

The competitive environment in the information and communication technology industry – A case study

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ABSTRACT

Globalisation and the increase of competitors have contributed to many new challenges in the Information and Communication Technology (ICT) sector. Competitiveness and comparative advantage have become important for managers and business analysts. Accurate and timeous information about markets and competitors allows managers to make better informed strategic business decisions. Consequently it will become possible to anticipate different future market scenarios that would improve the organisation's competitiveness.

Organisations need to analyse the external environment to determine opportunities and threats. They need to be one step ahead of their competitors in order to survive in a very competitive environment. South Africa's economy has grown at a steady rate until the year 2008 and globalisation has created many opportunities. The FIFA Soccer World Cup will be hosted in South Africa in 2010 and this upcoming event has created numerous business opportunities for organisations. The ICT sector is an important contributor to the growth and development of the country's economy. The ICT sector will attempt to provide possibilities for education, training, skills development, job creation and broad-based black economic empowerment (BBBEE).

The overall objective of this research project was to determine and define the changing competitive environment in the ICT sector and the way in which organisations respond to this environment. The research consisted of a literature study and an empirical survey. The empirical survey questionnaire measured how subjects understand and experience their competitive environment. Interviews were also conducted to understand if/how Organisation A analysed its external competitive environment.

The results of the research showed that the external environment has an immense influence on Organisation A and that it is important for Organisation A to identify all the variables that will have an impact on it. The research also showed that Organisation A has various opportunities which it will need to take advantage of if it wants to be competitive and stay competitive. Organisation A has only recently recognized that a formal

competitive/competitor analysis is required to stay competitive. Currently, Organisation A is conducting competitive/competitor analyses on an ad hoc basis.

OPSOMMING

Globalisasie en 'n toename in mededingende organisasies het bygedra tot vele nuwe uitdagings in die Inligting en Kommunikasie Tegnologie (IKT) sektor. Mededingendheid en mededingende voordeel het al hoe meer belangrik geword vir topbestuur en organisasie-analiseerders. Akkurate en voorafversamelde inligting met betrekking tot die mark en mededingers verseker dat topbestuur beter ingeligte strategiese besigheidsbesluite kan neem. Akkurate en voorafversamelde inligting maak dit ook moontlik om verskillende omstandighede in die mark te verwag wat sal help met die mededingendheid van die organisasie.

Maatskappye behoort die eksterne omgewing te analiseer sodat geleenthede en bedreigings betyds ge-identifiseer word, asook om te verseker dat hulle voortdurend een stap voor hulle mededingers bly en dus kan oorleef in hierdie sterk mededingende omgewing. Suid Afrika se ekonomie het gegroei teen 'n konstante koers tot en met 2008 en die opkomende FIFA Sokker Wêreldbekertoernooi wat vir 2010 geskeduleer is, het reeds talle geleenthede vir organisasies binne Suid Afrika bewerkstellig. Die IKT sektor dra grootliks by tot die groei en ontwikkeling van die land se ekonomie deur soveel moontlik geleenthede te bewerkstellig vir opvoeding, opleiding, vaardigheidsontwikkeling, werkskepping en breë-basis-swart-ekonomiese-bemagtiging.

Die algemene doelwit van die navorsingsprojek was om die veranderende mededingende omgewing te identifiseer en hoe organisasies daarop sal reageer. Die navorsing bestaan uit 'n literatuur studie en 'n empiriese analise. Die empiriese analise sluit 'n vraelys in wat bepaal hoe die eksterne mededingende omgewing ervaar word. Onderhoude was gereël en uitgevoer om te verstaan hoe Organisasie A die eksterne omgewing analiseer.

Resultate het aangetoon dat die eksterne omgewing 'n groot impak op Organisasie A het en dat dit belangrik is vir Organisasie A om die veranderlikes te identifiseer wat wel 'n impak sal maak. Die navorsing het ook getoon dat Organisasie A verskeie geleenthede het wat hulle sal moet gebruik om sodoende mededingend te wees en om mededingend te kan bly.

Organisasie A het onlangs eers besef dat mededingende analyses/ontledings noodsaaklik en belangrik is om mededingendheid te verseker. Organisasie A is tans besig met soortgelyke analyses op 'n ad hoc basis.

CHAPTER 1: INTRODUCTION

1.1. Background

Information and Communication Technology (ICT) in the broad sense includes two complementary components namely: i) information technology; and ii) communication. Information Technology (IT) includes all electronic-based technology that gathers, manipulates, stores and manages data. The communication component includes any platform that allows for the transmission of information between two parties (Anon, 2007a:1).

Lall (2001:3) stated that competitiveness is a diffuse concept that is subject to many interpretations. One can easily define the competitiveness of an organisation, but it is more complicated to define competitiveness on an international level. Lall (2001:4) defined organisational competitiveness as the ability to do better than comparable organisations in sales, market share and profitability. According to Going Global Inc. (2006:1), South Africa is the ICT gateway to Africa and an increasing number of local organisations are expanding into the rest of Africa. Furthermore, South Africa has the largest and most advanced ICT industry on the continent and many multinational organisations have chosen to base their regional offices in South Africa.

Going Global Inc. (2006:1) also stated that between 1998 and 2003, the IT industry's growth in terms of gross domestic product (GDP) was a high 11 percent, which outpaced the growth of South Africa's broader economy during the same period. Mochiko (2007:1) stated that even though the ICT industry has the potential to grow by a robust 20 percent in 2007, a skills shortage could stand in its way.

Therefore, South Africa's economy has the potential to grow at a rapid pace that should continue as the importance of IT is recognised. More and more South African organisations have started to realise the importance of IT as a competitive advantage over their competitors; however, it is not all positive for South Africa as a skills shortage might have a major negative impact on the growth of the IT industry. More business opportunities are appearing more frequently and it is important that South Africa creates a stable foundation for training and up-skilling its resources.

1.2. Industry concerns and challenges

Anon (2005:1) stated that the business environment demands proactive change and that adapting to change is the key to competitiveness in today's fast-changing world. Cook *et al.* (2004:36) stated that the establishment of new technologies has also produced a virtual explosion of new opportunities for the organisation to incorporate competitive applications on all fronts in order to support its vision. Cook *et al.* (2004:36) also stated that the support for change can be justified for the following reasons: i) to remain competitive; and ii) to gain advantage over the competition.

Research findings by Bharadwaj (2000:152) in the area of information technology and competitive advantage have shown that high IT-capable firms outperform their direct competitors on a number of performance measures, and that organisations that have implemented an IT-enabled strategy have an accounting performance advantage over their direct competitors.

The IT environment is changing rapidly and it is important for organisations to be dynamic and proactive as they might lose out to competitors if they do not have any contingency plans and strategies.

1.3. Motivation

Information and communication technologies are very important factors in obtaining business information as these will increase the organisation's competitive advantage. Accurate and timeous information about the business environment will highlight and create a competitive advantage in a competitive industry. The organisation's management team needs to use accurate and relevant methods to identify and analyse the business environment. They will then have a better understanding of the environment and will be able to make better decisions and also develop more competitive strategies. For an organisation to gain a competitive advantage, a detailed analysis of the ICT industry needs to be done to take into account the following factors:

- Updated and new technologies and how these will influence an organisation's competitive advantage;
- Increasing number of competitors due to lower entry barriers; and

- The competitive strategies of other organisations to obtain a competitive advantage.

A survey done by Silerova and Lang (2003:4) stated that most organisations already use information systems to increase their competitive advantage.

1.4. Problem statement and research objectives

1.4.1. Problem statement

The external business environment is continuously changing and is becoming more competitive. New technologies are developing, market trends are volatile and organisations need to adjust their strategies to respond to this external environment. Although an organisation has little influence over its external environment, it has more control over the internal environment and can change the internal factors in reaction to changes in the external environment. This raises the question at Organisation A:

Does Organisation A use suitable techniques on a continuous basis to obtain relevant and accurate information concerning the external environment to make better informed decisions for competitive advantage?

1.4.2. General objective

The objective of this study is to analyse how Organisation A understands and interprets important aspects about its competitive environment and also to determine whether there are efforts underway to enhance such an understanding.

1.4.3. Specific objectives

The general objectives above made it possible to formulate the following specific and detailed objectives:

- The identification and investigation of important factors which an organisation needs to consider in the external business environment;
- The formulation and completion of a questionnaire which measures what the employees of the Organisation A perceived as important aspects of the external business environment;

- The identification and analysis of factors which Organisation A perceives as their competitive advantage;
- The identification of the current methods used by Organisation A to analyse the external business environment; and
- The reaching of conclusions and developing recommendations as to the above, for presentation to Organisation A's management team.

1.5. Research method

This study will firstly consist of a literature study and secondly of an empirical study. The literature study will focus on the external business environment in which it is operating and the purpose is to identify and highlight the important variables of previous research. Information on a PEST analysis, SWOT analysis and pricing strategies will be gathered from text books and scientific journals, the Internet and other relevant publications.

Secondly, the exploratory empirical study will focus on the external and internal business environment of Organisation A. Sekaran (2000:123) stated that an exploratory study is undertaken when not much is known about the situation at hand, or when no information is available on how similar problems have been solved in the past. Questionnaires will be distributed to employees at Organisation A to gather the necessary information.

1.6. Field of research

Organisation A is a specialist IT services and solution provider that helps its clients plan, build and support their IT infrastructures. The organisation was founded in 1983 in South Africa and today operates in over 30 countries on six continents. Organisation A has a footprint that supports highly personalised, regional execution while leveraging the domain experience and depth of a large organisation.

1.7. Chapter division

The chapters in the study have been divided as follows:

Chapter 1

This chapter provides a background of the ICT industry and also highlights some of the industry concerns and challenges. This is followed by a motivation and a problem statement together with objectives of the study. Finally, the research method and field of research is summarised.

Chapter 2

This chapter reviews the literature study. A PEST analysis is discussed to highlight some of the most important factors which an organisation needs to consider to ensure competitiveness. A SWOT analysis is examined to highlight factors to be considered for competitiveness internally and externally to the organisation. The chapter also reviews some of the most important costing strategies in the competitive business environment.

Chapter 3

This chapter sets out a detailed explanation of the research method that will be used in this study. This includes topics such as a description of the study population and the measuring instruments used. The results from the survey questionnaire and interviews are also presented.

Chapter 4

The final chapter contains a summary of the research which also includes an analysis and discussion of the results from the survey questionnaire and interviews. The information gathered from the literature study will be used in conjunction with the results from the empirical study in order to highlight the important factors concerning the external business environment in which Organisation A operates. Methods currently used by Organisation A will also be evaluated. Finally, conclusions, recommendations and the scope for further research are made based on the results from the study.

CHAPTER 2: ASSESSING THE COMPETITIVE ENVIRONMENT

2.1. Introduction

When an organisation develops its business strategies, it is imperative to have a sound understanding of the macro, socio-economic and political environment in which the organisation operates. An in-depth knowledge of the organisation's competitors and its target market will significantly impact on the success of the organisation's market offering. Markets are in constant flux and taking proactive steps to meet changing market demands will influence customer retention and churn (Analoui & Karami, 2003:72-73; Cecchetti, 2008:4-7). Some of the main reasons why markets change rapidly include (Analoui & Karami, 2003:72-73; Cecchetti, 2008:4-7):

- Customers develop new needs;
- New competitors enter a market;
- New technologies result in new products being made; and
- Government introduces new legislation.

This chapter examines aspects of a PEST and a SWOT analysis and also includes a review of cost and pricing strategies.

2.2. PEST analysis

2.2.1. Description

PEST is a strategic planning tool that provides a framework for analysing the business environment (Analoui & Karami, 2003:74). PEST also highlights external pressures on a team or on an organisation by analysing: i) the political; ii) economic; iii) social; and iv) technological environments (Analoui & Karami, 2003:74).

Thomas (2007:13) stated that a PEST analysis can be used as an instrument to define and measure the effect of various major variables which are distant from the organization, but also have control of the organization. Thomas (2007:13) also stated that the PEST analysis is often used in conjunction with

Porter's five forces model and that it has become a powerful tool for reducing the parameters of risk.

2.2.2. Political environment

Hoskisson *et al.* (2004:46) stated that the political environment is the arena in which organisations and interest groups compete for attention, resources, and a voice in overseeing the body of laws and regulation guiding the interactions among nations. Kwak (2003:119) highlighted the following political attributes for developing countries: i) political instability that may cause foreign direct investment to decrease on large scales; ii) inconsistent policies, laws and regulations at national and regional levels that may create an environment of uncertainty for the return of investments; and iii) a lack of transparency in policies which may be an indicator of political instability.

Sall (2000:352) stated that political stability requires improved governance and this requires clear missions of the state, as well as its relations with the individual, the private sector and civil society. Sall (2000:352) also stated that the successful implementation of such policies is largely a function of political will, adequate funding, good integration and coordination between the lead agency and other agencies.

2.2.2.1. The importance of regulation

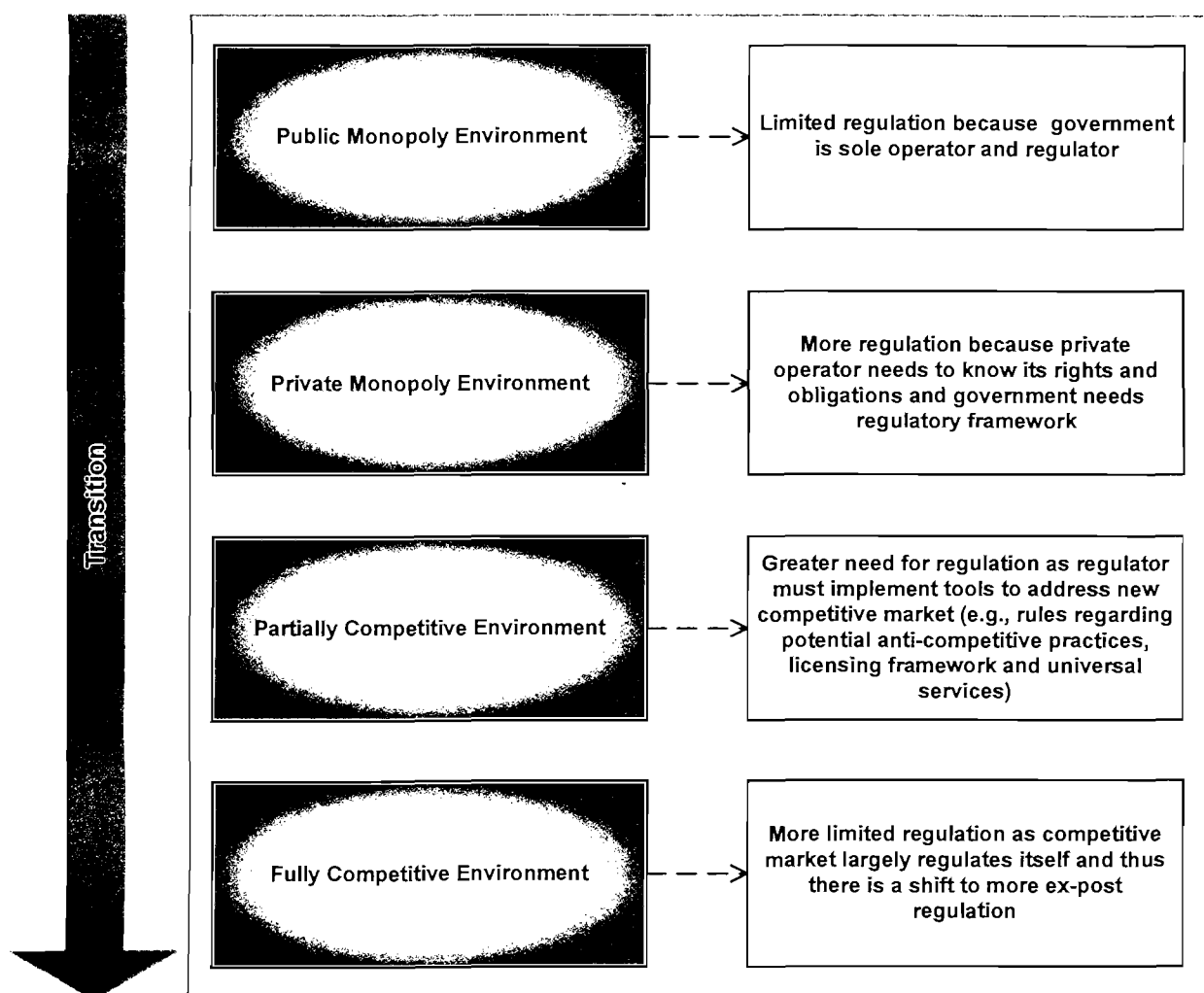
According to Black (2002:12), regulation is seen as rules that individuals and/or organisations are obliged to follow. These rules are usually set and enforced by government bodies to promote competition and prevent unfair trading. According to Anon (2007b:1) regulation in the ICT industry does not occur in a vacuum and is determined by the following factors:

- Different legal traditions and systems existing in a particular country that determine the structure of the legal and regulatory framework;
- International commitments undertaken by governments that need to be harmonised with national legal and regulatory frameworks;
- Impact of other legislation affecting the sector, which can influence the effectiveness of the legal and regulatory frameworks; and

- The level of maturity of the market, which affects the interaction between sector-specific telecommunications legislation and overall competition policy.

