al., 1993).

Michael Porter (1980), was among the first to note that companies often suffer from 'blind spots' – areas where executives are biased or 'blinded' as to ignore or misinterpret events in their industry.
CI could act as a sensor to trigger and support decision-making by alerting a company to changes in the environment. Executives will be blind, deaf and without feeling to anticipate and survive in an ever-faster changing business environment of increasing competition, without such a capability. The CI nervous system will make it possible for facts, ideas and information to surface from down in an organisation, focusing efforts and allowing organisations to do all things fast (Havenga, 2003).

2.4.2 BENEFITS AND USES OF COMPETITIVE INTELLIGENCE

Kahaner (1996:23a) said that a formalised competitive intelligence programme can:

- Anticipate changes in the marketplace
- Anticipate actions from competitors
- Discover new or potential competitors
- Learn from the successes and failures of others
- Increase the range and quality of acquisition targets
- Learn about new technologies, products, and processes that affect your business
- Learn about political, legislative, or regulatory changes that can affect your business
- Enter new business
- Look at your own business practices with an open mind
- Help implement the latest management tools.

According to Gilad and Herring (1996:29) the five main uses of competitive intelligence should be:

- To build competitive advantages against competitors' 'sustainable' advantage;
- To create a competitive surprise;
• To unseat a leader by changing the rules of an industry;
• To, through the use of partners, leverage resources; and
• To defend against competitors attempting to achieve surprise, to lure new partners and the creation of new advantages by changing of the rules of engagement.

A competitive intelligence programme tries to ensure that the organisation has current and accurate information about its competitors and a plan for using that information to its advantage (McGonagle & Vella, 1996).

According to McCrohan (1998:587), the competitive action domain is increasingly shifting toward the ability to view information as an offensive platform and to configure the organisation to use information actively as a competitive variable.

2.4.3 PRIORITIES OF COMPETITIVE INTELLIGENCE

In Johnson’s (2003) view, CI has never before played such an important part in so many diverse areas of the enterprise. He identified twelve (12) top priorities of CI and the list below describe these priorities in rough order of levels of sophistication and relative importance to the average enterprise.

• **Current Competitor Activities and Strategy Monitoring** - Customers expect the CI team to be aware and assist in understanding the current activities and plans of competitors in the striving towards succeeding in transferring market share from the competitor's company to one's own.

• **Customer and Vendor Monitoring** – Two of the drivers of competitive strategy as described within the classic (Michael) Porter's Five Forces Model are the threats of backwards and forwards - integration by customers and vendors and is a possibility often discounted, but most often realized, by firms. Healthy profits at different stages within
the value chain could create opportunities for traditional allies to move into a "cannibalisation" mode against the firm.

An understanding of the customer can also be revealing in terms of unexploited opportunities to sell more products/services within existing customer relationships.

- **Operational/Performance Benchmarking** - Benchmarking initiatives can prove beneficial when conducted against direct competitors, latent competitors, "parallel competitors" (or, substitutes for your products/services), as well firms that can, due to their core competency, easily move into diversified businesses to take advantage of market opportunities perceived by their own intelligence team.

- **Strategic Probabilities and Possible Futures** - Using "scenario planning" as a tool to predict the probabilistic likelihood of future events and the possible impact of these on the company.

- **Product/Service Sales and Marketing Support** - To create an understanding of the strengths and weaknesses of competitors as well as the firm's own customer and market perceptions in order to increase market share.

- **Internal Knowledge Management** - On average eighty percent of what a firm needs to know about its market and competitors already exists within the firm and knowledge management can be of great assistance to the CI team in exploiting these internal sources.

- **Intellectual Property Exploitation/Protection** - Intellectual Property is a multi-billion dollar business and might often become the cornerstone of a firm's core competence and competitive differentia.

- **Mergers and Acquisitions -Alliance-Investment Support** - Due diligence studies prior to any deal of such nature could have a profound influence on post deal success.
• **Long-Term Market Prospects** - The CI team can give decision makers insight into the future of the business pertaining to product life cycles, current and future market prospects etc.

• **Counter-Intelligence & Information Security** - The intelligence team has an important role to play in counteracting moves by competitors and other interested parties to gain competitive information on the firm.

• **Legislative/Regulatory Impact on Business Issues** - Government activities in both legislative and regulatory realms can in certain industries be disproportionately influential in enabling or hobbling a firm's competitive strategy and the CI team can play an important role in giving timely advice in this domain.

• **Decision-Support & Consultative Briefings** - Assisting both tactical and strategic decision-makers in becoming aware of all options available to them in the decision making process – to become a trusted advisor (Johnson, 2003).

> 'Ultimately, CI is still about understanding (before it happens, mind you) what is likely to happen and predicting such outcomes with a reliable degree of accuracy - then devising a pre-defined response or countervailing strategy to minimize the impact of such events to the firm' (Johnson, 2003).

### 2.4.4 INDUSTRY RISK MANAGEMENT

Linked to the view of Johnson above, is that of Ben Gilad (2001), who argues that CI falls within the domain of Industry Risk Management (IRM), as they use competitive information to identify and manage risks. All the risks a company faces as a result of industry-wide forces are classified as industry risk. The identification of these risks requires an early warning system.
The management of these risks means to ensure that the company's response to any changes in its environment is appropriate.

IRM is about risk identification and risk minimisation. In order to be able to identify risk, it is important to build a strategic early warning system (SEWS). The steps in setting up a SEWS are:

- Mapping high-risk areas;
- Building and monitoring indicators and,
- Issuing of alerts.

Risk minimisation deals with the orchestrating of company-wide corrective action early enough to avert the expected loss or alternatively minimise the potential negative impact.

Figure 2.2 Stages in the Evolution of CI (Gilad, 2001).
to market share and profitability. According to Gilad (2001), risk minimisation typically results in one or all of four action categories, namely,

- Marketing strategy’s revision
- Operational strategy’s revision
- Business development reaction
- R&D acceleration/deceleration.

Gilad’s (2001) view is that there is a qualitative difference between the role of IRM as proposed by him and the existing phases of development of CI functions (see figure 2.2). Few companies have elevated their CI people to the role of providing intelligence as an early warning, independently of demand. Mostly CI resides firmly in the information services domain, principally reacting to clients’ requests for competitor/competitive information – this primary role remains local, uncoordinated information projects.

2.4.5 STAGES IN THE USE OF COMPETITIVE INTELLIGENCE

According to West (2001:26), companies seem to move through a series of stages in terms of their use of competitive intelligence (see figure 2.3). The organisation that is competitor-aware rarely uses the data it holds other than for ad hoc tactical exercises such as for example competitive pricing decisions. Companies that grow tend to become competitor – sensitive, however this does not increase the demand for intelligence on competitors. Many of these companies still exclusively rely on informal information flows through their sales forces, rather than through a structured intelligence programme.

A competitor-intelligent organisation devotes resources to studying their competitors and anticipating their actions. ‘What must happen is the conversion of the modern company into a company which is intelligent – that is, it seeks, processes, and uses information about its outside environment (in all respects) to manage its future’ (McGonagle, &
According to Miller (2000:22), firms within highly competitive industries tend to have established a more formal intelligence process.

![Diagram: Competitor-Aware, Competitor-Sensitive, Competitor-Inelligent]

Figure 2.3. The path to competitive intelligence (West, 2001)

2.4.6 ATTITUDES TOWARDS COMPETITIVE INTELLIGENCE

The vigilance of CI analysts range from 'lookout' to 'hunter' and Rouach and Santi (2001: 555) identified five types of analysts' attitudes towards CI (see figure 2.4):

- The 'warrior attitude' indicates an offensive stance where the CI process is managed pro-actively and opportunities are being looked for on a continuous basis. Corporate examples in Europe are Airbus, Michelin and Shell, while in the US IBM, Boeing and General Electric are good examples.
• The ‘assault attitude’ is also a pro-active field with many analysts being ex-military intelligence specialists. Corporate examples in Europe are Nestle, Siemens and Alcatel, while in the US there are Nutrasweet, Eastman Kodak and Ford.

Figure 2.4  Five types of CI Attitudes (Rouach & Santi, 2001: 555)

• Analysts with an ‘active attitude’ are always searching for information through normal sources, albeit that the company’s information system is unstructured. In Europe many large French firms and SMEs are good examples, the latter also in the US.

