

The competitive environment and generic strategy of a family run auditing firm in Brazil: A case study

Werner Trieloff

Hons B.Comm

Mini-dissertation submitted for partial fulfilment of the degree Magister Commercii
(Management Accountancy) at the Potchefstroom Campus of the North-West
University

Study leader: Prof. P.W. Buys

Potchefstroom

November 2010

MINI-DISSERTATION SUMMARY

With the global financial crisis coming to a long awaited, though slow, end and the Fifa Soccer World Cup in 2014 and the Summer Olympic Games in 2016 having been awarded to Brazil in 2009, 2010 holds many challenges and an ever-diversifying environment in which a Brazilian firm needs to formulate and implement a competitive strategy.

Over the last couple of years, Brazil has been a focus point for investors seeking high growth; however, the complex business environment has been a thorn in many international and national firms' side.

With this complex environment as the starting point and many new opportunities as the future focus, Brazilian firms need to find accurate and relevant information about their environment, the markets, their competitors and their clients in order to choose the best strategy for the achievement of the overall goal of any company – increasing the wealth of the shareholder.

The overall objective of this study is thus to use corporate planning tools to evaluate the internal and external environment of BAF Ltda in order to ensure that the best strategy is chosen and adopted so as to make the most of the opportunities that the coming years will bring.

The planning tools utilised in this study are the SWOT and PEST analysis. Both have formed part of the strategic planning process of many firms over the past century and have proved to be a key part in putting together the information needed from which to build a sustainable strategy. This study evaluates both of these planning tools and applies them to the chosen company for this case study.

Following on the corporate appraisal of the PEST and SWOT techniques, generic strategies are evaluated and suggested based on the information gathered through the analyses.

SKRIPSIE-OPSOMMING

Met die wêreldwye finansiële krisis wat besig is om tot 'n lang verwagte, dog stadige, einde te kom en die Fifa Wêreldbeker in 2014 asook die Somer Olimpiese Spele in 2016 wat aan Brazilië toegeken is, is 2010 'n jaar van baie nuwe uitdagings in 'n aanhoudende diversifiserende besigheidsomgewing waarin 'n Brasiliaanse firma 'n kompeterende strategie moet formuleer en implementeer.

Die afgelope paar jaar is Brazilië die fokuspunt vir beleggers wat op soek is na hoë groei. Die komplekse besigheidsomgewing was egter nog altyd 'n doring in die vlees vir baie nasionale en internasionale maatskappye.

Met dié komplekse besigheidsomgewing as beginpunt en die talle nuwe geleenthede waarop gefokus kan word, benodig Brasiliaanse firmas akkurate en relevante inligting oor hul besigheidsomgewing, die markte, hul mededingers en hul kliënte om die beste strategie te kan kies ten einde die oorhoofse doel van enige maatskappy te vervul, naamlik die vermeerdering van rykdom vir die aandeelhouer.

Die oorhoofse doelstelling van hierdie studie is om korporatiewe beplanningsmetodes te gebruik om die interne en eksterne omgewing van BAF Ltda te evalueer en om sodanig te verseker dat die beste strategie gekies en geïmplementeer word om die beste van geleenthede te maak wat die volgende paar jaar gaan bring.

Die beplanningsmetodes wat gebruik is, is die SWOT- en PEST-metodes. Beide vorm die afgelope eeu deel van die strategiese beplanningsproses van baie firmas. Dié metodes het ook al meermale 'n integrale deel gevorm van die verkryging van inligting benodig om 'n volhoubare strategie te formuleer. Hierdie studie evalueer beide hierdie beplanningsmetodes en pas dit toe op die gekose maatskappy vir hierdie gevallestudie.

Die volgende stap sluit die evaluering en aanbeveling van generiese strategie in, wat gebaseer is op die inligting wat deur die PEST- en SWOT-metodes verkry is.

ACKNOWLEDGEMENTS

Taking on and completing a project like this is almost impossible without the support, guidance and cooperation of a number of people. I would thus like to express my gratitude and appreciation to the following people:

- My wife, Mariana, for her unerring support, love and understanding. You give me a daily slice of heaven.
- My parents and family in South Africa and my in-laws in Brazil, for their advice, support and encouragement throughout this project.
- Professor P.W. Buys who has provided me with excellent guidance and advice from start to finish on this project.
- The staff and especially the management of BAF Ltda, for allowing me to do this case study on their company and for providing me with invaluable answers.
- Marília Schmitz, for assisting with the editing and correction of the Portuguese.
- Leané du Plessis, for assisting with the editing and correction of the English.