Anon (2002:6) stated that the introduction of competition in the marketplace does not mean regulation becomes unnecessary and that the role of the regulator actually increases (see Figure 2.1).

Figure 2.1: Need for regulation



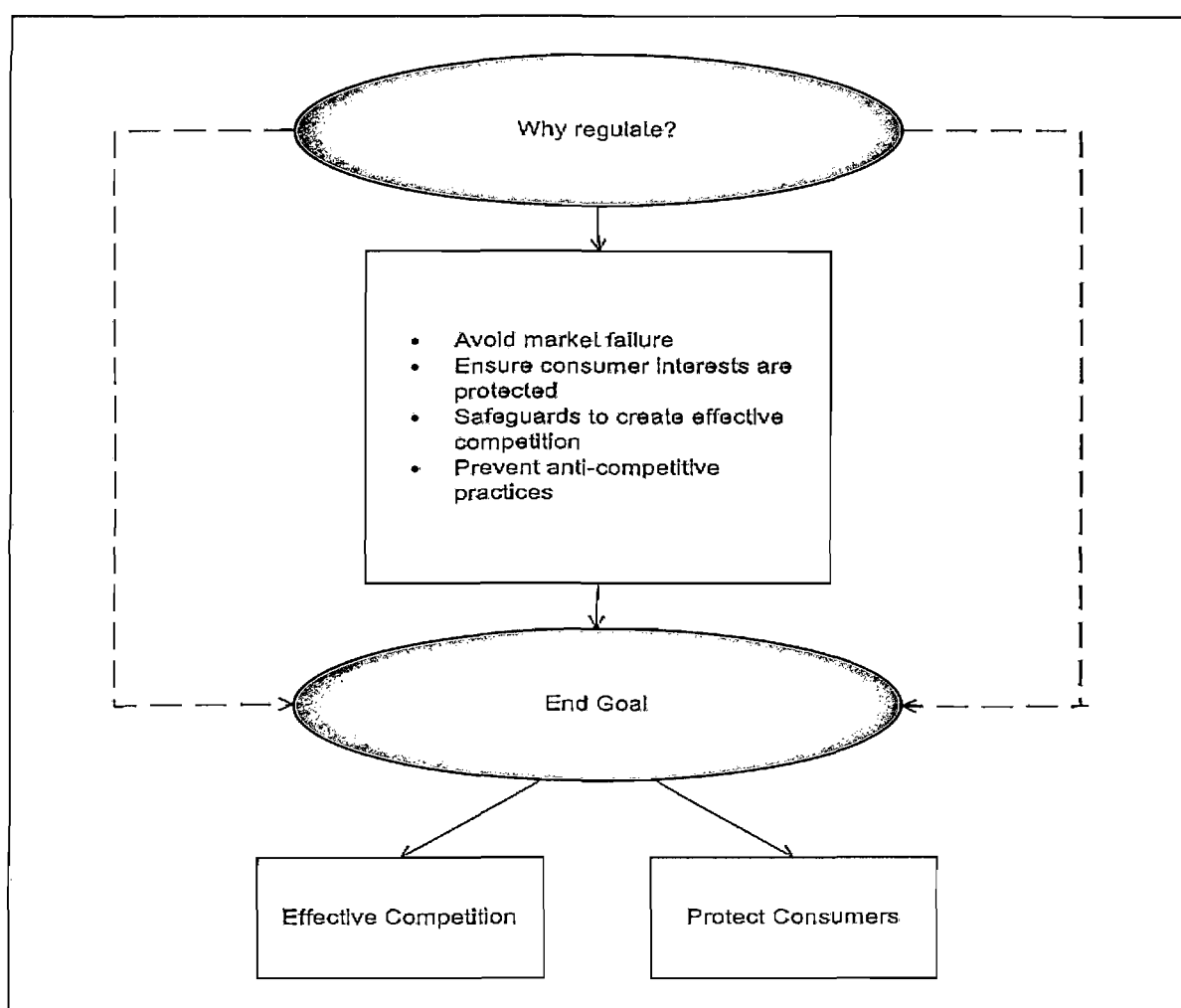
(Source: Anon, 2002:1)

Anon (2002:8) highlighted the following goals for regulation (see Figure 2.2):

- Creating independent entities to oversee the introduction of competition in the market and establish regulatory mechanisms for issues such as interconnection, licensing and tariff rebalancing;
- Preparing the incumbent operator to face competition, including timetables setting deadlines for the termination of market exclusivities;

- Promoting and protecting consumer interests, including universal service and privacy;
- Allocating and managing scarce resources such as numbers and spectrum resources in a non-discriminatory way, within the liberalised market; and
- Expanding and enhancing access to telecommunications and ICT networks.

Figure 2.2: Goals of regulation



(Source: Anon, 2002:1)

It's evident from Figure 2.2 above that the main goals for regulation are to protect consumers and to ensure effective competition.

Guermazi and Satola (2005:59) stated that effective regulation in the ICT industry has proven to result in the following:

- Increased investment where investors commit more capital and technology in countries with World Trade Organisation (WTO) telecommunications commitments; and
- Lower prices for consumers for international telephone calls, which correlate directly with the level of competition.

The level of regulatory intervention will therefore vary from country to country, and will depend on various factors, such as the level of market maturity, the legal and regulatory framework, and the regulatory issues arising from new technologies and services. Governments have numerous responsibilities towards their people and should reduce obstacles as much as possible. It is important for organisations to consider and analyse the political environment as this may have an impact on sales volume, business strategies and profits. Furthermore, governments determine regulatory boundaries, which can restrict profits. Organisations need to generate strategies that adhere to these rules, whilst at the same time producing profits.

2.2.3. Economic environment

Hoskisson *et al.* (2005:46) stated that the economic environment is the nature and direction of the economy in which an organisation competes or may compete. Goldstuck (2003:159) stated that a growing economy will improve all the sectors within a country and that the ICT environment will be influenced by changes in the domestic and global economies, levels of competition, regulatory conditions and fluctuating exchange rates.

2.2.3.1. Micro economy

Law (2006:1) stated that the micro economy consists of an analysis of economic behaviour at the level of individual market participants, individual businesses or consumers. According to Goldstuck (2003:22), South Africa's ICT sector emerged from 2002 with not only its reputation intact, but also its bottom line. Despite the high-profile collapse in the share prices of one-time darlings of the stock exchange, most ICT organisations weathered what was as much a storm in market sentiment as in industry activity. Of the 40 ICT and electronics organisations that have reported results for 2002, 77% reflected an operating profit.

The Map of the Information and Telecommunications Technology Sector in South Africa 2003 (MITTS SA) released by World Wide Worx included the following (Goldstuck, 2003:23):

- Skills are in short supply with skills development a priority, particularly in the light of black economic empowerment requirements;
- In many ICT sub-sectors, the adoption of technology is as sophisticated as that found anywhere in the world;
- South Africa is becoming the ICT gateway to Africa, with an increasing number of local organisations expanding into Africa; and
- Local ICT organisations are willing to tackle developed markets, such as Europe and America.

Anon (2007c:1) stated that South Africa's Department of Trade and Industry (DTI) guides and facilitates access to sustainable economic activity by attracting high levels of investment, increasing access of South African goods and services to international markets, and creating a fair and conducive environment for domestic and international businesses and customers. Anon (2007c:1) also stated that the DTI is working towards a transformed and adaptive economy that generates employment and equity by pursuing the following:

- Progressing broad-based black economic empowerment (BBBEE);
- Increasing the contribution of small enterprises to the economy;
- Contributing towards building skills, technology and infrastructure platforms from which enterprises can benefit;
- Increasing market access and export opportunities for South African goods and services;
- Contributing towards the economic growth and development of the African continent within the New Partnership for Africa's Development (NEPAD) framework; and

- Building an efficient, effective and accessible organisation to achieve these outcomes.

Organisations need to study the domestic economic environment to understand all the variables that can have an impact on the organisation. South Africa's economy has experienced mixed fortunes, including the lucrative discovery of valuable minerals and the overwhelming impact of the rest of Africa on our developing economy.

2.2.3.2. Macro economy

The macro economy according to Law (2006:1) is the branch of economics that studies economies as a whole rather than the behaviour of particular economic agents. It is largely concerned with the relationships between factors such as money supply, employment, interest rates, government spending, investment and consumption, and with the role, if any, that a government should play in a national economy. According to Hoskisson *et al.* (2004:271) organisations have opportunities to develop and exploit core competencies by diversifying into global markets. Hoskisson *et al.* (2004:271) also stated that when successful, organisations can derive four basic benefits from perusing a global strategy:

- Increased market size;
- Greater returns on major capital investments;
- Greater economy of scale; and
- A competitive advantage through location.

Sall (2000:48) highlighted the following factors that determine a country's international competitiveness in relation to its macro-economic fundamentals:

- Rate of inflation: Normally a high rate of inflation will tend to discourage private savings and investments.
- Exchange rate policy: Exchange rate management has implications for private investment. Real exchange depreciation is capable of affecting private investment in the following three ways: i) through the real cost of capital; ii) the real interest rate; and iii) through real output.

- Monetary policy: The user cost of capital is considered an important factor in investment decisions by the private sector. Private investments decline when the user cost of capital is raised by increasing the cost of bank credit or by increasing the opportunity cost of retained earnings, which are also a major source of investment spending.

Schaufelberger (2003:14) stated that global organisations should be aware of the foreign exchange risk that is related to the volatility of the exchange rates and the amount of currency that needs to be exchanged. Schaufelberger (2003:15) also stated that such exchange risks faced by organisations can be grouped into two categories, namely: i) translation risk, which is also known as balance sheet exposure and concerns the impact of exchange rate movements on assets and liabilities dominated in foreign currencies; and ii) transaction risk, which is also known as a cash flow exposure and occurs when one currency must be changed for another.

Internal and external currency techniques can be used by organisations to minimise and avoid foreign exchange risks (Schaufelberger, 2003:15). Internal currency management techniques are available to organisations and occur when products imported and invoiced in another currency are expected to appreciate against the currency in which the contractor receives payment from the client. External management techniques involve the use of external institutional services and financial markets. An organisation that is working for a client in a country whose currency is weak and has to invoice in the currency of that country, can hedge against the risk of devaluation by offsetting the receivables, by securing a loan in the local currency.

The macro economy is a broad field of study; however, it is imperative that organisations have in-depth knowledge of the determinants of aggregated trends in the economy with particular focus on unemployment, foreign investments and international trade. A crucial variable for South African organisations operating internationally is the exchange rate. The value of the South African rand has fluctuated significantly over the past two decades. Without providing for this risk factor, organisations can suffer dramatic losses on what initially appeared to be a lucrative investment or opportunity.

2.2.4. Social culture environment

Hill (2005:93) defines a society's social structure as its basic social organisation and states that the following two dimensions are particularly important when explaining differences between cultures:

- The first is the degree to which the basic unit of social organisation is the individual, as opposed to the group. In general, Western societies like America tend to emphasise the primacy of the individual, while groups tend to figure much larger in many other societies like India; and
- The second dimension is the degree to which a society is stratified into classes. Some societies are characterised by a relatively high degree of social stratification and relatively low mobility between strata, for example as is found in India; while other societies are characterised by a low degree of social stratification and high mobility between strata, for example as is found in America.

Hoskisson *et al.* (2004:141) stated that social culture is concerned with a society's attitudes and cultural values and that these attitudes and values form the cornerstone of that society. Hoskisson *et al.* (2004:141) also stated that attitudes often drive demographic, economic, political and technological conditions and changes. Bartlett and Ghoshal (2002:33) stated that the growing gender, ethnic and cultural diversity in the workforce creates challenges and opportunities, including those related to combining the best of both men's and women's traditional leadership styles for an organisation's benefit, and identifying ways to facilitate all employees' contributions to their organisations.

Langford (2000:143) identified the following cultural factors that define business behaviour:

- Formality: Formal cultures emphasise status, hierarchies, power and respect. Informal cultures emphasise an equality of status.
- Attitudes to time: Monochronic cultures are time and schedule obsessed. Polychronic cultures place less emphasis upon strict punctuality and are not obsessed with deadlines. Meetings in polychronic cultures are likely to contain meetings within meetings.

- Expressiveness: Culture shapes how expressive we are allowed to be. We express ourselves in a number of ways: verbally (what we say), paraverbally (how we say it) and non-verbally (body language). Some cultures are very expressive and some are more reserved.

Organisations that embrace diversity are those that are on track for success. Diversity may have a direct impact on the productivity, innovation and sales of an organisation.

2.2.5. Technology environment

Hoskisson *et al.* (2004:176) stated that technology includes the institutions and activities involved with creating new knowledge and translating that knowledge into new outputs, products, processes and materials. Santangelo (2001:132) stated that there has been a growing knowledge content of products and processes, such that an increasing breadth of technologies and a growing level of competence in each of these technologies are required. Dunning and Narula (2004:23) stated that ICTs have dramatically shrunk the economic distance between countries, and have facilitated a series of generic productivity improvements. Dunning and Narula (2004:23) also stated that the rapid development over the past two decades has further enhanced the process of globalisation in the following ways:

- New technologies have led to improved coordination of cross-border activities. ICT has reduced both the costs of acquiring information and the transaction costs associated with cross-border activity. It has done so on at least two levels, namely: i) information about input and output markets is more easily accessible and this allows organisations that previously could not engage in international business transactions to do so now; and ii) organisations are more able to integrate the activities of their various affiliates through the use of these technologies, and to respond more quickly to changing conditions in the countries in which they operate; and
- A second feature of new technologies has been the emergence and development of entirely new industries that have generated entirely new sources of employment in the manufacturing and the services sectors. Despite the growth of ICT, there has been a lack of improvement in the

overall productivity statistics of most countries. Productivity growth in the manufacturing sector caused by new technologies has been averaged out by the growth in the services part of manufacturing.