• French SMEs are also good examples of the ‘reactive attitude’, where CI only responds when competitors are overly hostile.

• ‘Sleepers’ are found where the firm’s management shows no interest in CI or knowledge management (Rouach & Santi, 2001: 555).
2.4.7 LOCATION OF THE CI FUNCTION

Gilad’s (2001) view is that IRM sheds a new light on the debate regarding the location of the CI function within an organisation. IRM is based on industry and is therefore a business unit activity which requires a cross-functional perspective. Most companies however, place CI under other functions, limiting its scope to a narrow functional focus. Gilad (2001) contends that although a functional focus and functional placement deprive companies of the most important benefits of CI, some functional locations are worse than others. Based on his subjective assessment through his dealings with a number of companies, Table 2.1 illustrates Gilad’s (2001) personal ranking of functional locations and a few comments on each.

Table 2.1 Ranking of CI’s Functional Location (Gilad, 2001)

<table>
<thead>
<tr>
<th>Rank Effectiveness by Functional Location</th>
<th>Main Weakness</th>
<th>Main Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (highest) None! (independent CCO or CRO position)</td>
<td>Politics</td>
<td>Effect on Company’s overall risk level</td>
</tr>
<tr>
<td>2</td>
<td>Strategy Group</td>
<td>Dying (?)</td>
</tr>
<tr>
<td>3</td>
<td>Marketing</td>
<td>Focus</td>
</tr>
<tr>
<td>4</td>
<td>Market Research</td>
<td>Ignorance</td>
</tr>
<tr>
<td>5 (lowest) KM</td>
<td>Free Software</td>
<td>None</td>
</tr>
</tbody>
</table>

2.4.7.1 INDEPENDENT STANDING

Gilad’s (2001) doctrine of risk management suggests that independent, top-level placement is best to coordinate cross-functional response to structural changes at the industry level. This role suggests creating a new department or position reporting to the unit president or general manager. The biggest weakness of this approach is internal politics – unless competitive pressure is viewed as serious enough to warrant a
coordinated approach, the new function's standing within the organisation might be 
resented.

This view is supported by Kahaner (1996a: 202) who is of the opinion that the CI unit 
must get its operating mandate for top management and must also be responsible to the 
latter, without their support it will perish.

2.4.7.2 STRATEGY DEPARTMENTS

As CI deals with strategic issues, there are obvious advantages in placing it with a 
strategic group, however, Gilad (2001) is of the opinion that strategy groups have dubious 
influence with line executives and quite often, the CI function is limited to competitor 
analysis in defence of the company's existing strategy.

2.4.7.3 MARKETING

With CI in this category, the common theme is the support of marketing activities, 
focusing on the tracking of competitors, tactical information (product, pricing, etcetera), 
and is 95% news reporting.

2.4.7.4 MARKET RESEARCH

According to the IRM model (Gilad, 2001), CI is light years different from market 
research and it is the next to last worst location to place the CI function. CI is often 
placed in this domain because of organisations not understanding what CI is and 
confusing it with generic research. 'Market Research (MR) focuses on the 
consumer/customer, uses neutral primary research (behavioural or focus groups), 
employs sophisticated statistical analysis, and is heavily biased towards quantitative
results (market-share statistics, cluster analysis, multivariate models). Compare MR’s character with the qualitative, strategic, human-expert (i.e., non-neutral) based collection discipline of CI and the similarities vanish entirely. Placing CI under MR is a kiss of death.

2.4.7.5 KNOWLEDGE MANAGEMENT

Gilad (2001) sees no value in placing the CI function under Knowledge Management (KM). He contends that KM has been re-inventing the wheel in many cases and complicating existing wheels in others and has been reduced to a few data warehousing and Intranet-connectivity initiatives and placing CI there makes no sense.

2.5 THE SOURCES OF COMPETITIVE INTELLIGENCE AND ITS DISSEMINATION

2.5.1 SOURCES OF INTELLIGENCE

'A key maxim common to each of these variations of CI is that 90 percent of all information that a company needs to make key decisions and understand its market and competitors is already public or can be systematically, legally and ethically developed from public data' (McGonagle & Vella, 1999).

CI can be obtained from a wide variety of sources; however, the basic division of intelligences sources, as in many other types of research, is primary and secondary sources. Both primary and secondary sources can exist within and outside the company (West, 2001). Secondary sources are defined as information that is in the public domain
(although it might not be readily available), while primary sources are mainly people who are in a position to impart intelligence about companies when questioned (see figure 2.5).

Figure 2.5 Sources of intelligence (adapted from West, 2001:51)

One of the findings of international surveys by several firms on CI practices was that secondary sources were still the major source for CI research with almost sixty percent of respondents ranking this in the top category of their sources.

Attendees at a SCIP workshop however felt that primary-source research should be more important in terms of time and budget allocation. Participants spent almost seventeen percent of their time and almost twenty-five percent of their budgets on secondary research, compared to fourteen percent and ten percent respectively on primary research.

2.5.2 DISSEMINATION

The dissemination of CI should be in a form that would convey to the end-users the conclusions reached in the most effective manner possible. There is no one correct form for this communication and it could be conducted in oral, written, or graphic form. The most effective means of dissemination may be a combination of media and styles to ensure that those receiving the CI are likely to retain and understand what is conveyed to them. (McGonagle & Vella, 1993: 290)

The most-often used form of communication of CI results were (in order) informal discussions, formal presentations, e-mail publications and CI publications (over 50%) (McGonagle & Vella, 1999).

2.6 THE STATUS OF COMPETITIVE INTELLIGENCE

2.6.1 UNITED STATES OF AMERICA

McGonagle and Vella (1999) argued that the use of CI among US companies has been growing rapidly over the past decade, for at least four reasons:

- US companies are coming to appreciate how important CI is and how vast amounts of information on their competitors can be made available to them at a relatively low cost and relatively quickly.
Some US companies have learned from bitter experience just how devastating CI, as developed by both their foreign and domestic competitors, could be.

CI is providing effective ways to retaining or regaining market share in periods of market stagnation or even decline.

CI is recognised as one way in which companies could learn and therefore better equip themselves to deal with changes and surprises in technology, competitors, materials and the economy.

The Conference Board, Inc., in 1988, surveyed over 300 companies and found that 68 percent of the companies responding stated that their monitoring of competitor activities would increase over the next few years. Only 4 percent said they would decrease and 32 percent would ‘hold at about the same level’. CI was then still in its infancy, however the survey showed that 68 percent of the middle-line managers in the surveyed corporations felt that it was ‘very important’ to monitor competitor activities. Thirty percent felt it was ‘fairly important’ and 2 percent felt it was only ‘slightly important’. According to McGonagle and Vella (1999), the Conference Board’s findings about the future of CI have been confirmed over the years and a useful surrogate for measuring the increased use and penetration of CI is the growth of the Society of Competitive Intelligence Professionals (SCIP), in the USA. From less than fifty at its first annual meeting in the late 1980s, it has grown to 6400 members at the beginning of 1998. Twenty percent of those members worked outside of the United States, indicating the global spread of CI.

In mid 1996, Anne Adams released the result of a survey which was sent to 1500 SCIP members with a 15 percent response rate. The focus of the survey was on internal sources for CI and found inter alia that:

- On average, the CI function had been at company level for five years.
• Only 10 percent characterized their CI function as integrated throughout the organisation, however it seemed that the longer a company has a CI function, the more likely it is to be integrated (McGonagle & Vella, 1999).

According to a survey by researchers at The Futures Group, in 1997 a full 82% of companies with annual revenues over $10 billion had an organized system for collecting information on rivals, while 60% of all surveyed U.S. companies had an organized intelligence system - up from 58% two years earlier (Lavelle, 2001).

A survey conducted by the Futures Group in 1998, concluded that corporates in America were slowly moving towards incorporating intelligence activities into their business practices, however, only 60 percent of sampled businesses have established intelligence functions, little movement from the 1995 survey date of 58 percent (Miller, 2000). The "Ostriches and Eagles" study that was conducted in 1995, 1996 and 1997, asked executives from major corporations in the USA to cite three firms that they perceived to be exceptional users of intelligence ("Eagles"). This survey has been dominated by information and technology companies, in ranked order, Microsoft, Motorola, IBM, Procter and Gamble, General Electric, Hewlett Packard, Coca-Cola and Intel (Miller, 2000).

2.6.2 OUTSIDE OF THE U.S.A.

According to West (2001: xii) the transfer of CI techniques to Europe initially took place in the late 1980s and early 1990s, but really gathered momentum between 1995 and 1999 with a series of public conferences that promoted CI.
A 1995 study on CI in Australia concluded that most firms still relied on informal methods to keep track of their competitors and their own competitiveness. The report stated that even when CI was practiced in such a limited way, it was found that ‘CI usage has a measurable effect on the perceived ability to compete; firms that have put more emphasis on CI also see themselves as better able to compete than those that have not. Most of this benefit seems to be related to better CI processes and techniques than to the increased use of CI resources’ (McGonagle & Vella, 1999).

In a 1998 study conducted by Miller and Jonathan Calof focusing on the status of intelligence in nine countries, SCIP members from the United Kingdom, Germany, Italy, Canada, South Africa, Australia, the Philippines and China indicated that on average the intelligence function emerged in their companies in 1991. Closer analysis of the data however, indicated that by 1980, 6.3 percent had begun conducting intelligence, by 1990 27 percent, by 1994 50 percent, with the remaining 50 percent beginning the process between 1995 and 1998. The Calof-Miller study also determined that the top five countries where intelligence is best practiced are, in rank order, Japan, the US, Germany, France and the United Kingdom (Miller, 2000).

The market for business intelligence is worth about $2 billion a year worldwide, including services ranging from detailed investigations to clipping news articles, according to Kroll Inc. (as reported by Reuters on Sept. 2, 2001). In a survey of SCIP members, over 25% said their company's total CI spending in 2000 topped $100,000. Almost 14% said their company spent over $500,000. The percentage of CI personnel has risen over 220% in the past decade to over 5000. According to Leonard M. Fuld, president and founder of Fuld & Co., most reside in marketing, strategy, and information-services departments, answering to anyone from midlevel managers to the CEO (Lavelle, 2001).

In a study conducted in the United States by the Society of Competitive Intelligence (SCIP), it was estimated that almost all of the Fortune 100 companies, 85% of the
Fortune 500, and 50 % of medium-sized companies have developed a formalised
Competitive Intelligence process. Traditionally, Japan has been the leader in the
application and conduct of Competitive Intelligence as Japanese companies and trading
houses (sogo shosha) have a long history in competitive intelligence and have well-
established capabilities aimed at winning contracts and procuring new technology for
their companies. Competitive intelligence is today growing fast and is being implemented
globally. The leaders in this field are the United States, Canada, Scandinavia, France,
Britain and Japan and fast followers are China, South America and the rest of Asia
(Havenga, 2003).

Leaders in CI: The Economic Power Houses Canada, the US, the UK, Japan, Israel,
Korea, France, Australia, Germany, Sweden. Catching up: Emerging Markets, South
Africa, former East Bloc, South American countries, China, and Far Eastern countries
(www d, 2003).

2.6.3 SOUTH AFRICA

Most SA companies do not have a proper intelligence process or structure. In a study
conducted by Professor Wilma Viviers and Andrea Snyman in which questionnaires were
sent to 2500 businesses in 2001, it was revealed that only 28 percent have a formal CI
management system, 15 percent do an internal CI audit and 20 percent have an inventory
of internal information and knowledge. Basic analysis such as the compilation of
competitor profiles is done by 59 percent, however few (3 percent) use advanced
techniques like drawing up of psychological profiles or analysing online data (6 percent).
84 percent however indicated that they regard CI as something that can be used to create
a competitive advantage, and 78 percent said that senior management supports CI
activities. Despite the latter, only 47 percent used CI regularly in planning and strategic
decision making. Only 19 percent however indicated that their company’s culture
encouraged an exchange of information and 14 percent of employees understood what CI
is (Naude, 2002: 40).
In a research project undertaken by the NRF (National Research Foundation) and chaired by Professor Viviers, a growing number of companies in South Africa are setting up competitive Intelligence units, although it by no means approaches the level of the US and Asian countries where no big company operates without such a unit. Units have been established in most banking; telecommunication and mining companies (Naude, 2001:71).

According to Michael Kuhn of International Business and Information Services (Ibis), only 10 percent of SA Companies currently use CI; however, his prediction is that it will be different in five year’s time. CI has already yielded very good results for several companies such as Sasol, Iscor, Kumba, African Bank, Credit Guarantee Insurance and Nestle (Muller, 2002:46).

2.7 DOES COMPETITIVE INTELLIGENCE MAKE A DIFFERENCE TO THE BOTTOM LINE?

‘Competitive Intelligence, in my opinion, is worth about $50 million a year to NutraSweet. That’s a combination of revenues gained and those not lost...Fifty is probably a low number’ – Robert Flynn, Chairman, CEO, NutraSweet at the ninth conference of SCIP (Kahaner, 1996a).

According to research, companies with well-established CI programmes enjoy greater earnings per share than companies in the same industry without such programmes. ‘In a recession, competitive intelligence can pay off big’, reported Business Week magazine in its Nov 26, 2001 issue. Among the examples cited: At Texas Instruments, the CI team uncovered the need to pursue an acquisition before a rival could do so ‘and safeguard what is now a $100 million business with enormous growth potential at a time when bright spots on the tech horizon are few’ (www c, 2003).
In a 2001 marketing case study presented by Clifford Kalb, former SCIP president, and vice president of strategic business analysis at the pharmaceutical firm Merck & Co., Inc., Merck's CI group was responsible for developing a counterstrategy to a competitor's forthcoming product rollout which has over a period of 30 months enabled Merck to 'anticipate and outmanoeuvre the competition', and has resulted in 'saving approximately $200 million to the bottom line -- so far' - and the estimated boost to the bottom line could go as high as $400 million (www c, 2003).

Fast-growth CEOs, who rated competitor information in a March 2002 Trendsetter Barometer survey from PricewaterhouseCoopers as being either 'very' or 'critically' important grew revenues by 14.2 %, versus 11.8% for all others - a 20% faster rate. Those placing a premium on competitor information are outperforming their peers on sustained revenue growth, gross margins, and a number of other key performance measures (www c, 2003).

Academics doing research at the University of North Texas, in a study compared companies that place a relatively high emphasis on CI to similarly situated companies in the same industry groups that don't have CI efforts, and found that there is a positive relationship between emphasis on CI and successful financial performance (www c, 2003).

Companies with CI outperformed other companies by all three key financial measures that were considered in this study: average sales, market share, and profitability. 'For instance, the average sales of CI companies in 1993 were $9.80 billion compared to other companies in the same industry whose sales averaged $1.02 billion....The average market share for CI companies was 5.4% compared to 0.8% for other companies....A positive relationship was found between emphasis on CI and profitability as measured by average earnings per share. CI companies had an average EPS of $1.24 compared to other companies in the same industry that posted a net loss for this measure of $0.07. CI
companies performed better than other companies on this measure in 15 of 19 industries' (Cappel & Boone, 1995).

Subramanian and Ishak in 1998, used responses from 85 firms from Business Week's 1000 Most Valuable Companies to test a hypothesis relating financial performance to competitor analysis. They hypothesized that high-performance firms, as measured by return on assets (ROA), would possess more advanced competitor analysis systems than low-performance firms. In the study firms were classified firms according to the following characteristics: having a separate group of CI staff, the frequency of competitor analysis, and dedicating a specified number of people to performing analysis. A firm that did not possess two or more characteristics were classified as phase I (primitive), a firm that possessed two characteristics as phase II (intermediate) and a firm with all three characteristics was classified as phase III (advanced). In the study, it was found that better-performing firms gain a competitive advantage by using advanced monitoring systems. ‘Firms with monitoring systems classified as phase II or III exhibited greater performance, as measured by ROA, compared with those firms classified as phase I’. (Groom, & David, 2001).