Anon (2003:9) stated that ICT usage by organisations is closely linked to the ability of an organisation to adjust to changing demand and being innovative. Users of ICT often help make their investments more valuable through their own experimentation and innovation; for example, through the introduction of new processes, products and applications. Without this process of "co-invention", which often has a slower pace than technology innovation, the economic impact of ICT would be more limited.

Given the rapid pace of technological change, it is vital for organisations to study their technological competitive environment thoroughly. New technologies have led to shorter product life cycles, which have led to new or modified products that are more rapidly developed and manufactured. Organisations are able to undertake technological developments and are able to bring them to market much more rapidly than was previously the case.

2.3. SWOT analysis

2.3.1. Description

Groenewald *et al.* (2003:70) stated that SWOT is a technique that managers use to get an overview of the strategic position of an organisation. Thompson and Strickland (2001:117) stated that the SWOT analysis is based on the assumption that an effective strategy derives from a good fit between an organisation's resource capabilities and its external environment. Anon (2007d:1) stated that a SWOT analysis builds on the results of the PEST analysis, which looks at the organisation's external environment. Anon (2007d:1) also stated that the main purpose of a SWOT analysis is to identify organisational strengths and weaknesses so that strengths can be built upon and weaknesses addressed.

The SWOT analysis is divided up into internal and external segments. Strengths and weaknesses are internal factors within the organisation while opportunities and threats are external to the organisation.

2.3.2. Strengths

Strengths are resources and competencies that an organisation has that are better than those of its competitors (Groenewald *et al.*, 2003:73). Analoui and Karami (2003:95) stated that strengths are the skills and abilities of an organisation such as committed human resources, effective distribution channels, financial stability and technology know-how. According to Katsioloudes (2006:100), strengths are positive attributes or abilities unique to the organisation that in some way enhance the organisation's ability to achieve its objectives. Organisations today need to identify and develop their strengths even more to be competitive. Katsioloudes (2006:100) highlighted the following examples of strengths: i) advantageous location; ii) scarce competency; iii) exclusive access to high level resources; and iv) cost advantages from proprietary know-how (Katsioloudes, 2006:101).

2.3.3. Weaknesses

According to Groenewald *et al.* (2003:71), a weakness is a resource or competency that an organisation has but that is in short supply, or of inferior quality compared to the resources and competencies of its competitors. Analoui and Karami (2003:95) stated that a weakness is something that an organisation lacks or isn't good at in comparison with other organisations. Katsioloudes (2006:102) highlighted the following examples of weaknesses: i) managers who are constantly causing labour-related problems; ii) poor fiscal management that has led to a poor cash position; and iii) management that lacks vision.

2.3.4. Opportunities

The question raised here is: what external factors exist that could be embraced if appropriate resources were allocated? An opportunity is a major positive factor in the environment that puts an organisation in a better position to meet the needs of its customers than the positions of its competitors (Groenewald *et al.*, 2003:71). Analoui and Karami (2003:97) stated that opportunities are the situations in which the organisation can improve its strategic position. Examples of opportunities include: i) government legislation about to be introduced will enable additional product claims; ii) new technologies being developed that may result in a realignment of the market

sector; and iii) market vacated by an ineffective competitor (Groenewald *et al.*, 2003:71).

2.3.5. Threats

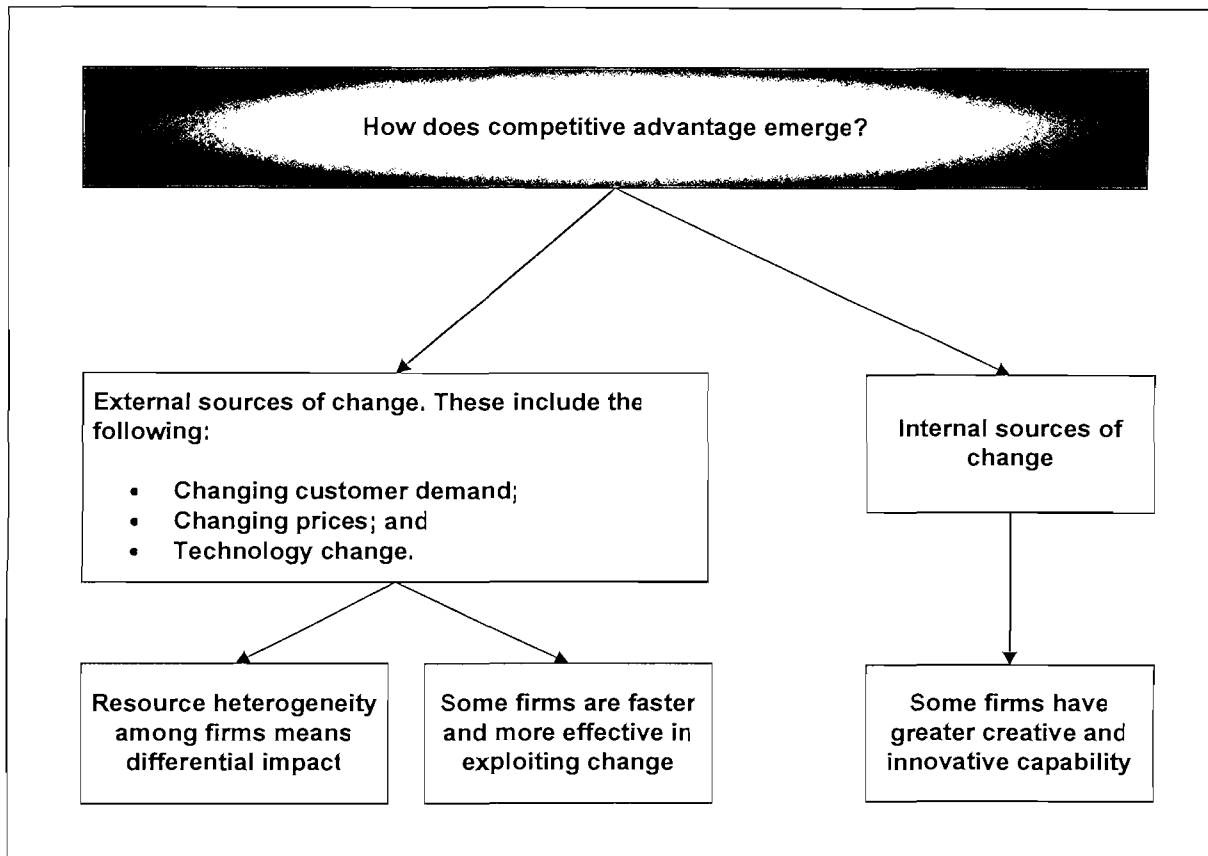
Threats are the main obstacles and issues in the external environment of the organisation (Analoui & Karami, 2003). According to Groenewald *et al.* (2003:71), a threat is a major negative factor in the environment that puts an organisation in a weaker position than its competitors. Examples of threats include: i) decrease in market demand for products; ii) political unrest; iii) union labour demands and iv) new legislation (Analoui & Karami, 2003).

Analysing threats to a business requires some level of guesswork. Some threats are tangible, such as a new competitor moving into the area, but others may be only guesswork. It is much better for an organisation to be cautious because, if a potential threat does materialise, the organisation may be able to react much quicker to such a threat. Organisations should think about the worst things that could realistically happen, such as losing customers to a major competitor, or the development of a new product far superior to its own. It is important for organisations to have contingency plans for such potential identified threats.

2.3.6. Importance of a SWOT analysis

Grant (2005:225) stated that competitive advantage exists when two or more organisations compete within the same market and one organisation possesses a competitive advantage over its rivals. Grant (2005:225) indicated the internal and external sources in Figure 2.3 that will enable competitive advantage.

Figure 2.3: The emergence of competitive advantage

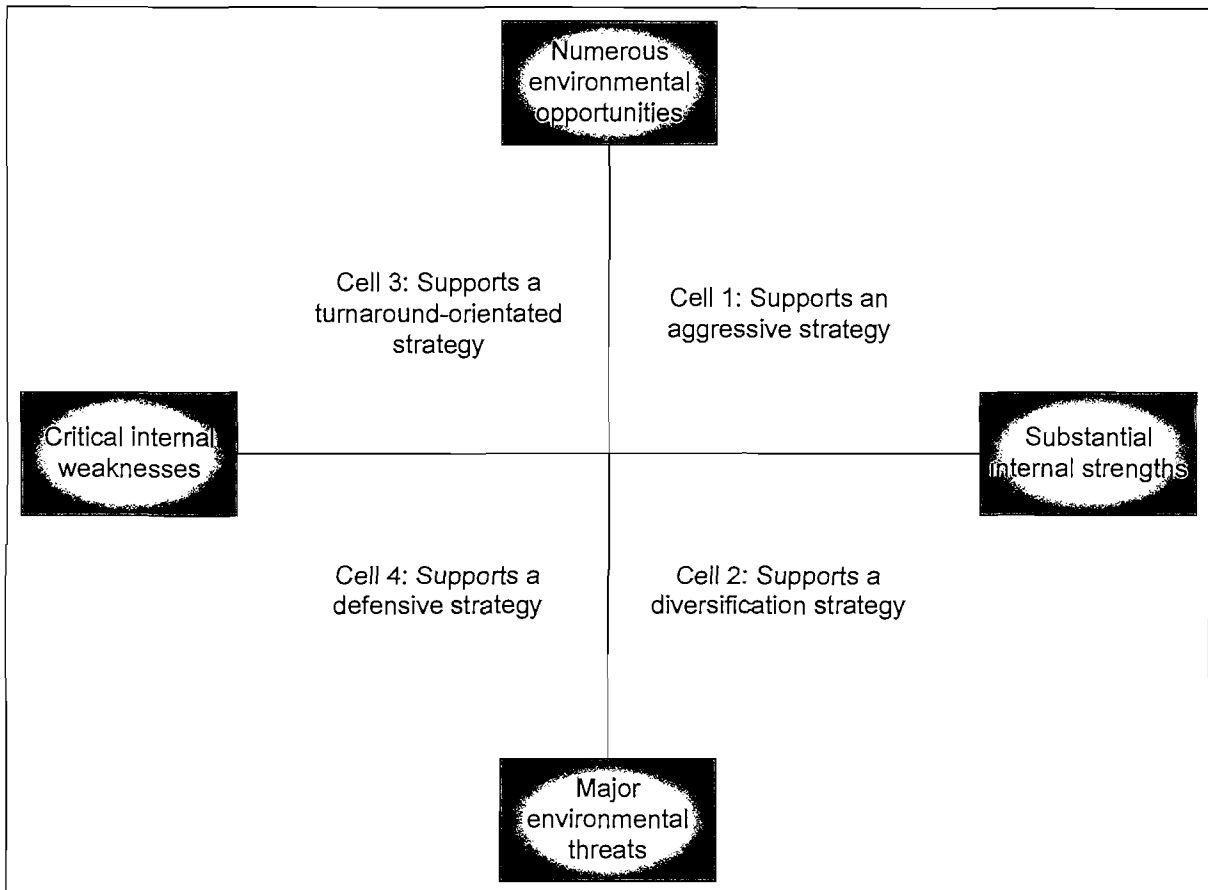


(Source: Grant, 2005:225)

Competitiveness will always exist when two or more organisations operate in the same industry. It is important that organisations think globally as well as locally. By thinking globally, local organisations will consider the worldwide market and policies of the national government on international issues. This in return might create more opportunities and create a competitive advantage. The SWOT analysis is also a vital component in evaluating the organisation's current competitive position in the market.

Groenewald *et al.* (2003:71) illustrates in figure 2.4 how a SWOT analysis can be used to compare opportunities and threats with the strengths and weaknesses of an organisation.

Figure 2.4: Structured approach to a SWOT analysis



(Source: Groenewald *et al.*, 2003:71)

- Cell 1: This is the most favourable position for an organisation. In this environment various opportunities exist and the organisation enjoys a great deal of internal strength.
- Cell 2: Organisations with several internal strengths are confronted by an unfavourable external environment. Organisations in this position would try to seek new markets in which they could be in a more favourable position to use their strengths. Organisations could try to diversify into a new market.
- Cell 3: This is where organisations have numerous market opportunities but is hampered by weak internal resources. Usually organisations will try to eliminate the internal weakness by implementing a turnaround strategy, in order to make a better match with market opportunities.
- Cell 4: Organisations here are faced with the least favourable position. They have critical internal weaknesses and are faced by major

environmental threats. Organisations will try and implement a defensive strategy in order to redirect their resources into new markets and products.

In conclusion, a SWOT analysis is a powerful technique for understanding an organisation's strengths and weaknesses, and for identifying opportunities and threats it might face. Used in the business context, it could help an organisation to carve a sustainable niche in its market. What makes a SWOT analysis particularly powerful is that, with a little thought, it can help the organisation uncover opportunities that it is well placed to take advantage of. Organisations that understand their weaknesses can manage and eliminate threats that would otherwise catch it unawares.

2.4. Cost accounting assessment

2.4.1. The competitive environment

Different organisations embrace different goals and these goals spill down to their pricing strategies (Grewal & Levy, 2008:359). Recent years have seen major changes in the business world, including deregulation, the growing expectations of shareholders and the impact of new technology. Organisations face intense competition from traditional competitors as well as from new players entering the markets. Competition affects pricing strategies and can reduce revenues and lower profitability. It can also affect the ability of an organisation to retain existing customers and attract new ones. They are under constant pressure to keep their prices and service offerings competitive. Changes in pricing strategies that result in price increases for certain services and products or changes in pricing strategies by competitors can affect an organisation's ability to gain new customers and retain existing ones. Therefore, organisations need to be able to anticipate and respond quickly to the constant changes in their business environment and market place (Grewal & Levy, 2008:372-374).

2.4.2. Organisational strategies

The primary goal of most businesses is to make profit (Grewal & Levy, 2008:359). There are many factors that affect the profitability of a business such as; management, location, cost of labour, quality of product or service, market demand and competition. A clear understanding of these factors is

essential, before an organisation sets its prices for products and services (Analoui & Karami, 2003:251-253).

Grant (2005:253) stated that it is important for organisations to determine their cost position. Grant (2005:253) also stated that the experience curve combines the following factors that influence an organisation's cost position:

- Economies of scale: Economies of scale exist when proportionate increases in the amounts of inputs employed in a production process result in lower unit costs.
- Economies of learning: The principal source of experience-based cost reduction is learning by organisation members. Repetition develops both individual skills and organisational routines.
- Production techniques: For most goods and services, alternative process technologies exist. Organisations need to develop new process technology that may radically reduce costs.
- Product design: Design of products for ease of production rather than simply for functionality can offer substantial cost savings.
- Input costs: Organisations will have a cost advantage when they have the following attributes: i) location advantage; ii) ownership of low cost inputs; iii) non-union labour; and iv) bargaining power.
- Capacity utilisation: During periods of low demand, plant capacity is underutilised and this raises unit costs because fixed costs must be spread over fewer units of production. It would be beneficial to the organisation to use full capacity consistently, but this depends on the demand for its products.
- Residual efficiency: Residual efficiency refers to the organisation's ability to eliminate organisational slack or surplus costs that keep the organisation from maximum efficiency operation.

After organisations have defined their cost positions, they should be able to make more informed and better decisions. Organisations can then choose the best strategies by analysing their internal strengths and weaknesses, as well

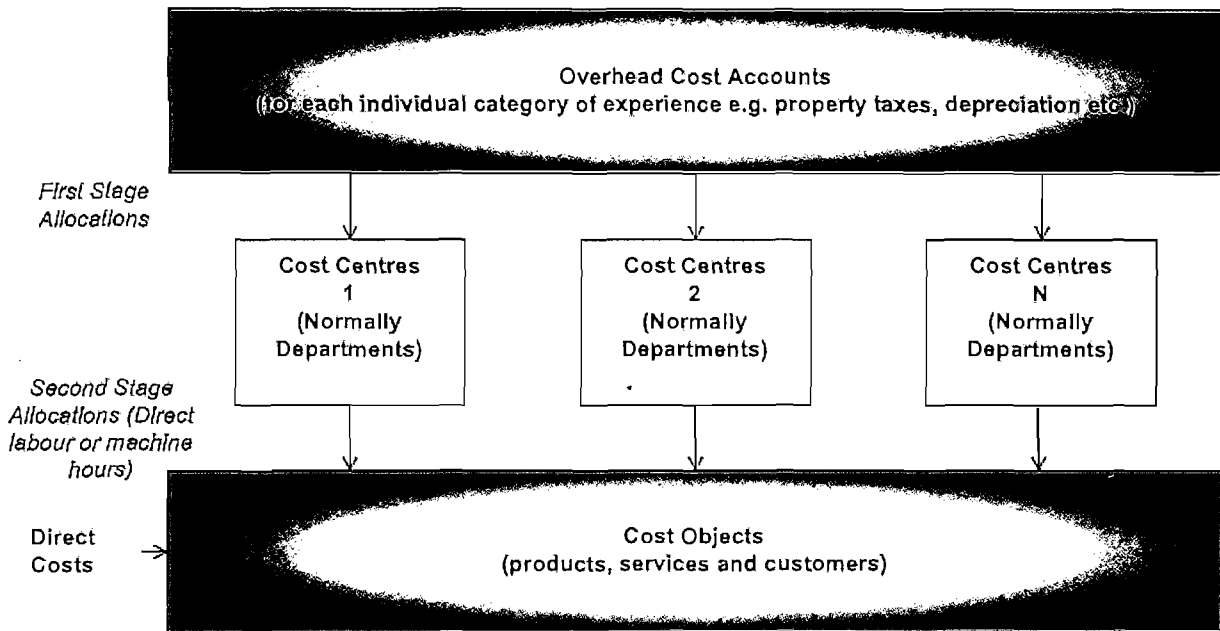
as the external threats and opportunities. Organisations need to be aware of what competitors will do and therefore should have contingency plans. In today's competitive environment it is important for organisations to manage their costs effectively. The market often determines the final product price, while the input costs determine the profitability. Organisations should use cost management techniques to manage their input cost and thus keep it as low as possible to maximise profits (Grant, 2005:253-255).

2.4.3. Cost management strategies

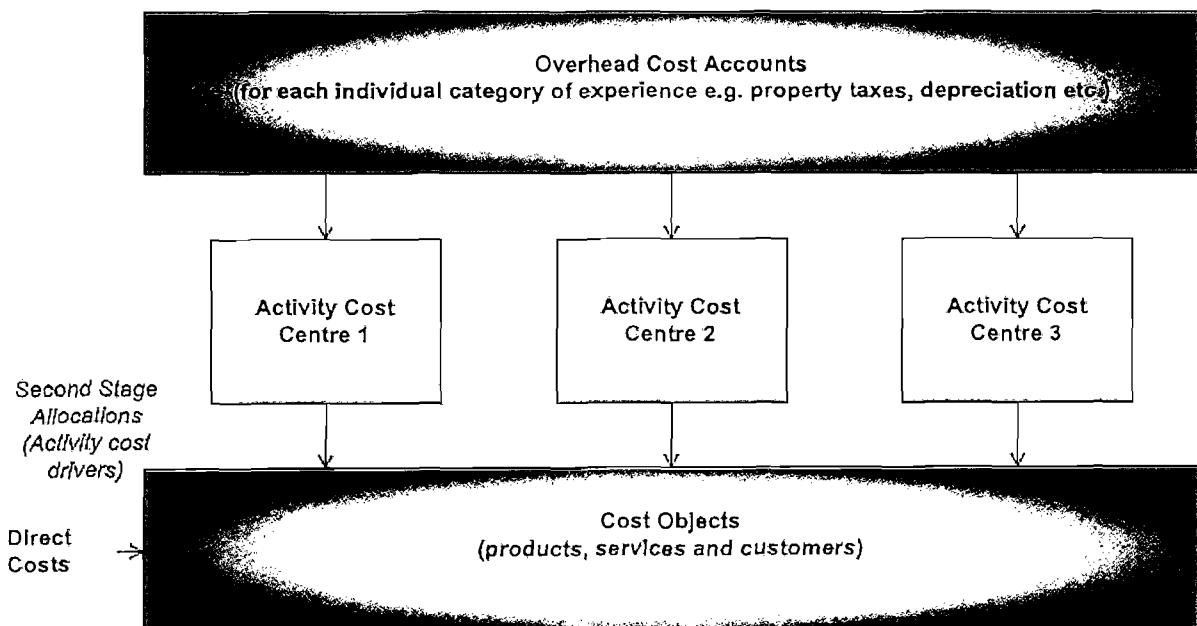
Atrill and McLaney (2005:129) stated that the realisation that overheads did not just occur but that they were caused by activities developed the need for activity-based costing (ABC), where overhead cost pools are established and the total costs in that specific pool are allocated to output, using a cost driver that has been identified. Atrill and McLaney (2005:131) stated that this contrasts with the traditional approach, where the overheads were normally allocated to production departments. Figure 2.5 illustrates the traditional versus the ABC approach.

Figure 2.5: Two stage allocation process for traditional (1) and activity-based costing (2) systems

1) Traditional costing systems



2) Activity based costing systems



(Source: Atrill & McLaney, 2005:131)

Drury (2005:162) stated that service organisations are ideal candidates for ABC, even more than manufacturing organisations because of the higher indirect costs. Organisations in the past used traditional management accounting, which focussed on cost containment, rather than cost reduction. Lately, organisations focus on cost reduction and continuous improvement

and change. Organisations use and implement cost management techniques for a competitive advantage.

Atrill and McLaney (2005:139) identified the following cost management techniques:

- Total life-cycle costing: This is where products and/or services consist of the following three phases: i) pre-production phase where research and development are conducted and where the necessary production facilities and promotion happen; ii) production phase where the product is made and sold to customers; and iii) post-production phase where the after-sales services occur. The post-production phase highlights the fact that management should not only pay attention to cost management during the production phase, but also to the pre-production and post-production phases.
- Target costing: Market research is done to establish a unit selling price. From the unit selling price an amount for profit is taken off to get to a target cost price. In order to meet the required profit the target cost price should not be exceeded. This sometimes will create a gap between actual and target costs. To reduce costs, organisations use re-engineering of processes.
- Kaizen costing: This method is focused on cost saving during the production phase. Only relatively small cost savings can be made during the late stage in the life-cycle stage.
- Benchmarking: This is where an organisation seeks to emulate a successful organisation to achieve a similar level of success. An organisation can then measure its performance and techniques used to enhance profitability.

Furthermore, building on the objectives of cost management, Atrill and McLaney (2005:155) also highlighted two pricing strategies:

- Cost-plus pricing: Organisations need a specific target return on capital to increase the organisation's wealth and to keep the shareholders

happy. The cost-plus method adds a margin on top of the cost price to achieve the required return on capital.

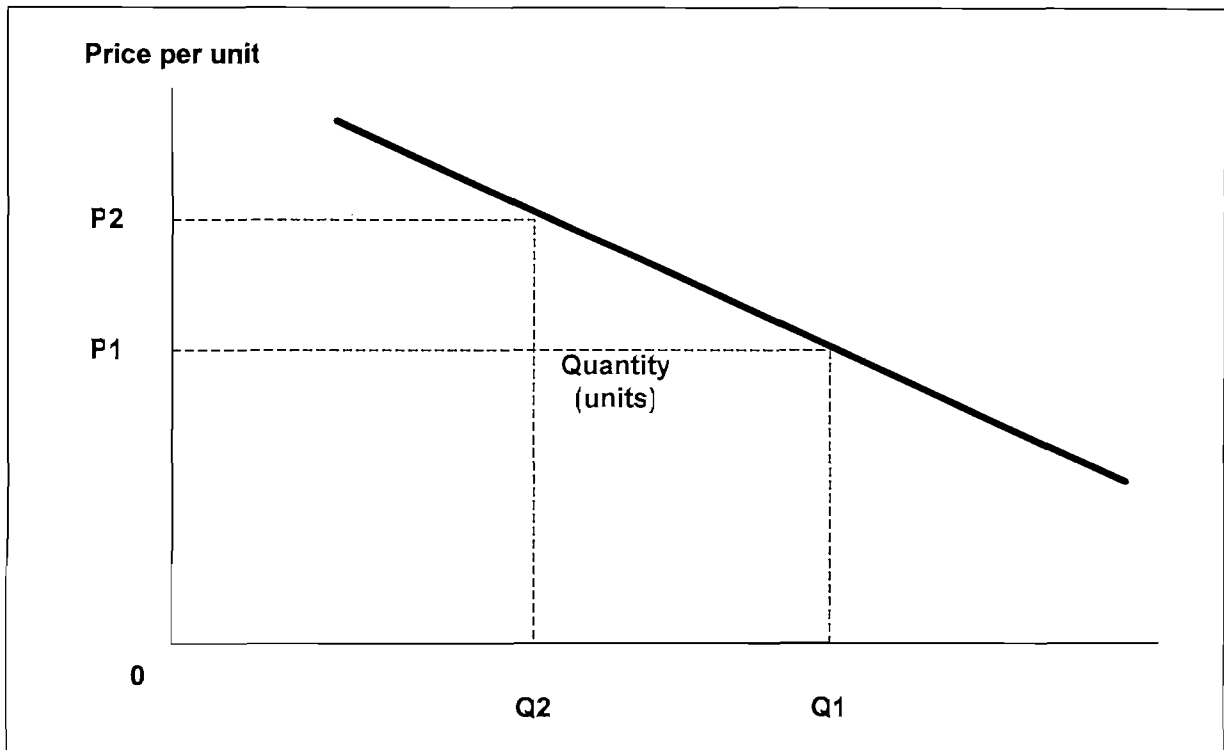
- Penetration pricing: Organisations sell their products and services cheaply with the objective to sell large quantities in order to gain a large market share. Subsequently, once the organisation has established itself, prices are raised to be more profitable. This strategy is often used with new products.

Wilks and Burke (2005:126) stated the following pricing strategies that an organisation can use to be competitive:

- Premium pricing: This is where the organisation's pricing is above the pricing of all of its competitors because its products and services are superior to the competition. Examples of premium pricing are Levi's and Coca-Cola products.
- Market skimming: This is a technique where a high price is set for a product when it is launched so that only the desperately keen will buy it. The price is then lowered, making it more accessible to others. This technique aims to maximise revenue and to extend the product life cycle.
- Loss leader pricing: When a product range consists of one or more main products and a series of related optional extras, the supplier can set the main product at a low pricing while the optional extras can be set at a high price.

Atrill and McLaney (2005:146) stated that in many market conditions the price charged by an organisation will be determined by the number of units sold. Figure 2.6 shows the number of units of output that the market would demand at various prices.

Figure 2.6: Quantity demand against the price of product



(Source: Atrill & McLaney, 2005:146)

It is important for organisations to consider the elasticity of demand for their various products in order to develop competitive pricing strategies. The market will tend to buy more when the product prices are low and will buy less if the product prices are high. Organisations need to be innovative when prices are high by using advertising and/or product differentiation to sell more. It is important to analyse the market and decide on an appropriate strategy to increase revenues.

2.5. Summary

Analysing the external environment is an essential exercise in risk and profitability analysis. Organisations do not exist in a vacuum and the environment in which they operate has a significant impact on the production, competitiveness and profits thereof. They also need to be fully aware of all the changes in the external environment. For example, if government formulates new regulations of which an organisation is unaware, it might be penalised, which in turn could result in loss of business and profits. The South African economy has been moderately consistent in the last couple of years and organisations need to be aware of the impact that a recession or depression could have on their business. Organisations should be aware of

their competitors' actions at all times. For an organisation to be competitive and sustain such competitiveness, it needs to be one step ahead of its competitors at all time. Organisations therefore, need to analyse its competitors and predict future scenarios in order to apply appropriate strategies.

This chapter highlighted some of the most important aspects to consider when assessing the business environment. A PEST and a SWOT analysis were discussed, together with pricing strategies and cost management techniques that organisations can use in order to be competitive. It is important for organisations to conduct both an internal and external analysis of their environment so that they are armed with all the information required for sound decision-making.

CHAPTER 3: BUSINESS ENVIRONMENT ASSESSMENT IN PRACTICE: AN EMPIRICAL STUDY

3.1. Introduction

The overall objective of this research project was to analyse Organisation A's internal understanding of its competitive business environment, and also to determine whether there are any efforts underway to enhance such an understanding. This chapter will discuss the research method in detail and will include topics such as the objectives of the study and the data collection procedures used. The results of the survey questionnaires and interviews are also presented and summarised.

3.2. Research Method

3.2.1. Introduction

The research method explains how the study was done. The discussion starts with the type of research and the objectives of the empirical study. This is followed by a high level description of the sample and the data collection procedure used to obtain information. Sekaran (2000:6) states that research can be undertaken for two different purposes, namely:

- Applied research: This is done with the intention of applying the results of the findings to solve specific problems currently experienced in the organisation.
- Basic or fundamental research: This is done to enhance the understanding of certain problems that commonly occur in the organisation and to seek methods of solving them.

The research type utilised in this study was basic or fundamental research. The employees of a leading organisation in the ICT industry, referred to as Organisation A throughout this document, were selected as the research subjects in this research project. A more detailed description of the sample is included in the data collection procedures.

3.2.2. Objectives of the empirical study

The objectives as applicable to Organisation A include the following:

- A general analysis of the company's external business environment, as perceived by the subjects, to determine important factors to be considered by the organisation (also referred to in section 1.4.3, bullet 2, page 3). The PEST and SWOT analyses in the survey questionnaire attempts to address this objective.
- An examination of the factors that Organisation A perceives as its competitive advantage, as perceived by the subjects (also referred to in section 1.4.3, bullet 3, page 4). The SWOT analysis in the survey questionnaire attempts to address this objective.
- An enquiry into the current methods used by Organisation A to analyse the external business environment (also referred to in section 1.4.3, bullet 4, page 4). The semi-structured interviews attempt to address this objective.
- Achieving conclusions and developing recommendations as to the above (also referred to in section 1.4.3, bullet 5, page 4). This objective will be addressed in the last chapter.

3.2.3. Data collection procedure

The research includes a survey questionnaire (refer to Appendix 1: page 58) and a semi-structured interview (refer to Appendix 2: page 69), which are discussed in more detail below.

3.3. Survey questionnaire

Brace (2004:4) defined a questionnaire as the medium of conversation between two people, albeit that they are remote from each other and never communicate directly. Sekaran (2000:250) stated the following advantages and disadvantages for mail questionnaires:

- Advantages include: i) high anonymity; ii) respondents can take more time to respond at their convenience; and iii) questionnaires can be administered electronically if desired.

- Disadvantages include: i) low response rates, although a 30% rate is considered to be acceptable; ii) inability to clarify questions; and iii) follow-up procedures for non-responses are necessary.