Large U.S. companies spend upwards of $1 million a year tracking their competitors and building the information into their sales strategies. Intelligence helped a global technology company recover after it was blindsided by a competitor. The competitor, who was on equal footing with the company for years, figured out its bidding strategy and was beginning to win by offering prospects a customised solution. When the company in question started with its own customized approach, it won hundreds of millions of dollars in new business the following year (www f, 2002).

Competitive intelligence also helped a Phoenix-based electronics distributor Avnet Inc. (AVT ) to avoid extra costs. Analysts predicted that four of its rivals in the server industry would soon be out of business and when two of them began offering special financing deals to grab market share, Avnet abstained from extending the similar offers to
the market. This allowed the company’s managers to avoid a potentially crippling fight and to compete forcefully with the rivals that remained. Eric Scheer, a business intelligence analyst at Avnet, remarked: ‘It gave them some vision down the road and assisted them in creating new strategies. It helps them make much more informed decisions than they could have made in the past’ (www f, 2002).

‘Visibility in the business world is so low right now’, says Mark R. Little, director of strategy analysis for Glaxo-SmithKline PLC. ‘If you don't have competitive intelligence, you're going to be in trouble and if you do, at least you'll see it coming’ (Lavelle, 2001).

Electronics manufacturer Siemens, invested $7.8 million in competitive intelligence management software that gave the company a corporate edge worth $122 million in increased sales. NMHG, maker of industrial trucks and machinery, uses competitive intelligence software to pull up information on caterpillar within minutes (www f, 2002).

2.8 COUNTERINTELLIGENCE

Peter Hamilton, a renowned security consultant, wrote in 1979 that ‘Industrial espionage poses a significant threat....It will not be possible for any company or economy to survive the battle without good industrial intelligence. Organised industrial espionage would be a logical outcome of this need...’ (Whitehead, 2002:43).

Companies will loose market share, valuable know how and loose the confidence of their investors, business associates and own staff, if they are not protecting their critical information. As there are usually no overt signs or an indication of an attack against a company, industrial espionage is hard to spot.

The basic objective of counterintelligence is to protect information from unauthorised entities, to counter potential threats and to enhance security. It should however also protect against the legal collection of information that could have a negative impact on
the company's ability to compete in a chosen market, and not only against illegal collection (Whitehead, 2002:44).

2.9 THE ETHICS DEBATE

'Some 80 – 90 percent of the information a project requires can usually be found through publicly available channels and the rest often can be deducted or estimated' (www a, 2001).

Competitive intelligence is based on information that can be obtained from published and public sources using legal and ethical means to collect the information (Havenga, 2003).

'Competitive intelligence involves legal methods of data collection and analysis, from scouring securities filings and news reports to database research to schmoozing with representatives of rival companies at trade shows. That's different from corporate espionage - the theft of trade secrets through illegal means such as wiretaps, bribery, and cyberintrusions' (Lavelle, 2001).

According to Groom and David (2001), a popular misconception about competitive intelligence is that it is the same as business espionage; however, gathering competitive intelligence is absolutely legal and ethical whereas business espionage can be illegal and unethical.

In the past governments have mostly perpetrated intelligence and used their intelligence services to gather intelligence on military threats and political positioning. After the cold war, the focus has shifted towards the collection of so called 'opportunity intelligence', focusing primarily on economic and technological priorities. It is however, important to realize that competitive intelligence is not intelligence as practiced by governments,
which is, according to US legislation (1996), defined as economic espionage (Havenga, 2003).

The Society of Competitive Intelligence Professionals' (SCIP's) code of ethics permits acquiring information that is publicly accessible through for example patent applications or annual report, but prohibits misrepresentation (www e, 2002).

Some intelligence-gatherers however still step over the ethical line. Procter & Gamble Co. (PG ) hired spies to snoop on rival Unilever PLC (UL ) but pulled the plug when it discovered that one of them had rifled through Unilever's trash Oracle Corp. (ORCL ) admitted to hiring the detectives who paid janitors to go through Microsoft Corp.'s (MSFT ) garbage, looking for evidence to use in court (Lavelle, 2001).
CHAPTER 3  METHODOLOGY

3.1  INTRODUCTION

CI as a business discipline and practise in South Africa is still in its infancy and little research on it has been conducted in the South African context, with result that the extent to which CI is practiced by South African firms is largely unknown (Viviers, et al., 2002:27). A study by Viviers et al., (2002) had as a secondary objective to determine how competitive intelligence is practised in South Africa.

Although CI is an emerging discipline, enough information on the topic exist to define a theoretical framework for the research, therefore the author has opted for a deductive approach to the research. The author used the survey method, which is traditionally also associated with the deductive approach, to collect data for the research.

A quantitative approach to research the topic in question was used by the author. The quantitative research paradigm enables the researcher to report realities faithfully and is value free, formal and unbiased. Reality is viewed as objective and independent of the researcher and a questionnaire was used to measure issues objectively (Creswell, 1994: 4 – 6) in order to satisfy the research objectives.

The primary objective of this study was to use the survey to determine the extent to which CI is used by South African companies to inform their corporate decision-making, compared to their counterparts abroad, as well as to explore the possible impact of this on South Africa’s competitiveness.
3.2 SAMPLE SELECTION

All companies listed on the JSE (Johannesburg Securities Exchange) were selected and e-mail addresses were obtained from Profile's Stock Exchange Handbook (Alexander & Oldert, 2002). A number of well-known South African Companies not listed on the JSE were also selected at random in an effort to also include in the sample base a number of small and medium enterprises in South Africa.

3.3 QUESTIONNAIRE DESIGN

Data was collected through means of a questionnaire that was sent electronically (on line) to the sample base. The questionnaire was designed in an Excel spread sheet with the specific intention to facilitate online distribution, completion and submission; however, allowance was also made for faxed results. This research method was preferred as it enabled the author to collect a large amount of data which could be standardised for easy comparison. Cover letters explaining the context as well as the requirements of the research accompanied the questionnaires. Follow-ups were made to recipients of questionnaires if no response was received after the stated due date of return.

Data collected by means of the questionnaire was analysed and interpreted by using Microsoft Excel. Tables and figures were created by using the same software. The questionnaire has been designed in a format that would provide the researcher with discrete data to work with and the questions were pre-coded to facilitate analysis.

The questionnaire (see Annexure C) consisted of twenty-nine (29) closed questions of which nine (9) required yes, no or not applicable responses, the rest required a choice from multiple options provided by the author. Seventeen (17) text boxes were also
provided in the questionnaire for any additional comments that respondents might have liked to add.

The questions covered the following areas:

- Details regarding the respondent and his/her company
- The environment in which the company operated
- The use of CI within the company to inform decision making
- The structure and reporting of CI within the company
- The deliverables of the CI function
- The sources and distribution of CI
- The reputation/image of CI and,
- The culture within the organisation.

The survey questionnaire was pre-tested on a representative from a company with a formal CI function in order to ensure that the questions were clear to recipients. Feedback received from this individual was considered in finalising the questionnaire.
4.1 INTRODUCTION

In August and September 2003, questionnaires were sent by e-mail to a total of four hundred and seventy four (474) companies. Three hundred and sixty one (361) of these went to listed companies with e-mail addresses as sourced from Profile's Stock Exchange Handbook (Alexander & Oldert, 2003). Forty one (41) questionnaires could not be delivered due to unknown e-mail addresses and three (3) companies responded in the negative regarding their participation in the survey, leaving an adjusted sample size of three hundred and seventeen (317) listed companies.

One hundred and thirteen (113) randomly selected, non-listed companies also received the questionnaire. The total sample size for this study was four hundred and thirty (430) companies.

A total of thirty four (34) completed questionnaires were received. The response rate of listed companies was 5.68% and companies not listed, 14.16%, yielding an overall response rate of 7.91%. Although the response rate is low, it compares favourably with the study of Viviers et al., (2002: 30), which had a response rate of 4.9%. Research by the Bureau of Market Research and DRI-WEFA (market research firms in South Africa) indicated that mail surveys in South Africa that ask security related information generally result in a 2% to 4% response rate (Viviers et al., 2002:30).
4.2 DISCUSSION OF RESULTS

4.2.1 DISTRIBUTION OF RESPONSES

Companies listed on the JSE made up 53% of responses received (see figure 4.1). Questionnaires were mostly completed by senior managers (52% - see Table 4.1), followed by middle managers (24%).