Due to time constraints of manually analysing the data and possible low response rates, mail questionnaires were not used in this study. Vovici software was used to host the questionnaire via the world-web-web. Respondents were then requested to complete the questionnaire within a specific time frame. Finally the Vovici software was also used to collect and analyse the data. The survey questionnaire included questions about Organisation A and its internal and external environment and the subjects had to answer these questions, based on their knowledge. The population of this study consisted of 2 265 employees based in South Africa and includes all the employees from administrators to management and excludes all the affiliates of Organisation A. The sample design was based on a stratified random sampling and a total of 30 subjects which were identified across five different departments/business units. Sekaran (2000:272) stated that stratified random sampling occurs when a population is divided into homogeneous segments and the subjects are randomly chosen within that segment.

The questionnaire was developed based on the literature study and research objectives discussed in the previous chapters and consists of two sections, namely: i) a section to gather background information about the subjects; and ii) a section to gather information about the internal and external business environment of the company. The survey questionnaire was published on the Internet with an explanatory email sent to the subjects highlighting the objectives of the research, confidentiality, and the required timeframe in which to respond to the questionnaire. The instructions of the survey questionnaire were given at the top of the survey questionnaire. Responses were measured as nominal data and ordinal data. Brace (2004:70) defined nominal data as a number that is assigned to a category that is purely arbitrary and implies no value that can be given to the response category. Brace (2004:71) also stated that ordinal data is usually found as ranking scales and is often in the order of preference.

The data was analysed with a statistical approach using Vovici software by way of measuring it with the central tendency measurement, or mode.

Sekaran (2000:397) describes the mode as the most frequent occurrence. The mode will be seen as the most frequent selected option per question in the survey questionnaire results (refer to Appendix 3: page 70).

3.4. Semi-structured interview

Welman and Kruger (2001:161) stated that a semi-structured interview combines a highly structured agenda with the flexibility to ask subsequent questions. A structured interview format was not considered to be adequate because more than a simple 'yes/no' answer was needed, while time constraints made unstructured interviews difficult. Therefore a semi-structured form of interview was decided upon. The objective was to find out what the company was doing in respect of:

- Competitor analyses; and
- Measurement techniques used to gather competitor information.

The sample subjects were the Marketing Research Manager and the Business Intelligence Manager, and they were selected based on their position and function within the organisation. Face-to-face, semi-structured interviews were conducted in an informal manner, primarily to gain insight into what the subjects were doing with regards to analysing the external environment. Welman and Kruger (2001:158) highlighted the following advantage and disadvantage of face-to-face interviews:

- Advantage: Quicker response rate because the interviewer physically confronts the respondent and the interviewer can explain a question if it is not clear.
- Disadvantage: Cost of travelling to respondents.

After consultation with the individuals concerned, mutually convenient times and locations for the interviews were agreed upon. The interviews were conducted in private meeting rooms within Organisation A. All the information from the interview was documented and summarised during the interview.

3.5. Empirical results

This section provides the results and a summary of the data obtained by the study. The value of some of the obtained results lies primarily in their descriptive value. As previously mentioned, 30 subjects were identified for the research questionnaire. Sixteen responses were received and thus a 53,3% response rate was achieved.

3.5.1. Results of the survey questionnaire

3.5.1.1. Background information or respondents

Part A of the survey questionnaire (Appendix 1: page 58) aims to gather information about the respondents and their background. Appendix Table 3.1 (page 70) presents the background information on the sample subjects and includes the frequency and percentages of the responses. A total of 16 responses were received. Ten (62.5%) respondents were male and six (37.5%) were female. Five (31.3%) responses came from the sales department, four (25.0%) respondents came from the information technology department, two groups of three (18.8%) respondents came from the finance and marketing department, while one (6.3%) respondent came from an administration environment. Six (37.5%) of the respondents obtained a bachelor's degree, five (31.3%) respondents obtained a college diploma, two groups of two (12.5%) respondents obtained a matric qualification and other qualifications not listed in the questionnaire, one (6.3%) respondent obtained a honours degree while none (0%) respondents obtained a masters degree. Six (37.5%) respondents had one to five years of experience in the ICT industry, five (31.3%) respondents had ten or more years experience, four (25.0%) respondents had five to ten years experience while only one (6.3%) respondent had less than one year's experience in the ICT industry.

The internal and external environments are considered important aspects that will have an impact on the company and its operations. The respondents were asked to comment on these environments in part B of the survey questionnaire. The detailed results are shown in Appendix Table 3.1 (page 70) to Appendix Table 3.12 (page 85) and include the frequency and percentages of responses. With regard to the competitive analyses done by the company, Appendix Table 3.2 (page 70) indicates that eight (50.0%) of the respondents were aware of such activities, while four (25.0%)

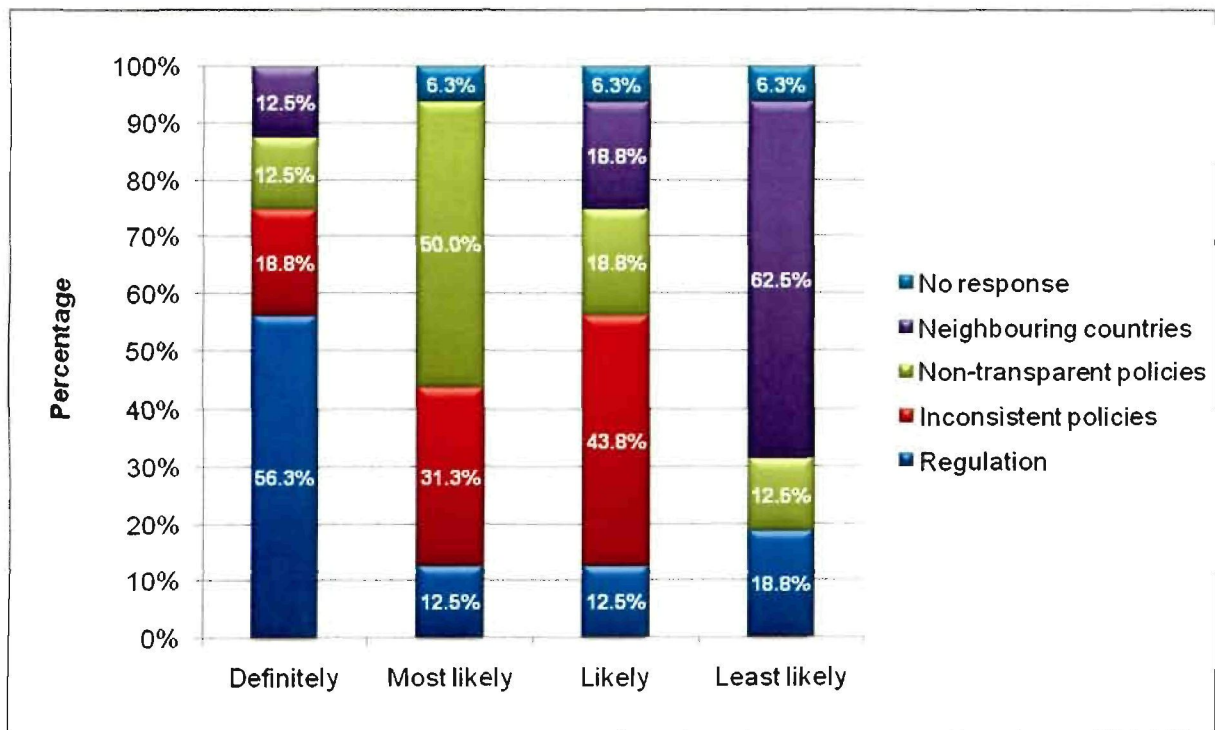
respondents answered that no such activities existed, and another four (25.0%) respondents were unaware of such activities. Following from these responses, the semi-structured interviews were completed to clarify whether the company does indeed conduct competitive analyses, and if so, to what extent.

3.5.1.2. PEST analysis

Political environment

Three questions about the political environment were asked and respondents had to answer them based on their knowledge. Figure 3.1 below presents a summary graph of the data collected on items relating to possible obstacles that Organisation A might face in the political environment. The detailed results of all the questions can be found in Appendix Table 3.3 (page 71).

Figure 3.1: Political environment



Nine (56.3%) respondents indicated that regulation would definitely be the biggest obstacle in the political environment, eight (50.0%) respondents indicated that non-transparent policies would most likely be an obstacle, seven (43.8%) respondents indicated that inconsistent policies would likely be an obstacle while ten (62.5%) respondents indicated that political instability of neighbouring countries would be the least likely obstacle.

Additionally the following results were obtained with regard to items on the political environment. Nine (56.3%) of the respondents indicated that the political environment would have a negative effect on Organisation A while seven (43.8%) respondents indicated that the political environment would have a positive influence on Organisation A. Eight (50.0%) respondents indicated that government regulation would have a direct impact on their current work function while the other eight (50.0%) respondents indicated that regulation would not have a direct impact on their work function.

Economic environment

Regarding the economic environment, the following was found (Appendix Table 3.4, page 72, presents the detailed data collected):

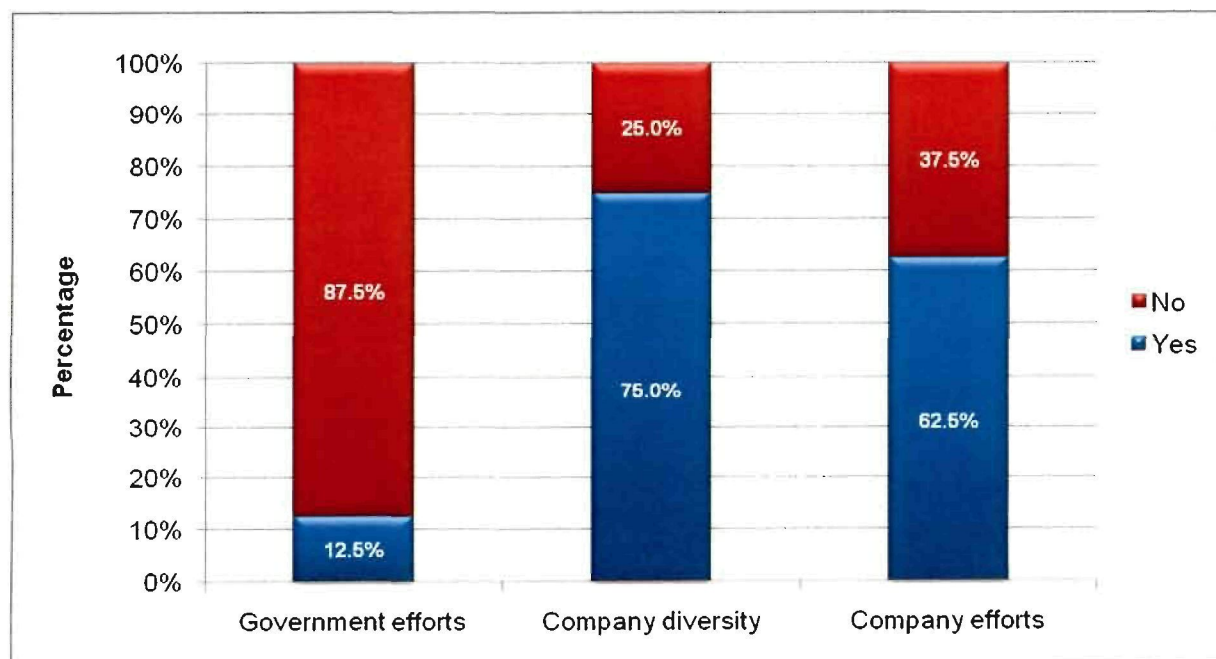
- The respondents were asked what they expect the South African economy to do over the next three years. Seven (43.8%) respondents indicated that South Africa's economy would show a positive growth, while seven (43.8%) respondents indicated that South Africa would show a negative growth. Two (12.5%) respondents indicated that there would be no changes in the growth rate.
- The respondents were asked to predict the influence that the South African economy might have on the operational profits of Organisation A. Eight (50.0%) respondents indicated that the economy of South Africa would decrease the operational profits of Organisation A, three (18.8%) respondents indicated that there would be no changes in the operational profits while five (31.3%) respondents indicated that the economy would increase the operational profits of Organisation A.
- The respondents were asked to predict what the South African Rand would do over the next three years. Seven (43.8%) of the respondents indicated that the South African Rand currency would depreciate over the next three years, four (25.0%) respondents indicated that it was too difficult to predict, three (18.8%) respondents indicated that it would stay consistent while two (12.5%) respondents indicated that it would strengthen.

- The respondents where asked to predict what the South African inflation rate will do in three years time in comparison with the current inflation rate of approximately 8%. Eleven (68.8%) respondents indicated that the inflation rate of South Africa would increase in the next three years, three (18.8%) respondents indicated that the inflation rate would stay consistent while two (12.5%) indicated that the inflation rate would decrease.
- The respondents where asked to predict what the influence of crime would be on the economy of South Africa. Fourteen (87.5%) respondents indicated that crime would have a high impact on the economy of South Africa, while two (12.5%) respondents indicated that crime would have a low impact.

Socio-cultural environment

Questions about the socio-culture environment were asked and respondents had to answer them based on their knowledge. Figure 3.2 presents a summary graph of all the data collected on items relating to the socio-cultural environment. The detailed results of all the questions can be found in Appendix Table 3.5 (page 73).

Figure 3.2: Socio-cultural environment

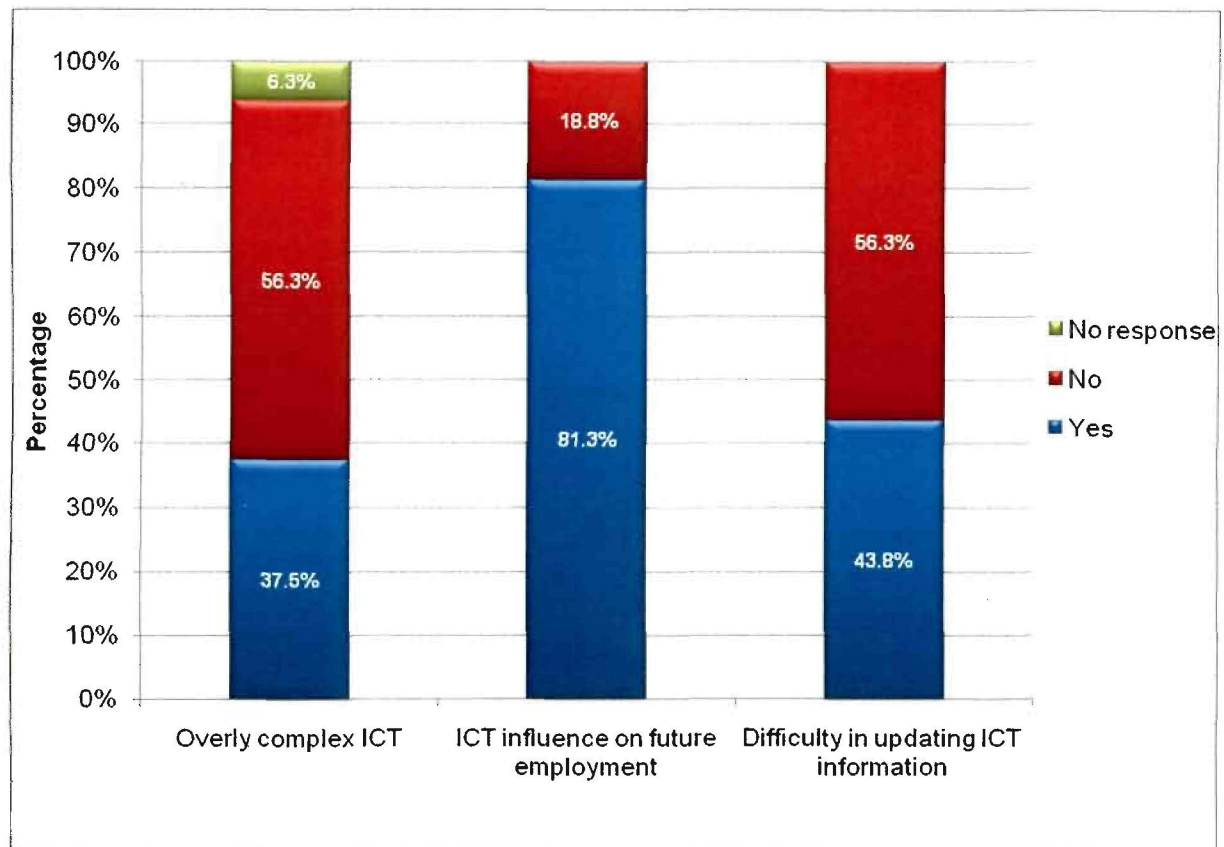


Respondents were asked if the government of South Africa was doing enough to improve the social environment within South Africa. Fourteen (87.5%) respondents indicated that government was not doing enough to improve the social environment in South Africa while two (12.5%) indicated that government was doing enough to improve the social environment. Respondents were asked if Organisation A's staff was very diverse. Twelve (75.0%) respondents indicated that Organisation A's staff was very diverse while four (25.0%) respondents indicated that the staff was not very diverse. Respondents were also asked if Organisation A was doing enough to improve the social culture within the organisation. Ten (62.5%) respondents indicated that Organisation A was doing enough to improve the social culture within the organisation while six (37.5%) indicated that Organisation A was not doing enough to improve the social culture within the organisation.