![Pie chart showing responses of listed vs. non-listed companies]

**Figure 4.1** Responses of listed vs. non-listed companies

<table>
<thead>
<tr>
<th>Table 4.1 Respondent’s level in the organisation/company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board</td>
</tr>
<tr>
<td>Senior Management</td>
</tr>
<tr>
<td>Middle Management</td>
</tr>
<tr>
<td>Other</td>
</tr>
</tbody>
</table>
National companies made up 55% of responses, followed by multi-nationals (24% - see Table 4.2).

<table>
<thead>
<tr>
<th>Type of organisation/company</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>National (RSA only)</td>
<td>55%</td>
</tr>
<tr>
<td>Multi-national</td>
<td>24%</td>
</tr>
<tr>
<td>International</td>
<td>18%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
</tr>
</tbody>
</table>

The financial (24.99%) and cyclical services sectors (27.85% - see Table 4.3), returned the most completed questionnaires. With the Viviers et al., study (2001), the most responses were received from the manufacturing sector (55%), followed by trade (9%). Five percent of responses in the latter study were from the financial sector.

<table>
<thead>
<tr>
<th>Sector in which respondents operate</th>
<th>Resources</th>
<th>Non Cyclical Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>7.14%</td>
<td>Food &amp; Drug Retailers 3.57%</td>
</tr>
<tr>
<td>Oil &amp; Gas</td>
<td>7.14%</td>
<td>Telecommunication Services 7.14%</td>
</tr>
<tr>
<td>Basic Industries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Steel &amp; Other Metals</td>
<td>3.57%</td>
<td>Banks 3.57%</td>
</tr>
<tr>
<td>Cyclical Consumer Goods</td>
<td>7.14%</td>
<td>Insurance 3.57%</td>
</tr>
<tr>
<td>Automobiles &amp; Parts</td>
<td>7.14%</td>
<td>Life Assurance 3.57%</td>
</tr>
<tr>
<td>Non Cyclical Consumer Goods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beverages</td>
<td>3.57%</td>
<td>Investment Companies 3.57%</td>
</tr>
<tr>
<td>Food Producers &amp; Processors</td>
<td>3.57%</td>
<td>Speciality &amp; Other Finance 10.71%</td>
</tr>
<tr>
<td>Cyclical Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Retailers</td>
<td>7.14%</td>
<td>INFORMATION TECHNOLOGY</td>
</tr>
<tr>
<td>Support Services</td>
<td>10.71%</td>
<td>Development Capital Sector 10.71%</td>
</tr>
</tbody>
</table>

The most responses were received from firms with 1001 to 5000 and more than 10 000 employees respectively (see figure 4.2). Although the response rate yielded by smaller...
firms was lower, it was not to the extent that it could have resulted in this study not being able to give a true indication of CI activity in that community.

![Pie chart showing the number of employees by size category: Less than 100 (18%), 100 - 1000 (78%), 1001 - 5000 (26%), 5001 - 10000 (12%), More than 10000 (26%).]

Figure 4.2 Number of employees.

4.2.2 THE USE OF CI

Seventy-nine percent of respondents indicated that they use CI to inform their corporate decision making (see figure 4.3), however, CI is only performed on a formal/structured basis in 53% of these companies and only 41% has a formal CI function/department (see figure 4.4). These results suggest that CI is still largely performed on a part-time basis in the responding companies, however, the percentage of companies with formal CI functions/departments is higher than the 28% found by Viviers and Snyman in the study they conducted in 2001 (Naude, 2002: 40).

The percentage of companies that indicated that they use CI to inform decision making within the company (79% - see figure 4.3), is also higher than the 10% of South African companies that according to Michael Kuhn of International Business and Information
Services (Ibis), currently use CI. He did however indicate that this will be different in five year’s time (Muller, 2002:46).

Figure 4.3 Use of CI to inform corporate decision making.

4.2.3 FORMAL/STRUCTURED CI FUNCTIONS

All respondents with more than 10 000 employees indicated that CI is used to inform decision making, however only 67% of these companies have formal CI functions/departments. The biggest gap exists within companies with less than 100 employees and those with between 1001 to 5000 employees. The former indicated that CI is used in 83% of instances, while only 20% reported a formal CI function/department. Only 13% of companies with 1001 to 5000 have formal CI functions/departments, compared to 89% who indicated CI usage (see figure 4.5).
Formal CI functions/departments are present in 27% of national (RSA only) companies, 41% of international companies and 32% of multi-nationals (see figure 4.6).

The SCIP study indicated that it was estimated that almost all of the Fortune 100 companies, 85% of the Fortune 500, and 50% of medium-sized companies have developed a formalised Competitive Intelligence process (Havenga, 2003).

Although it thus seems as if South African companies are starting to realise the importance and potential benefits of CI, the current status of CI is not yet comparable to international benchmarks such as the US and Asia where no big company operates without such a unit (see 2.6.3).
Figure 4.5  Usage of CI vs. formal CI function/department.

Figure 4.6  Companies with formal CI functions/departments.
4.2.4 CI IN RELATION TO THE EXTERNAL ENVIRONMENT

In business environments where the barriers to entry are medium, 49% of respondents indicated that CI is performed on a formal/structured basis, compared to 36% and 15% where barriers to entry are respectively high and low (see figure 4.7)

![Diagram showing formal/structured CI in relation to barriers to entry.]

Figure 4.7 Formal/structured CI in relation to barriers to entry.

Seventy-four percent of companies indicated that they adapt swiftly to changes in their external environment, compared to 79% of respondents that uses CI to inform corporate decision making (see figure 4.8).
4.2.5 LOCATION OF THE CI FUNCTION

Most CI functions report to the marketing department (26%), followed by strategic planning (19%) and the Board (16% - see figure 4.9). Viviers et al., (2001: 31) concluded that where CI is intended to be a strategic function, it was more of a marketing function, with the main department responsible for CI being the marketing department (53%), followed by the strategic planning department (17%). According to the international study by Marin (2002), the majority of the organizations (59%) located their CI function in the marketing department. Literature suggests that ideally CI should have an independent standing and not report to departments such as marketing and strategy (see 2.4.7).

Intelligence requests originates mostly from marketing (21%), strategic planning and sales (17% each - see figure 4.10). Marin (2002) found that managers, marketing, and sales staff are the main users of CI (see figure 4.11).
4.2.6 CI REQUESTS VS. INPUT VS. BENEFIT

The most intelligence input is once again provided by marketing (26%), followed by strategic planning and sales with 17% each.

According to the results marketing (24%) and sales (22% - see figure 4.10), benefit the most from CI.

CI is mostly used to inform decision making in marketing and sales (18%), followed by strategic planning (16% - see figure 4.12). Although there still seem to a tendency to
Figure 4.10  Intelligence requests vs. input vs. benefit.

Figure 4.11  Main users of competitor information (source, Marin: 2002).
focus CI mainly on marketing efforts, there however seems to be a move to also use CI more in the strategic planning domain, although not that much benefit seems to have been derived from it yet.

![Areas where CI inform decision making](image)

Figure 4.12 Areas where CI inform decision making.

41% of respondents indicated that CI guides and supports decision making at the strategic level within their firms, with 35% and 24% respectively at the tactical and operational levels (see figure 4.13). 47% used CI regularly in planning and strategic decision making (Naude, 2002: 40).
Figure 4.13  CI spheres of influence.

4.2.7 DELIVERABLES OF CI

The main deliverables of the CI function (see figure 4.14), are competitor monitoring/analysis (14%), market research/analysis (13%), Opportunity/Threat identification (12%) and benchmarking (11%). Counterintelligence (5%) doesn’t seem to be a priority as suggested in literature (Whitehead, 2002). Risk management is seen by only 5% in comparison with the major role for CI envisaged by Gilad (see 2.4.4).
4.2.8 SOURCES OF CI

The main source for CI of South African companies is their own employees (18%), followed by Clients/customers the annual reports of competitors (see table 4.4). Viviers et al., (2001) also found employees within a company to be the primary source of information (30.8%).