Technology environment

Questions about the technology environment were asked and respondents had to answer based on their knowledge. Figure 3.3 presents a summary graph of the data collected on items relating to the technology environment. The detailed information can be found in Appendix Table 3.6 (page 74).

Figure 3.3: Technological environment



Respondents were asked if information and communications technologies were over complex. Nine (56.3%) respondents indicated that the information and communications technologies were not over-complex while six (37.5%) respondents indicated that these were over-complex. One (6.3%) respondent did not respond. Respondents were asked if information and communications technologies would have a influence on the future employment of Organisation A. Thirteen (81.8%) respondents indicated that information and communications technologies would influence the future employment of Organisation A while three (18.8%) respondents indicated that information and communications technologies would not influence the future employment of Organisation A. Respondents were asked if it was difficult to keep up with new and updated information and communications technologies. Nine (56.3%) respondents indicated that it was not difficult to keep up with new information and communications technologies while seven (43.8%) indicated that it was difficult to keep up with new and updated information and communications technologies.

3.5.1.3. SWOT analysis

Strengths

Respondents were asked to rank six possible strengths that Organisation A might have. Table 3.1 below presents a summary of the data collected on items relating to the strengths of Organisation A (Percentages highlighted in grey refers to the most selected item according to the ranking). The detailed information can be found in Appendix Table 3.7 (page 75).

Table 3.1: Strengths of Organisation A

Criteria	Ranked first	Ranked second	Ranked third	Ranked fourth	Ranked fifth	Ranked sixth
Global scale	6.30%	37.5%	18.80%	6.30%	6.30%	25.00%
Relationships with big suppliers	25.00%	25.00%	18.80%	18.80%	6.30%	6.30%
Full line of network services	31.30%	12.50%	31.30%	18.80%	6.30%	0.00%
Good track record	12.50%	12.50%	0.00%	12.50%	25.00%	37.50%
Industry critical skills	25.00%	12.50%	12.50%	31.30%	12.50%	6.30%
Management and their management style	0.00%	0.00%	18.80%	12.50%	43.80%	25.00%

Five (31.3%) respondents ranked “Full line of network services” as the main strength of Organisation A, while two groups of four (25.0%) respondents each ranked “Relationships with big suppliers” and “Industry critical skills” as a possible main strength. Six (37.5%) respondents ranked “Good track record”

last as a possible strength, while two groups of four (25.0%) ranked “Global scale” and “Management and their management style” last as a possible strength.

Weaknesses

Respondents were asked to rank six possible weaknesses that Organisation A might have. Table 3.2 below presents a summary of the data collected on items relating to the weaknesses of Organisation A (Percentages highlighted in grey refers to the most selected item according to the ranking). The detailed information can be found in Appendix Table 3.8 (page 78).

Table 3.2: Weaknesses of Organisation A

Criteria	Ranked first	Ranked second	Ranked third	Ranked fourth	Ranked fifth	Ranked sixth
Service capabilities on non-core equipment	18.80%	25.00%	25.00%	18.80%	0.00%	6.30%
Maintaining relationships with big suppliers	12.50%	0.00%	25.00%	6.30%	18.80%	31.30%
Marketing strategy and brand awareness	0.00%	18.80%	6.30%	25.00%	18.80%	25.00%
Management and their management style	12.50%	31.30%	12.50%	6.30%	18.80%	12.50%
Lack of ISO certifications	6.30%	6.30%	18.80%	37.50%	18.80%	6.30%
Retention of staff	43.80%	12.50%	6.30%	0.00%	18.80%	12.50%
No response	6.30%	6.30%	6.30%	6.30%	6.30%	6.30%

Seven (43.8%) respondents ranked “Retention of staff” as the main weakness of Organisation A, while three (18.8%) respondents ranked “Service capabilities on non-core Organisation A equipment” as the main weakness.

Five (31.3%) respondents ranked “Maintaining relationships with big suppliers” last as a possible weakness, while four (25.0%) respondents ranked “Marketing strategy and Brand awareness” last as a possible weakness.

Opportunities

Respondents were asked to rank four possible opportunities that Organisation A might have. Table 3.3 below presents a summary of the data collected on items relating to the opportunities for Organisation A (Percentages highlighted in grey refers to the most selected item according to the ranking). The detailed information can be found in Appendix Table 3.9 (page 81).

Table 3.3: Opportunities for Organisation A

Ranking	Merge with carrier services provider	Unique products and services	Increase in government spending on IT	Increased focus to improve services	No response
Ranked first	6.3%	18.8%	50.0%	25.0%	0.0%
Ranked second	6.3%	37.5%	0.0%	56.3%	0.0%
Ranked third	12.5%	37.5%	31.3%	18.8%	0.0%
Ranked fourth	68.8%	6.3%	18.8%	0.0%	6.3%

Eight (50.0%) respondents ranked “Increase in government spending in IT infrastructure” as the main opportunity for Organisation A, while four (25.0%) respondents ranked “Increased focus to improve services” as the main opportunity. Eleven (68.8%) respondents ranked “Merge with a carrier services provider” last, while three (18.8%) respondents ranked “Increased in government spending on IT” last as a possible opportunity.

Threats

Respondents were asked to rank four possible threats that Organisation A might have. Table 3.4 below presents a summary of the data collected on items relating to the threats for Organisation A (Percentages highlighted in grey refers to the most selected item according to the ranking). The detailed information can be found in Appendix Table 3.10 (page 83).

Table 3.4: Threats for Organisation A

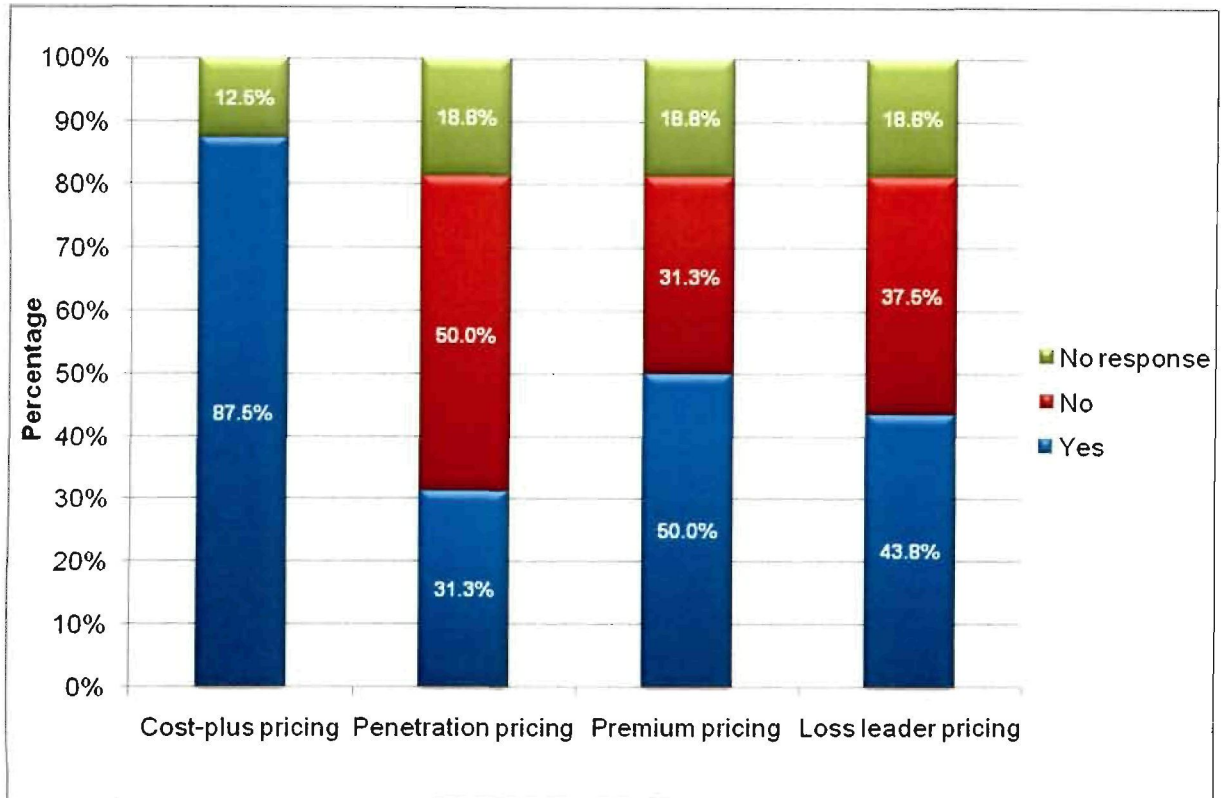
Ranking	Suppliers moving into the services market	Competitive environment for services	Lack of integration skills	Acquisition by a carrier services provider
Ranked first	37.5%	31.3%	31.3%	0.0%
Ranked second	6.3%	37.5%	43.8%	12.5%
Ranked third	56.3%	18.8%	18.8%	6.3%
Ranked fourth	0.0%	12.5%	6.3%	81.3%

Six (37.5%) respondents ranked “Suppliers moving into the services markets” as the main threat for Organisation A, while two groups of five (31.3%) respondents each ranked “Competitive environment for services” and “Lack of integration skills” as the main threat. Thirteen (81.3%) of the respondents ranked “Acquisition by a carrier service provider” last as a possible threat.

3.5.1.4. Pricing strategies

Respondents were asked to indicate the pricing strategies (from a list provided) that Organisation A use. Figure 3.4 presents a summary of the data collected on items relating to the pricing strategies used by the company. The detailed information can be found in Appendix Table 3.11 (page 84).

Figure 3.4: Pricing strategies



Fourteen (87.5%) respondents indicated that Organisation A use a “Cost-plus pricing” strategy. Five (31.3%) respondents indicated that a “Penetration pricing” strategy was used while eight (50.0%) respondents indicated that it used “Premium pricing”. Seven (43.8%) respondents indicated that Organisation A use a “Loss leader pricing” strategy.

3.5.1.5. Customer satisfaction

Respondents were asked to indicate and select the most important variables (from a list provided) that customers consider very important. Table 3.5 below presents a summary of the data collected on items relating to the customers of the company (Percentages highlighted in grey refers to the most selected item according to the ranking). The detailed information can be found in Appendix Table 3.12 (page 85).

Table 3.5: Customer satisfaction

Ranking	Functionality of the proposed solution	Black Economic Empowerment (BEE)	Price	After sales support
Ranked first	37.5%	18.8%	25.0%	18.8%
Ranked second	31.3%	6.3%	25.0%	37.5%
Ranked third	18.8%	31.3%	25.0%	25.0%
Ranked fourth	12.5%	43.8%	25.0%	18.8%

Six (37.5%) respondents ranked “Functionality of the proposed solution” as the main requirement of customers, while four (25.0%) respondents ranked “Price” as the main requirement of customers. Seven (43.8%) respondents ranked “Black Economic Empowerment” as the least important variable considered by customers.

Respondents were also asked if Organisation A has difficulty meeting the customer budget. The detailed information can be found in Appendix Table 3.12 (page 85). Thirteen (81.3%) respondents indicated that Organisation A often have difficulties to meet customer budget while two (12.5%) respondents indicate that Organisation A never have difficulties meeting the customer budget. One (6.3%) respondent did not indicate a response.

3.5.2. Results of the semi-structured interviews

The interviews with the Marketing Research Manager and the Business Intelligence Marketing Manager resulted in the following (the question framework is presented in Appendix 2: page 69).

- Respondents were asked to indicate how long they have been working in their current position. The Marketing Research Manager had about eight years' experience at the time of the interview, of which the last five months were at Organisation A. The Business Intelligence Marketing Manager has been in her current position at Organisation A for about 18 months at the time of the interview.
- Respondents were asked to explain what their main duties are. The Marketing Research Manager gathers and reviews global and local media articles and statements on a weekly basis to keep track of global and local competitors, partners and alliances. Furthermore, all the media articles and statements are analysed and organised according to the company's regions. Twelve competitors have been identified in South Africa and are currently being tracked, with related information being communicated to 517 employees globally. The Business Intelligence Marketing Manager focuses on internal and external aspects of business and competitor intelligence. Internal intelligence refers to information required by management about the customers, while external intelligence refers to the external business environment and the competitors' actions.
- Respondents were asked if Organisation A had a formal competitive/competitor analysis in place. The Marketing Research Manager was not aware of any formal analysis while the Business Intelligence Marketing Manager indicated that a three-phase approach for a competitive/competitor analysis has been identified on an ad hoc basis and includes the following: i) a detailed analysis of the research houses to establish the research house that would best suit the company's requirements; ii) the defining of all the solution groups within the organisation; and iii) the comparison of the various solution groups with those of the competitors. Organisation A is currently completing the second phase.

- If no formal competitive/competitor analysis was in place, respondents had to indicate if it was a future objective of Organisation A to put such a process in place and if there was a deadline for such a process. Both respondents indicated that no specific objective exists and that no deadline was stipulated for a competitive/competitor analysis.

3.6. Summary

This chapter discussed the research method and presented the results of the empirical study. Objectives of the empirical study were highlighted, the sample was discussed and the details of the questionnaire was summarised. The sample of this study consisted of 30 subjects, of which 16 subjects responded. Ten respondents were male and six respondents were female, with six respondents obtained a bachelor's degree. It's clear from the results that the respondents perceive the external business environment as having a big influence on Organisation A. Regulation was seen as the major obstacle in the political environment, while respondents predicted that inflation and the South African Rand will weaken the economy of South Africa. The respondents also indicated that government was not doing enough to improve the socio-culture environment in South Africa, while they felt that Organisation A was doing enough.

The respondents indicated that the new ICT technologies will have a big impact on the operations and employment of Organisation A. The ability to deliver a holistic solution by having a full line of network services was seen as the main strength of Organisation A while the retention of staff was seen as the main weakness of Organisation A. An increase in government spending on IT was seen as the main opportunity for Organisation A, while the movement of suppliers into the services market was seen as the main threat. The respondents indicated that Organisation A prefer to use a "cost-plus pricing" and "premium pricing" strategy. The respondents also indicated that Organisation A's customers prefer a functional solution rather than a competitive price or good after sales support.

In conclusion, however, the results presented in this chapter should be considered with caution because there are some patterns revealed in the data

that raised some interesting and debatable questions. The limitations of this study will be discussed and highlighted in the following chapter.

CHAPTER 4: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

4.1. Introduction

What is the impact of the competitive external environment on Organisation A and what does the company do to analyse this environment? In the preceding chapters, the competitive environment has been discussed and important factors have been highlighted that the company should consider. This chapter provides a summary and conclusions regarding the findings of the study that have given rise to certain recommendations for future research. A discussion of the limitations will also be presented.

4.2. Summary of research

The research problem was to examine the awareness within the company regarding the impact of the competitive environment and to identify the methods available to analyse the variables in such an environment. The objectives outlined in Chapter 1.4.2 and 1.4.3 (page 3) will be discussed in this chapter. A survey questionnaire was designed and two semi-structured interviews with key employees were conducted to address the research questions and objectives in this study. The sample consisted of 30 employees from Organisation A, of which 16 responded, thus achieving a response rate of 53,3%.

4.2.1. Discussion of the study based on the objectives

The objectives of the study as specified in Chapter 1.4.2 and 1.4.3 (page 3) are addressed and discussed below.

The description of the respondent's characteristics has been included for background purposes. Organisation A is a sales-driven organisation and most of the responses came from respondents working in the sales department. Although debatable, one can make an assumption that individuals working in the sales department will have more knowledge about the external environment than individuals that work in the administration department, for instance. Most of the respondents had a university bachelor's degree. Skills shortage is a big concern in South Africa and the question about the qualifications and experience of the respondents was aimed at raising this

awareness. However, proper skills tests would need to be done in order to determine the general skills levels in the company. Most respondents had more than one year's experience and only one respondent had less than one year of experience.

The first objective (Chapter 1.4.3, bullet 1, page 3) was to identify and investigate important factors for competitiveness which an organisation needs to consider in the external business environment. A literature study was conducted to comprehend factors which organisations needed to consider in this regard. The literature study included a PEST and SWOT analysis as well as costing strategies.

The PEST analysis indicated and identified external factors to the organisation which could have an influence on the operations and competitiveness. Regulation in the political environment, the macro and micro economic environment and the technology environment are identified as having the most significant impact. Regulation is essential to protect consumers and to ensure fair competition. The lack of regulation or inconsistent regulation policies might have a negative impact on the organisation's operations and competitiveness. The micro economy environment considers the local market conditions while the macro economy considers a branch of individual micro economies. Skills shortages were identified as a major concern in the micro economy environment of South Africa. The macro economic environment highlighted factors such as exchange rate fluctuations and inflation rates. Organisations that focus on global markets in particular need to consider the macro economic environment. The technology environment is constantly changing and it is important for organisations to keep up with the latest technologies. Organisations can use existing technologies and develop it themselves for a competitive advantage. Organisations would however need to consider the high research and development costs attached to such a course of action.

The SWOT analysis indicated and identified important internal and external factors to consider by an organisation. Strengths and weaknesses are internal features that an organisation can control and manipulate while opportunities and threats are external features which an organisation cannot control. Strategies however can be developed by an organisation to manage the

opportunities and threats. High skilled resources are identified as one of the most significant strengths that an organisation can have, while inefficient management of resources and a high staff turnover rate are identified as possible weaknesses that an organisation might have. Costing in a competitive environment was also discussed in the literature study and included various pricing strategies which an organisation needs to consider in order to be competitive.

The second objective (Chapter 1.4.3, bullet 2, page 3) was to formulate and complete a survey questionnaire which measures what the employees of Organisation A perceived as important aspects of the external business environment. The questions in the survey questionnaire relating to the PEST analysis addressed the second objective. Evidently from the results the political environment consists of a number of variables, all of which will have an influence on the company's operations. Regulation was considered the single biggest obstacle that the company was likely to encounter. It is difficult to predict what the future economy of South Africa will experience over the next three to five years. However, management will have to be aware of the economic situation in order to change and adjust strategies to ensure sustainability. It is important to consider the social environment because individuals spend substantial amounts of time at work. New and updated ICT technologies are also considered a big role-player in the future of the company. It is therefore important to identify this as an opportunity and to differentiate the organisation from its competitors by being proactive and innovative in the face of change.

The third objective (Chapter 1.4.3, bullet 3, page 4) was to identify the factors which the employees of Organisation A perceive as their competitive advantage. The questions in the survey questionnaire relating to the SWOT analysis addressed the third objective. Costing strategies were also included in the survey questionnaire to assess possible methods for a competitive advantage. Evidently from the results a full line of network services was considered to be a key strength of the company, while a good track record was ranked last. One might think that having a good track record would surely be an advantage and strength. The fact that this was ranked last could be debatable and may need to be considered in the light of the other options

provided. A key weakness for the company was considered its low staff retention. Competitors often attract employees with higher salary packages. The obvious answer to this is to offer all employees similar salary packages, or perhaps better benefits. However, this will not be always possible because of budget and financial constraints and the company may therefore need to evaluate this on a case-by-case basis.

The economy of South Africa might show a negative growth over the next three years, which makes it all the more important for the company to secure a large market share within the ICT industry. The increase in government spending is a great opportunity for the company to attain such a market share. Organisation A's main threat is that one of its main suppliers is moving into the services market. Suppliers today do not only supply products but install and maintain them as well. It was also found that the company primarily used a "Cost-plus pricing" strategy, which is supplemented by a "Premium pricing" strategy. Price is an important factor when it comes to winning business away from the competitors. Functionality of solutions was ranked as the most important customer satisfaction requirement. Organisation A can use customer satisfaction information to concentrate and focus on the functionality of their solutions. To illustrate its importance, consider the following example, customers may consider two suppliers; the one supplier with a low quote and another one with a much higher quote. Initially the lowest quote may be considered as the best, but it might exclude some services and solution components, resulting in customers rather choosing the comprehensive and fully inclusive solutions. Price was rank as the least important factor for customers. This might be debatable because some customers might be more price-sensitive than others and the price will also depend on the budget of the customer.

The fourth objective (Chapter 1.4.3, bullet 4, page 4) was to identify current methods used by Organisation A to analyse the external business environment. The reason thus for the semi-structured interviews was to determine what the company was actually doing in terms of analysing the external competitive environment. Two interviews were conducted, one with the Marketing Research Manager and another with the Business Intelligence Marketing Manager.

The interview with the Marketing Research Manager revealed: i) that competitor information was gathered on a global scale and included information from 12 competitors within South Africa; and ii) that such information was superficially scrutinised, organised and distributed to various employees of the company. The interview with the Business Intelligence Marketing Manager revealed that the company recently acknowledged a requirement for internal and external business and competitor intelligence. Therefore, the company embarked on an initiative to analyse its competitive environment, albeit on an ad hoc basis only.

4.3. Concluding comments

4.3.1. Conclusion

The fifth and final objective (Chapter 1.4.3, bullet 5, page 4) was to reach conclusions from the study and to develop recommendations for presentation to Organisation A's management team. Based on the preceding results, certain conclusions can be drawn and includes the following:

- The research has shown that the external environment is complex and dynamic, which makes it difficult to investigate. However, numerous variables of the external environment have been identified and investigated in the PEST analysis. Currently the company is working with research houses in order to determine external factors that will influence its sustainability. These research houses will assist in competitor information as well as predictions about the greater external environment such as the South African economy.
- The research revealed that the company's key strength is its ability to deliver holistic solutions and it does not necessarily need partners or sub-contractors. The advantage of this is that the customer only has to sign a single contract with one supplier. That supplier will then be fully responsible for delivering the solution. The main weakness of the company is that it seems to find it difficult to retain resources. Key resources and staff often get poached by competitors and valuable skills are lost. Another weakness is the lack of system/solution integration skills, which often forces the company to rely on sub-contractors and partners.

- The research has shown that company management only recently recognised the importance of competitor analysis. However, the company still only employs a single person conducting this research while competitors may have dedicated teams performing this function. The above mentioned indicates a compelling reason for a gap analysis to be performed on the competitive/competitor analysis process of Organisation A. Blocher *et al.* (2005:684) defines a gap-analysis as a benchmarking approach that will assist in identifying the gap between the best-in-class and the firm's current practices. According to the Business Intelligence Marketing Manager, the company is currently busy with an ad hoc competitor analysis, but has no plans to complete such a process before it understands its added value. Table 4.1 demonstrates a Gap analysis applicable to the competitive/competitor analysis process of Organisation A.

Table 4.1: Gap analysis of a competitor analysis process

End state	Current state	Gaps/Action
Management recognised the value and importance of a competitive analysis process.	Management recognises the value and importance of a competitive analysis process.	No gaps. Management needs to drive this more powerfully though.
Management sponsorship to efficiently drive the process.	No management sponsorship.	Nominate individual from the management team to drive the process.
Identified all applicable variables needed to be considered for a competitor analysis; for example, key solution groups that would be needed to compare to the company's competitors.	Organisation A is currently busy identifying all the variables.	No gaps. Organisation A needs to finalise all the variables in a workshop.
Include a research house in the process to gain an objective input.	Organisation A has already identified a resource house.	No gaps. Organisation A needs to continue to include the research house in the process.
Formal competitive/competitor analysis document.	Informal ad hoc process in place.	Organisation A needs to construct a formal documented process.

- Finally, the research has shown that most of the time spent on competitive/competitor analysis was for information collection and distribution and that limited effort was spent on the analysis of the information.

4.3.2. Recommendations

Based on the aforementioned, the following recommendations are presented:

- Ensure that management will drive and support the efforts to put a formal competitive/competitor analysis process in place. Furthermore, the company should allocate more resources to formalise a competitive/competitor analysis process.
- A formal documented competitive/competitor analysis process needs to be produced to gain insight into the competitive environment in which the company operates. This process should include, but not necessary be limited to: i) comprehensive planning to identify objectives; ii) data compilation techniques; and iii) analyse data for management to adjust and amend organisational strategies.
- PEST and SWOT analyses should be conducted regularly by a dedicated team to ensure that the company keeps in touch with its competitive business environment.
- The company could promote technology throughout the South African society to create a national ICT culture, thus also enhancing its own social responsibility efforts.
- The company needs to take full advantage of the increased spending of government on IT. Government is often seen as a poor service delivery sector and the company could leverage off this by partnering with government to improve these services.
- In order to be competitive, the total margin on proposals should be carefully considered on a case-by-case basis. One can do a price/margin comparison by estimating the competition's discount and margin and comparing this with one's own organisation's discounts and margins. Table 7 below illustrates an example that if a competitor

receives a 30% discount and adds a 5% margin, Organisation A will have a lower selling price if it adds an 11.5% margin on a 35% discount. Also evident from the table is that Organisation A will achieve a 56.4% higher margin in comparison with the competitor.

Table 4.2: Price/Margin comparison

Item	Competitor	Organisation A
Supplier list price	R10 000.00	R10 000.00
Discount %	30%	35%
Cost price	R7 000.00	R6 500.00
Margin %	5.0%	11.5%
Selling price	R7 368.42	R7 344.63
Margin value	R368.42	R844.63
Margin value difference	R476.21	
Margin value difference as a percentage	56.4%	

- The Customer Care Division of Organisation A does not perform any trend analysis of all the complaints and compliments, which would serve to highlight common delivery and service problems. Currently only an Excel spreadsheet is circulated with some of the complaints, with no formal database or analysis of this information.
- The company should determine and analyse the factors which causes the high staff turnover. These factors need to be addressed and taken into consideration in the company's annual human resource strategy.

4.3.3. Scope for further research

This research project was an exploratory study, which by definition may result in the limited findings of deep relational findings between variables. Additional research is required to determine the reliability of the measuring instruments and should also focus on larger samples to improve the confidence in the study findings. Future research about the external environment could also include input from economists, while future research of competitive analysis processes could include input from research houses.

4.3.4. Limitations of the research

The following shortcomings were identified during the research and should be kept in mind:

- The sampling frame of 30 and the response rate of 16 subjects may be considered small in size to allow for inferential statistical examination of the reliability and validity of the survey instrument;
- The study assumes that the subjects have a good understanding of the competitive business environment of Organisation A, which may not be the case.
- The external environment is constantly changing and it is difficult to measure all the variables that would influence the operations of Organisation A;
- There was difficulty in comparing and benchmarking Organisation A versus competitors because of a lack of competitor information; and
- The cost of research house reports to assist in drawing conclusions about research already done on competitors is high.

APPENDIX 1: SURVEY OF ORGANISATION A AND ITS INTERNAL AND EXTERNAL ENVIRONMENT

Instructions:

Please complete all the questions.

If you choose "Other", please specify this clearly underneath.

Some questions will give you an option to elaborate; please elaborate if you need to add additional information.

Notes:

Please complete the questionnaire before Friday 28 March 2008, 17.00.

All the information gathered will be treated as confidential.

PART A: Individual information of staff

1) What is your gender?

- ☐ Male
- ☐ Female

2) In what department/business unit do you work?

- ☐ Sales
- ☐ Finance
- ☐ Marketing
- ☐ Information Technology
- ☐ Administration

3) What is your highest qualification obtained?

- ☐ High School/Matric
- ☐ College diploma
- ☐ University bachelor's degree
- ☐ Honours degree
- ☐ Masters degree
- ☐ Other (please specify)

If you selected other, please specify:

4) How long have you been in the ICT (Information and Communication Technology) industry?

- ☐ Less than one year
- ☐ One to five years
- ☐ Five to ten years
- ☐ Ten years or more

PART B: Internal and external environment of Organisation A according to the knowledge of its staff

General

5) To your knowledge, is Organisation A doing external environment analysis to gain insight into the competitive environment?

- ☐ Yes
- ☐ No
- ☐ I don't know

Political environment

6) Do you think the political environment will have a negative or positive effect on the future operations of Organisation A in the next five years?

- ☐ Positive
- ☐ Negative

7) Elaborate on the previous question if needed:

		▲
		▼
◀	▶	

8) Please rank the following possible obstacles that Organisation A might face in the political environment (1 most likely to have an influence and 4 least likely to have an influence):

- ☐ Regulation
- ☐ Inconsistencies of policies
- ☐ A lack of transparency of policies
- ☐ Political instability of neighbouring countries; for example, Zimbabwe

9) Will government regulation affect your work function directly?

- ☐ Yes
- ☐ No

Economic environment

10) What do you expect will happen with the South African economy in the next three years?

- ☐ Positive growth
- ☐ Negative growth
- ☐ No change

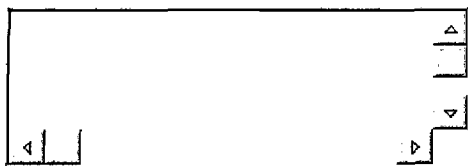
11) Elaborate on the previous question if needed:

		▲
		▼
4		▶

12) What affect do you think the future economy will have on Organisation A's operational profit?

- ☐ Increase operational profits
- ☐ Decrease operational profits
- ☐ No change

13) Elaborate on the previous question if needed:



14) What do you expect the South African rand to do over the next three years?

- ☐ Strengthen
- ☐ Weaken
- ☐ Stay consistent
- ☐ Too difficult to predict

15) The inflation rate today is approximately 8%. What do you think will happen with the inflation rate over the next three years?

- ☐ Increase
- ☐ Decrease
- ☐ Stay consistent

16) Elaborate on the previous question if needed:



17) What impact do you think crime will have on the economy of South Africa?

☐ High impact

☐ Low impact

☐ No impact

18) Elaborate on the previous question if needed:



Social culture

19) Do you think government is doing enough to improve the social environment within South Africa?

☐ Yes

☐ No

20) Do you think that Organisation A's staff is very diverse?