Although CI literature place much emphasis on primary information sources (see 2.5.1), such as employees, senior management, competitors, clients and suppliers, these all featured less prominently in the survey results obtained by Marin (2002). 'The next top three sources (corporate web sites, trade publications and competitors' annual reports), though mentioned in the literature, were also not stressed as much as the respondents noted' (Marin, 2002).

59
<table>
<thead>
<tr>
<th>Sources of CI</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>News providers</td>
<td>7%</td>
</tr>
<tr>
<td>Corporate web sites</td>
<td>7%</td>
</tr>
<tr>
<td>Trade publications</td>
<td>6%</td>
</tr>
<tr>
<td>Annual reports of competitors</td>
<td>9%</td>
</tr>
<tr>
<td>Employees (own)</td>
<td>8%</td>
</tr>
<tr>
<td>Employees (competitors)</td>
<td>4%</td>
</tr>
<tr>
<td>Trade shows</td>
<td>4%</td>
</tr>
<tr>
<td>Clients/customers</td>
<td>9%</td>
</tr>
<tr>
<td>Stock market analyst's reports</td>
<td>7%</td>
</tr>
<tr>
<td>Senior management (own)</td>
<td>10%</td>
</tr>
<tr>
<td>Current awareness services</td>
<td>4%</td>
</tr>
<tr>
<td>Suppliers</td>
<td>7%</td>
</tr>
<tr>
<td>Distributors</td>
<td>3%</td>
</tr>
<tr>
<td>Patent filings</td>
<td>2%</td>
</tr>
<tr>
<td>Promotional material</td>
<td>6%</td>
</tr>
<tr>
<td>Job advertisements</td>
<td>2%</td>
</tr>
<tr>
<td>Physical monitoring e.g. of competitor parking lots</td>
<td>2%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
</tr>
</tbody>
</table>

Figure 4.15 Sources of competitive intelligence (source, Marin: 2002).
Responses obtained with the follow-up questionnaire were however more consistent with the literature (Marin, 2002) and seem to indicate that the primary sources of CI are more valued although access to them presents more challenges than secondary sources (see figure 4.15).

4.2.9 DISSEMINATION OF CI

CI is mostly distributed through means of one on-one presentations and individualised reports (see figure 4.16). This is followed by e-mail (19%) and the intranet (15%). These findings correspond with that of a survey conducted in 2002 by Marin (see figure 4.7). Marin (2002) also found that e-mail was most useful in time-sensitive cases though not necessarily the “best” vehicle (see figure 4.17). Literature suggests that corporate portals might offer organisations a more efficient system for integrating their information and knowledge resources (Marin, 2002).

Figure 4.16  Dissemination of CI
Figure 4.17 Vehicles of CI distribution (source: Marin, 2002).

4.2.10 CULTURE AND IMAGE OF CI

Fifty-six percent of respondents indicated that the culture within the organisation/company was conducive to the use of CI as a tool to inform corporate decision making, while 10% responded in the negative (see figure 4.18). ‘On the positive side it appears as if South African firms have the right attitude for competitive intelligence’ (Viviers et al., 2001:34).

The image of CI within the company was regarded by 63% as being good, while 31% thought it was average and 6% indicated it as being poor (see figure 4.19).
Figure 4.18  A culture conducive to the use of CI.

Figure 4.19  Image of CI.
4.2.11 MEASURING CI

"Evaluation of CI usage is not a straightforward activity as it is difficult to quantify (Marin, 2002). Marin's survey (2002) indicated that few organisations have any mechanisms in place to measure the value of CI. The usage of the CI that is gathered and distributed has been subjected to evaluation by some companies. The results of this survey also indicate that in 34% of instances CI is not formally measured, while the usage of CI input (20% - see figure 4.20) is the current preferred method of evaluation.

West (2001:180) states five key indicators of the effectiveness of CI, namely,

- Quality of intelligence provided
- Use being made of competitive intelligence
- Development of an intelligence culture
- Event analysis
- Market share.

![Diagram showing how CI is measured](image)

Figure 4.20  How CI is measured.
4.2.12 LENGTH OF CI EXISTENCE

Sixty-five percent of responding companies indicated that CI has existed within the company for less than five years, with only 7% indicating that an existence of more than 10 years, which is in line with findings in literature and research for the South African context (see figure 4.21).

![Length of CI Existence Chart]

Figure 4.21  Length of CI existence.
CHAPTER 5       CONCLUSION AND RECOMMENDATIONS

5.1       CONCLUSION

5.1.1       INTRODUCTION

Intelligence as a process has long been proposed as an effort to increase a company's competitiveness (as cited in Viviers, 2002:28) and the aim of this study was to determine the extent to which competitive intelligence is used by South African companies to achieve a competitive advantage.

5.1.2       SOUTH AFRICA'S GLOBAL COMPETITIVENESS

Through a literature study, the status of South Africa's global competitiveness has been discussed (see 2.1), as well as the concept of competitive intelligence and its value as a tool to inform corporate decision-making. Through literature it has been established that it is necessary for South Africa to address the issue of its global competitiveness and a clear link was drawn between competitiveness in general and the use of competitive intelligence (see 1.1).

5.1.3       CI's VALUE-ADD

The former study also established that value could be added to the bottom line by using CI as a tool to inform decision making (see 2.7).
5.1.4 THE USE OF CI IN SOUTH AFRICA VS. INTERNATIONAL BENCHMARKS

Through means of a survey, the extent to which CI is used by South African companies to inform their corporate decision-making has been determined and the results were compared with a recent South African study as well as international benchmarks that were established through research (see 4.2).

In respect to the above, the study has been successful. It could be argued that there seems to be a better understanding of CI and its value and that South African companies are moving towards making more use of CI to create competitive advantages for themselves in the global market place (see 4.2).

5.2 RECOMMENDATIONS

5.2.1 A COMPETITIVENESS STRATEGY FOR SOUTH AFRICA

As indicated by the results (see 4.2), CI in South Africa is still in its infancy and the increased use of CI across the business landscape might in the next decade positively influence South Africa’s competitiveness in the international arena. The former, however, needs to be supported by a competitiveness strategy for South Africa as contended by Singo (2003) – see 2.1.1 and 2.1.2. This should be achieved through the high-level involvement and commitment of relevant stakeholders and close cooperation between the private and public sectors. South Africa needs to become a ‘learning nation’ (see 2.1.2), in order to improve South Africa’s competitiveness in the international arena and to improve the quality of life of South Africa’s people.

According to most indicators the South African economy is based on sound economic principles and is healthy (www g, 2003), however a continued, and in certain instances,
an enhanced focus on skills development, job creation, innovation and productivity would be critical in serving as the foundation from which a proposed competitiveness strategy could be launched.

5.2.2 THE USE OF CI ON AN INTEGRATED AND STRUCTURED BASIS

What is clear from the literature review (see 2.3.2), is that companies cannot afford not to have an effective competitive intelligence capability that can defend them against threats and allow them to grow by seizing opportunities.

The value and benefits of CI (see 2.4.2. & 2.7) have not been realised by most South African companies and the marketing of the ‘discipline’ in the South African context remains a burning need. Many CI courses are being presented overseas by experts at tertiary institutions overseas (Kahaner, 1996 as cited in Viviers et al., 2001). Courses in CI is being presented by one or two of South Africa’s universities; however, the enhanced marketing of the ‘discipline’ and its prevalence in the academic curricula of especially South African Business Schools, could just be to the country’s advantage in global economic terms.

Coupled with the need for CI to become more ‘visible’ in the South African business community, there is a need for CI to be practiced in an integrated fashion and on a structured basis. Although the use of CI in South Africa seems to be on the increase, it is however as an integrated function not yet close to that of their counterparts abroad (see 4.2.3). CI however seems to be in many instances still a part-time activity and – as Gilad (2000), mentioned at the 2000 SCIP conference ‘part-time CI is no CI’ (Gilad, 2000 as cited by Viviers et al., 2001:31). Businesses not knowing where to start or how do go about setting up a fully fledged intelligence structure, could make contact with a number of companies/consultants in South Africa who would be able to advise them in this field.
It is also recommended by the author that companies currently practising CI have a critical review of the role, function and location of their respective units, in ensuring that they reap the maximum benefits of what CI has to offer (see 2.7).