☐ Yes

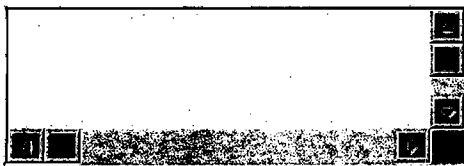
☐ No

21) Do you think that Organisation A is doing enough to improve the social culture within the organisation?

☐ Yes

☐ No

22) If you answered no in the previous question, what should Organisation A do to improve the social culture within the organisation?



Technology environment

23) Information and communications technology is advancing rapidly. Do you think these technologies are over-complex and need to be simplified?

☐ Yes

☐ No

24) Do you think that new and updated information and communications technology will have an influence on future employment in the organisation?

- ☐ Yes
- ☐ No

25) Elaborate on the previous question if needed:



26) Do you find it difficult to keep up with the latest information and communications technologies?

- ☐ Yes
- ☐ No

Strengths of Organisation A

27) Please rank the following possible strengths that Organisation A has in order of importance (1 being very important and 6 not important):

- ☐ Global scale of Organisation A
- ☐ Key relationships with big suppliers
- ☐ Full line of network services
- ☐ Industry-critical skills
- ☐ Recent performances/Good track record
- ☐ Management and their management style

Weaknesses of Organisation A

28) Please rank the following possible weaknesses that Organisation A has in order of importance (1 being very important and 6 not important):

- ☐ Service capabilities on non-core Organisation A equipment
- ☐ Maintaining relationships with big suppliers
- ☐ Lack of ISO quality certifications
- ☐ Retention of staff
- ☐ Marketing strategy and brand awareness
- ☐ Management and their management style

Opportunities for Organisation A

29) Please rank the following possible opportunities that Organisation A should consider in order of importance (1 being very important and 4 not important):

- ☐ Merge with/purchase a carrier services provider
- ☐ Unique product and service offerings
- ☐ Increase in government spending on IT infrastructure
- ☐ Increased focus on customer requirements to improve services

Threats for Organisation A

30) Please rank the following possible threats that Organisation A might encounter in order of importance (1 being very important and 4 not important):

- ☐ Suppliers moving into the services markets
- ☐ Competitive environment for services

- ☐ Lack of integration skills
- ☐ Acquisition by a carrier service provider

Financial/Pricing strategies

31) The pricing strategy of an organisation can ultimately determine its profitability and existence. According to your knowledge, please answer the following financial/pricing questions:

	Yes	No
31.1 Does Organisation A use "Cost-plus pricing"? (Cost-plus pricing requires a specific return. You would need to add a margin on top of the cost price in order to achieve the required return.)	☐	☐
31.2 Does Organisation A use "Penetration pricing"? (Penetration pricing is when an organisation sells its products and services cheaply in order to sell huge quantities and to gain a large market share.)	☐	☐
31.3 Does Organisation A use "Premium pricing "? (Premium pricing is when an organisation sells at a higher price than its competitors because its products and services are superior to the competition.)	☐	☐
31.4 Does Organisation A use "Loss leader pricing"? (Loss leader pricing is when a product range consists of one or more main products and a series of related optional extras. The organisation can set the main product at a low price while the optional extras can be set at a high price.)	☐	☐

32) Please rank the following factors that customers demand in order of importance from 1 to 4 (1 being very important and 4 not important):

- ☐ Functionality of the proposed solution
- ☐ Price
- ☐ After-sales support
- ☐ Black Economic Empowerment (BEE)

33) Does Organisation A have difficulties in meeting customer budgets?

- ☐ Always
- ☐ Never
- ☐ Often

34) Elaborate on the previous question if needed:



THANK YOU FOR TAKING TIME TO COMPLETE THE QUESTIONNAIRE

APPENDIX 2: SEMI-STRUCTURED INTERVIEW

Format of semi-structured interview

The objectives of both the study and the interview were explained to the respondent. The following questions were asked:

- What is your job title?
- How long have you been working in your current position?
- Please explain what your current job entails.
- To your knowledge, does Organisation A have a formal competitive/competitor analysis process in place?
- If not, is it one of Organisation A's objectives to put such a process in place?
- Does Organisation A have a deadline in which to complete a formal competitive/competitor analysis process?

APPENDIX 3: SURVEY QUESTIONNAIRE RESULTS

Appendix Table 3.1: Summary of the respondents' characteristics

Variable	Description	Frequency	Percentage
Gender	Male	10	62.50%
	Female	6	37.50%
Department / Business unit	Sales	5	31.30%
	Finance	3	18.80%
	Marketing	3	18.80%
	Information Technology	4	25.00%
	Administrator	1	6.30%
Highest qualification obtained	Matric	2	12.50%
	College diploma	5	31.30%
	Bachelors degree	6	37.50%
	Honours degree	1	6.30%
	Masters degree	0	0.00%
	Other	2	12.50%
Experience in ICT industry	Less than one year	1	6.30%
	One to five years	6	37.50%
	Five to ten years	4	25.00%
	Ten years and more	5	31.30%

Appendix Table 3.2: General

Variable	Description	Frequency	Percentage
Does Organisation A do competitive analysis?	Yes	8	50.00%
	No	4	25.00%
	I don't know	4	25.00%

Appendix Table 3.3: Political environment

Variable	Description	Frequency	Percentage
Influence of political environment on Organisation A	Positive	7	43.80%
	Negative	9	56.30%
Possible obstacles in the political environment for Organisation A			
Definitely	Regulation	9	56.30%
	Inconsistent policies	3	18.80%
	Non transparent policies	2	12.50%
	Political instability of neighbouring countries	2	12.50%
Most likely	Missing	1	6.30%
	Regulation	2	12.50%
	Inconsistent policies	5	31.30%
	Non transparent policies	8	50.00%
	Political instability of neighbouring countries	0	0.00%
Likely	Missing	1	6.30%
	Regulation	2	12.50%
	Inconsistent policies	7	43.80%
	Non transparent policies	3	18.80%
	Political instability of neighbouring countries	3	18.80%

Variable	Description	Frequency	Percentage
Least likely	Missing	1	6.30%
	Regulation	3	18.80%
	Inconsistent policies	0	0.00%
	Non transparent policies	2	12.50%
	Political instability of neighbouring countries	10	62.50%
Does government regulation affect the employees work directly?	Yes	8	50.00%
	No	8	50.00%

Appendix Table 3.4: Economic environment

Variable	Description	Frequency	Percentage
Expectancy of South African economy	Positive growth	7	43.80%
	Negative growth	7	43.80%
	No change	2	12.50%
South African economy and the influence on Organisation A's operational profit	Increase operational profits	5	31.30%
	Decrease operational profits	8	50.00%
	No change	3	18.80%
Expectancy of the South African currency (Rand) in the next 3 years	Strengthen	2	12.50%
	Weaken	7	43.80%
	Stay consistent	3	18.80%
	Too difficult to predict	4	25.00%

Variable	Description	Frequency	Percentage
Expectancy of South Africa's inflation rate in the next 3 years	Increase	11	68.80%
	Decrease	2	12.50%
	Stay consistent	3	18.80%
Impact of crime on the economy of South Africa	High impact	14	87.50%
	Low impact	2	12.50%
	No impact	0	0.00%

Appendix Table 3.5: Social culture environment

Variable	Description	Frequency	Percentage
Is government doing enough to improve the social environment within South Africa?	Yes	2	12.50%
	No	14	87.50%
Is Organisation A's staff very diverse?	Yes	12	75.00%
	No	4	25.00%
Is Organisation A doing enough to improve the social culture within the organisation?	Yes	10	62.50%
	No	6	37.50%

Appendix Table 3.6: Technology environment

Variable	Description	Frequency	Percentage
Are information and communications technology over complex?	Missing	1	6.30%
	Yes	6	37.50%
	No	9	56.30%
Will information and communications technology have a influence on the future employment of Organisation A?	Yes	13	81.10%
	No	3	18.80%
Is it difficult to keep up with new and updated information and communications technologies?	Yes	7	43.80%
	No	9	56.30%

Appendix Table 3.7: Strengths of Organisation A

Variable	Description	Frequency	Percentage
Possible strengths of Organisation A			
Ranked first	Global scale	1	6.30%
	Relationships with big suppliers	4	25.00%
	Full line of network services	5	31.30%
	Good track record	2	12.50%
	Industry critical skills	4	25.00%
	Management and their management style	0	0.00%
Ranked second	Global scale	6	37.50%
	Relationships with big suppliers	4	25.00%
	Full line of network services	2	12.50%
	Good track record	2	12.50%
	Industry critical skills	2	12.50%
	Management and their management style	0	0.00%

Variable	Description	Frequency	Percentage
Ranked third	Global scale	3	18.80%
	Relationships with big suppliers	3	18.80%
	Full line of network services	5	31.30%
	Good track record	0	0.00%
	Industry critical skills	2	12.50%
	Management and their management style	3	18.80%
Ranked fourth	Global scale	1	6.30%
	Relationships with big suppliers	3	18.80%
	Full line of network services	3	18.80%
	Good track record	2	12.50%
	Industry critical skills	5	31.30%
	Management and their management style	2	12.50%

Variable	Description	Frequency	Percentage
Ranked fifth	Global scale	1	6.30%
	Relationships with big suppliers	1	6.30%
	Full line of network services	1	6.30%
	Good track record	4	25.00%
	Industry critical skills	2	12.50%
	Management and their management style	7	43.80%
Ranked sixth	Global scale	4	25.00%
	Relationships with big suppliers	1	6.30%
	Full line of network services	0	0.00%
	Good track record	6	37.50%
	Industry critical skills	1	6.30%
	Management and their management style	4	25.00%

Appendix Table 3.8: Weaknesses of Organisation A

Variable	Description	Frequency	Percentage
Possible weakness of Organisation A			
Ranked first	Missing	1	6.30%
	Service capabilities on non-core Organisation A equipment	3	18.80%
	Maintaining relationships with big suppliers	2	12.50%
	Marketing strategy and Brand awareness	0	0.00%
	Management and their management style	2	12.50%
	Lack of ISO certifications	1	6.30%
	Retention of staff	7	43.80%
Ranked second	Missing	1	6.30%
	Service capabilities on non-core Organisation A equipment	4	25.00%
	Maintaining relationships with big suppliers	0	0.00%
	Marketing strategy and Brand awareness	3	18.80%
	Management and their management style	5	31.30%
	Lack of ISO certifications	1	6.30%
	Retention of staff	2	12.50%

Variable	Description	Frequency	Percentage
Ranked third	Missing	1	6.30%
	Service capabilities on non-core Organisation A equipment	4	25.00%
	Maintaining relationships with big suppliers	4	25.00%
	Marketing strategy and Brand awareness	1	6.30%
	Management and their management style	2	12.50%
	Lack of ISO certifications	3	18.80%
	Retention of staff	1	6.30%
Ranked fourth	Missing	1	6.30%
	Service capabilities on non-core Organisation A equipment	3	18.80%
	Maintaining relationships with big suppliers	1	6.30%
	Marketing strategy and Brand awareness	4	25.00%
	Management and their management style	1	6.30%
	Lack of ISO certifications	6	37.50%
	Retention of staff	0	0.00%

Variable	Description	Frequency	Percentage
Ranked fifth	Missing	1	6.30%
	Service capabilities on non-core Organisation A equipment	0	0.00%
	Maintaining relationships with big suppliers	3	18.80%
	Marketing strategy and Brand awareness	3	18.80%
	Management and their management style	3	18.80%
	Lack of ISO certifications	3	18.80%
	Retention of staff	3	18.80%
Ranked sixth	Missing	1	6.30%
	Service capabilities on non-core Organisation A equipment	1	6.30%
	Maintaining relationships with big suppliers	5	31.30%
	Marketing strategy and Brand awareness	4	25.00%
	Management and their management style	2	12.50%
	Lack of ISO certifications	1	6.30%
	Retention of staff	2	12.50%

Appendix Table 3.9: Opportunities for Organisation A

Variable	Description	Frequency	Percentage
Opportunities for Organisation A			
Ranked first	Merge with / purchase a carrier services provider	1	6.30%
	Unique product and service offerings	3	18.80%
	Increase in government spending in IT infrastructure	8	50.00%
	Increased focus on customer requirements to improve services	4	25.00%
Ranked second	Merge with / purchase a carrier services provider	1	6.30%
	Unique product and service offerings	6	37.50%
	Increase in government spending in IT infrastructure	0	0.00%
	Increased focus on customer requirements to improve services	9	56.30%

Variable	Description	Frequency	Percentage
Ranked third	Merge with / purchase a carrier services provider	2	12.50%
	Unique product and service offerings	6	37.50%
	Increase in government spending in IT infrastructure	5	31.30%
	Increased focus on customer requirements to improve services	3	18.80%
Ranked fourth	Missing	1	6.30%
	Merge with / purchase a carrier services provider	11	68.80%
	Unique product and service offerings	1	6.30%
	Increase in government spending in IT infrastructure	3	18.80%
	Increased focus on customer requirements to improve services	0	0.00%

Appendix Table 3.10: Threats for Organisation A

Variable	Description	Frequency	Percentage
Threats for Organisation A			
Ranked first	Suppliers moving into the services markets	6	37.50%
	Competitive environment for services	5	31.30%
	Lack of integration skills	5	31.30%
	Acquisition by a carrier service provider	0	0.00%
Ranked second	Suppliers moving into the services markets	1	6.30%
	Competitive environment for services	6	37.50%
	Lack of integration skills	7	43.80%
	Acquisition by a carrier service provider	2	12.50%
Ranked third	Suppliers moving into the services markets	9	56.30%
	Competitive environment for services	3	18.80%
	Lack of integration skills	3	18.80%
	Acquisition by a carrier service provider	1	6.30%

Variable	Description	Frequency	Percentage
Ranked fourth	Suppliers moving into the services markets	0	0.00%
	Competitive environment for services	2	12.50%
	Lack of integration skills	1	6.30%
	Acquisition by a carrier service provider	13	81.30%

Appendix Table 3.11: Pricing strategies of Organisation A

Variable	Description	Frequency	Percentage
Pricing strategies that Organisation A use			
Cost-plus pricing	Missing	2	12.50%
	Yes	14	87.50%
	No	0	0.00%
Penetration pricing	Missing	3	18.80%
	Yes	5	31.30%
	No	8	50.00%
Premium pricing	Missing	3	18.80%
	Yes	8	50.00%
	No	5	31.30%
Loss leader pricing	Missing	3	18.80%
	Yes	7	43.80%
	No	6	37.50%

Appendix Table 3.12: Customer associated information

Variable	Description	Frequency	Percentage
Important customers demands and requirements			
Ranked first	Functionality of the proposed solution	6	37.50%
	Black Economic Empowerment (BEE)	3	18.80%
	Price	4	25.00%
	After sales support	3	18.80%
Ranked second	Functionality of the proposed solution	5	31.30%
	Black Economic Empowerment (BEE)	1	6.30%
	Price	4	25.00%
	After sales support	6	37.50%
Ranked third	Functionality of the proposed solution	3	18.80%
	Black Economic Empowerment (BEE)	5	31.30%
	Price	4	25.00%
	After sales support	4	25.00%
Ranked fourth	Functionality of the proposed solution	2	12.50%
	Black Economic Empowerment (BEE)	7	43.80%
	Price	4	25.00%
	After sales support	3	18.80%

Variable	Description	Frequency	Percentage
Does Organisation A have difficulties to meet the customer budget?	Missing	1	6.30%
	Always	0	0.00%
	Never	2	12.50%
	Often	13	81.30%

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