According to Havenga (2003), ‘Companies, who have implemented effective, formal competitive intelligence processes focusing on critical issues, will have a competitive advantage over their rivals’.

5.2.2 INTRODUCING COUNTERINTELLIGENCE

The setting up of a competitive intelligence process/structure in order to reap its potential benefits is not an exercise that could be conducted overnight. Another important measure however that companies need to take heed of, is the issue of counterintelligence. Counterintelligence is a significant threat (Whitehead, 2002 – see 2.8) and it would be in the best interest of companies to immediately institute relevant measures and controls to ensure that confidential information is protected from unauthorised entries, going some way in maintaining current competitive advantages against competitors who might have the advantage of competitive intelligence functions.

5.2.3 RECOMMENDATIONS FOR FUTURE RESEARCH

Although the study is regarded is a success, the disappointing response rate by firms (as discussed previously which seems to be a trend in South Africa on security related issues), remains a concern for any future research in this field.

Besides the low response rate, companies whom have been approached for interviews displayed a general lack of willingness to share with others (outsiders?) how CI is applied within their organisations, despite reassurances of anonymity from the researcher. This attitude might be attributed to the ‘cloak and dagger’ image of CI in many spheres.
Hopefully future studies will, besides being able to establish the growth of CI in South Africa, also be able to perhaps quantify the financial benefits of having implemented CI in a number of South African companies. Another field of research might be the use of CI to influence and inform strategy, compared to the current marketing focus.
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www g:  http://www.finance24.co.za/News24/Finance/Budget/0,2-8-261_1325637,00.html  26/02/2003
24 July 2003

TO WHOM IT MAY CONCERN

This serves to confirm that Mr C Kloppers (student number 2008652) is a registered student for the Masters Degree in Business Administration (MBA) offered by Technikon Witwatersrand and validated by the University of Wales.

He is currently completing his dissertation Part 2 of his MBA. Please grant him access to your premises and information that he requires.

Yours sincerely

Ms Yasmin Sibran
Course Coordinator
13 August 2003

Dear Sir/Madam

COMPETITIVE INTELLIGENCE (CI) SURVEY

This survey is part of a research project to determine the extent to which Competitive Intelligence is used by companies in South Africa, to inform their corporate decision making.

Larry Kahaner (1996:16) defined CI as: 'a systematic program for gathering and analyzing information about one's competitors' activities and general trends to further one's own company goals'.

Through this research, which forms part of my MBA, I would also like to conclude whether the more effective use of CI as a management tool, could contribute towards companies gaining a competitive edge or enhancing their overall competitiveness in their respective markets.

Please answer the questions freely as all the information you provide will be treated in the strictest confidence. At no stage would any information be interpreted or reported in a way in which it could point or be linked to any particular respondent.

The questionnaire should take about twenty (20) minutes to complete. Please tick the appropriate response. When you have completed the questionnaire, please e-mail it to the following addresses: klopperse@mweb.co.za or comp.intelligence.survey@mweb.co.za. Alternatively it could be faxed to +27(11)3747056 for my attention. It would be appreciated if you could return the completed questionnaire to me by close of business on Friday, 22 August 2003.
Thank you for taking the time to help me – as a token of my gratitude, I would make a copy of the results available to you upon finalization. If you would like to receive a copy, please indicate as such by ticking the appropriate box on the questionnaire.

Please do not hesitate to contact me via e-mail at the above address or on +27(0)83 296 5730 should you have any queries or if you would like further information about this project.

Thanks you for your assistance and cooperation in helping me to make a success of this project.

Kind regards,

Christo Kloppers
Student (MBA Wales University presented by TWR)

Under the supervision of Professor RWE van der Wal
Tel: +27(0)82 785 6669
E-mail: thusa@absamount.co.za
**ANNEXURE C**

**COMPETITIVE INTELLIGENCE (CI) SURVEY QUESTIONNAIRE**

*Please mark the appropriate box with a 'x'.*

**Question 1**  Respondent's level in the organisation/company

<table>
<thead>
<tr>
<th>1 Board</th>
<th>3 Middle Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 Senior Management</td>
<td>4 Other</td>
</tr>
</tbody>
</table>

**Question 2**  Type of organisation/company

<table>
<thead>
<tr>
<th>1 National (RSA only)</th>
<th>2 Multi-national</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 International</td>
<td>4 Other</td>
</tr>
</tbody>
</table>

**Question 3**  Number of employees of the organisation/company

<table>
<thead>
<tr>
<th>1 Less than 100</th>
<th>2 101 - 1000</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 1001 - 5000</td>
<td>4 5001 - 10 000</td>
</tr>
<tr>
<td>5 More than 10 000</td>
<td>6 No comment</td>
</tr>
</tbody>
</table>
Question 4
Sector in which organisation/company is listed on the Johannesburg Securities Exchange (JSE)

Sector in which organisation/company operates if NOT listed on the Johannesburg Securities Exchange (JSE)

<table>
<thead>
<tr>
<th>A RESOURCES</th>
<th>F CYCLICAL SERVICES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Mining</td>
<td>1 General Retailers</td>
</tr>
<tr>
<td>2 Oil &amp; Gas</td>
<td>2 Leisure &amp; Hotels</td>
</tr>
<tr>
<td>B BASIC INDUSTRIES</td>
<td>3 Media &amp; Entertainment</td>
</tr>
<tr>
<td>1 Chemicals</td>
<td>4 Support Services</td>
</tr>
<tr>
<td>2 Construction &amp; Building Materials</td>
<td>5 Transport</td>
</tr>
<tr>
<td>3 Forestry &amp; Paper</td>
<td>G NON CYCLICAL SERVICES</td>
</tr>
<tr>
<td>4 Steel &amp; Other metals</td>
<td>1 Food &amp; Drug Retailers</td>
</tr>
<tr>
<td>C GENERAL INDUSTRIALS</td>
<td>2 Telecommunication Services</td>
</tr>
<tr>
<td>1 Diversified industrials</td>
<td>H FINANCIALS</td>
</tr>
<tr>
<td>2 Electronic &amp; Electrical</td>
<td>1 Banks</td>
</tr>
<tr>
<td>3 Engineering and Machinery</td>
<td>2 Insurance</td>
</tr>
<tr>
<td>D GOODS</td>
<td>3 Life Assurance</td>
</tr>
<tr>
<td>1 Automobiles &amp; Parts</td>
<td>4 Investment Companies</td>
</tr>
<tr>
<td>2 Household Goods &amp; Textiles</td>
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<tr>
<td>E NON CYCLICAL CONSUMER GOODS</td>
<td>6 Speciality &amp; Other Finance</td>
</tr>
<tr>
<td>1 Beverages</td>
<td>H INFORMATION TECHNOLOGY</td>
</tr>
<tr>
<td>2 Food Producers &amp; Processors</td>
<td>1 Information Technology</td>
</tr>
<tr>
<td>3 Health</td>
<td>1 Hardware</td>
</tr>
<tr>
<td>4 Pharmaceuticals &amp; Biotechnology</td>
<td>2 Software &amp; Computer</td>
</tr>
<tr>
<td></td>
<td>J DEVELOPMENT CAPITAL</td>
</tr>
<tr>
<td></td>
<td>1 Development Capital Sector</td>
</tr>
<tr>
<td></td>
<td>H VENTURE CAPITAL</td>
</tr>
<tr>
<td></td>
<td>2 Venture Capital Sector</td>
</tr>
</tbody>
</table>

Question 5
Is the organisation/company listed on the JSE (Johannesburg Securities Exchange)?

1 Yes
2 No

Question 6
Is the organisation/company listed on any other Exchange besides the JSE?

1 Yes
2 No
Question 7  Organisation's/company's market share in sector/industry in RSA

1 More than 75%
2 50 - 75%
3 25 - 50%
4 Less than 25%

Question 8  The attractiveness of the sector/industry for competitors

1 High
2 Medium
3 Low

Question 9  Barriers to entry

1 High
2 Medium
3 Low

Question 10  The organisation/company adapts swiftly to changes in the external environment

1 Yes
2 No

Please briefly motivate your response:

Question 11  CI is used within the organisation/company to inform corporate decision making

1 Yes
2 No

Any additional comments?

Question 12  CI is performed within our organisation/company on a formal/structured basis

1 Yes
2 No
3 Not applicable
**Question 13**  The CI function has been outsourced

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<tbody>
<tr>
<td>1</td>
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<tr>
<td>2</td>
<td>No</td>
</tr>
<tr>
<td>3</td>
<td>Not applicable</td>
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</table>

**Any additional comments?**


**Question 14**  The organisation/company has a formal CI function/department

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<tr>
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<td>2</td>
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</tr>
<tr>
<td>3</td>
<td>Not applicable</td>
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</table>

**Any additional comments?**


**Question 15**  The CI function has been in existence for

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<tr>
<td>3</td>
<td>Five (5) to ten (10) years</td>
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<tr>
<td>4</td>
<td>More than ten (10) years</td>
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**Question 16**  The CI function within our organisation/company reports to

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<tbody>
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<tr>
<td>2</td>
<td>CEO</td>
</tr>
<tr>
<td>3</td>
<td>Board level</td>
</tr>
<tr>
<td>4</td>
<td>General Manager/Head of business unit level</td>
</tr>
<tr>
<td>5</td>
<td>Senior Management level</td>
</tr>
<tr>
<td>6</td>
<td>Middle Management level</td>
</tr>
<tr>
<td>7</td>
<td>Lower level than the above</td>
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</table>
Question 17  The CI department/function reports to the following department/unit

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<tr>
<td>3</td>
<td>Strategic planning unit</td>
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<tr>
<td>4</td>
<td>Marketing</td>
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<td>5</td>
<td>Finance</td>
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<tr>
<td>6</td>
<td>Information Technology</td>
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<tr>
<td>7</td>
<td>Research &amp; development</td>
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<tr>
<td>8</td>
<td>Sales</td>
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<td>9</td>
<td>Admin/finance</td>
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<tr>
<td>10</td>
<td>Human Resources</td>
</tr>
<tr>
<td>11</td>
<td>Security</td>
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<tr>
<td>12</td>
<td>Production</td>
</tr>
<tr>
<td>13</td>
<td>Procurement/purchasing</td>
</tr>
<tr>
<td>14</td>
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</table>

Any additional comments?

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Question 18  The CI function has its own budget

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<tr>
<td>3</td>
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Any additional comments?

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Question 19  The most intelligence requests comes from the following department/unit

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<td>12</td>
<td>Production</td>
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<tr>
<td>13</td>
<td>Procurement/purchasing</td>
</tr>
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<td>14</td>
<td>Other</td>
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Any additional comments?

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Question 20  The department/unit that provides the most input in terms of CI

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<td>3</td>
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<td>Security</td>
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<td>12</td>
<td>Production</td>
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<td>13</td>
<td>Procurement/purchasing</td>
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<td>14</td>
<td>Other</td>
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</table>

Any additional comments?
Question 21  The departments/units that benefit the most from CI

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<td>Strategic planning unit</td>
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<td>13</td>
<td>Procurement/purchasing</td>
</tr>
<tr>
<td>14</td>
<td>Other</td>
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Any additional comments?

Question 22  CI/CI function guides and influences/supports decision making at the following levels in the organisation/company

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<tr>
<td>3</td>
<td>Tactical</td>
</tr>
<tr>
<td>4</td>
<td>Operational</td>
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Any additional comments?

Question 23  CI is used to inform decision making in the following areas

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<tbody>
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<td>2</td>
<td>Strategic planning</td>
</tr>
<tr>
<td>3</td>
<td>Tactical planning</td>
</tr>
<tr>
<td>4</td>
<td>Operational planning</td>
</tr>
<tr>
<td>5</td>
<td>Marketing &amp; Sales</td>
</tr>
<tr>
<td>6</td>
<td>Public Relations</td>
</tr>
<tr>
<td>7</td>
<td>Economic</td>
</tr>
<tr>
<td>8</td>
<td>Research &amp; development</td>
</tr>
<tr>
<td>9</td>
<td>Mergers &amp; acquisitions</td>
</tr>
<tr>
<td>10</td>
<td>Technology</td>
</tr>
<tr>
<td>11</td>
<td>Environmental issues</td>
</tr>
<tr>
<td>12</td>
<td>Government &amp; Legal</td>
</tr>
<tr>
<td>13</td>
<td>Socio-political</td>
</tr>
<tr>
<td>14</td>
<td>Other</td>
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</table>

Any additional comments?
### Question 24

The deliverables/products of the CI function/CI are

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<table>
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<tbody>
<tr>
<td>1</td>
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<tr>
<td>2</td>
<td>Opportunity/Threat identification</td>
</tr>
<tr>
<td>3</td>
<td>Vulnerability assessment</td>
</tr>
<tr>
<td>4</td>
<td>Competitor monitoring/analysis</td>
</tr>
<tr>
<td>5</td>
<td>Market research/analysis</td>
</tr>
<tr>
<td>6</td>
<td>Scenario planning</td>
</tr>
<tr>
<td>7</td>
<td>Counterintelligence</td>
</tr>
<tr>
<td>8</td>
<td>Benchmarking</td>
</tr>
<tr>
<td>9</td>
<td>Risk Management</td>
</tr>
<tr>
<td>10</td>
<td>R &amp; D recommendations</td>
</tr>
<tr>
<td>11</td>
<td>Trade show analysis</td>
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<tr>
<td>12</td>
<td>Early Warning System</td>
</tr>
<tr>
<td>13</td>
<td>Competitive response</td>
</tr>
<tr>
<td>14</td>
<td>Modelling</td>
</tr>
<tr>
<td>15</td>
<td>Monitoring the competitive environment</td>
</tr>
<tr>
<td>16</td>
<td>Other</td>
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Any additional comments?

---

### Question 25

Sources of CI

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<tr>
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</tr>
<tr>
<td>2</td>
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<tr>
<td>3</td>
<td>Corporate web sites</td>
</tr>
<tr>
<td>4</td>
<td>Trade publications</td>
</tr>
<tr>
<td>5</td>
<td>Annual reports of competitors</td>
</tr>
<tr>
<td>6</td>
<td>Employees (own)</td>
</tr>
<tr>
<td>7</td>
<td>Employees (competitors)</td>
</tr>
<tr>
<td>8</td>
<td>Trade shows</td>
</tr>
<tr>
<td>9</td>
<td>Clients/customers</td>
</tr>
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<td>10</td>
<td>Stock market analyst's reports</td>
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<td>11</td>
<td>Senior management (own)</td>
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<td>12</td>
<td>Current awareness services</td>
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<td>Suppliers</td>
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<td>14</td>
<td>Distributors</td>
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<td>Patent filings</td>
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<td>Promotional material</td>
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<tr>
<td>17</td>
<td>Job advertisements</td>
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<td>18</td>
<td>Physical monitoring e.g. of competitor parking lots</td>
</tr>
<tr>
<td>19</td>
<td>Other</td>
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Any additional comments?

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### Question 26

Vehicles of CI distribution within the organisation/company

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<td>One on one presentations</td>
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<td>8</td>
<td>Other</td>
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</table>
Question 27  CI/CI function within the organisation/company is measured on

1. Not applicable
2. Not formally measured
3. Organisational growth
4. Market share increase
5. Usage of CI input
6. CI requests received
7. Influence on decision making
8. Other

Any additional comments?

Question 28  The culture within our organisation/company is conducive to the use of CI as a tool to inform corporate decision making

1. Not applicable
2. Yes
3. No
4. Getting there

Please briefly motivate your response:

Question 29  The CI department's image/reputation within the organisation/company is

<table>
<thead>
<tr>
<th>Not applicable</th>
<th>Good</th>
<th>Average</th>
<th>Poor</th>
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</table>

Please briefly motivate your response:
Please add any additional comments that you feel might be useful in the context of this survey

Thank you for taking the time to complete this questionnaire. If you would like to receive a copy of the results, please tick the appropriate box.

Yes

No

Please note: Results will be forwarded to the e-mail address where the completed questionnaire was dispatched from. If you are faxing the information, or if you want the results to be forwarded to a different e-mail address, please provide me with the relevant contact details.

Please save and e-mail the completed questionnaire to: knopperse@midweb.co.za
or fax to: 0866708831