TABLE OF CONTENTS

Mini-dissertation summary	ii
Skripsie-opsomming.....	iii
Acknowledgements	iv
Table of contents.....	v
List of abbreviations	ix
List of figures.....	x
List of tables	xi
CHAPTER 1.....	1
1. INTRODUCTION	1
1.1. Background	1
1.2. The corporate competitive environment	5
1.3. Motivation	7
1.4. Problem statement and research objectives.....	8
1.4.1. Problem statement.....	8
1.4.2. Objectives	9
1.5. Research method	9
1.5.1. Literature review	9
1.5.2. Empirical research	10
1.6. Definitions.....	10

1.7. Overview	13
CHAPTER 2.....	15
2. ASSESSING THE COMPETITIVE ENVIRONMENT	15
2.1. Introduction.....	15
2.2. PEST analysis	16
2.2.1. Introduction	16
2.2.2. Political environment.....	17
2.2.3. Economic environment	18
2.2.4. Social culture environment.....	19
2.2.5. Technology environment.....	20
2.3. SWOT analysis.....	20
2.3.1. Introduction	20
2.3.2. Strengths	21
2.3.3. Weaknesses	22
2.3.4. Opportunities	22
2.3.5. Threats.....	22
2.3.6. Implementation and misconceptions: SWOT	23
2.4. Generic Strategies.....	25
2.4.1. Introduction	25
2.4.2. Differentiation.....	25

2.4.3. Cost Leadership.....	26
2.4.4. Focus	26
2.5. Summary	27
CHAPTER 3.....	29
3. BUSINESS ENVIRONMENT ASSESSMENT IN PRACTICE: AN EMPIRICAL STUDY	29
3.1. Study Background and Company information	29
3.2. Research Method	30
3.2.1. Introduction	30
3.2.2. Objectives of the empirical study	31
3.2.3. Data collection procedure	31
3.3. Empirical Results.....	32
3.3.1. Results of the semi-structured interview	33
3.3.2. Results of survey questionnaire	33
3.4. Summary	44
CHAPTER 4.....	46
4. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	46
4.1. Introduction.....	46
4.2. Summary of research	46
4.3. Interpretation of results.....	46
4.4. Discussion of the study based on the objectives	48

4.5. Conclusions and recommendations	49
4.6. Scope for further research.....	50
4.7. Limitations of research	51
4.8. Summary.....	51
Annexure 01: Survey of BAF Ltda and its internal and external environment (English)	52
Annexure 02: Survey of BAF Ltda and its internal and external environment (Portuguese).....	64
Annexure 03: Explanation of SWOT and PEST (English).....	77
Annexure 04: Explanation of SWOT and PEST (Portuguese)	81
Annexure 05: Semi-structured interview (English)	85
Annexure 06: Semi-structured interview (Portuguese)	86
Annexure 07: Survey questionnaire results	87
BIBLIOGRAPHY.....	103

LIST OF ABBREVIATIONS

BAF Ltda	Brazilian Auditing Firm Limitada
CIA	Central Intelligence Agency
CNN	Cable News Network
UKTI	UK Trade and Investment
CIMA	Chartered Institute of Management Accounting
SBU	Strategic Business Unit
R & D	Research and Development
UK	United Kingdom
US	Unites States (of America)
IT	Information Technology
GDP	Gross Domestic Product
IFRS	International Financial Reporting Standards
USGAAP	United States Generally Accepted Accounting Principles
SPED	Sistema Público de Escrituração Digital
HR	Human Resources
VOIP	Voice Over Internet Protocol
FDI	Foreign Direct Investment
IFC	International Finance Corporation
MBA	Masters in Business Administration

LIST OF FIGURES

Figure 1.1 - Brazil's inflation from 1960 – 2007	3
Figure 2.1 - Factors of macro and microenvironments in which firms operate	17
Figure 2.2 - General model of SWOT analysis	23
Figure 3.1 - Example of management structure	31
Figure 3.2 - Possible threats in the political environment for BAF Ltda	34
Figure 3.3 - Possible opportunities in the political environment for BAF Ltda	35
Figure 3.4 - Possible threats in the economical environment for BAF Ltda	36
Figure 3.5 - Possible opportunities in the economical environment for BAF Ltda	37
Figure 3.6 - Possible threats in the social environment for BAF Ltda	38
Figure 3.7 - Possible opportunities in the social environment for BAF Ltda	39
Figure 3.8 - Possible threats in the technological environment for BAF Ltda	40
Figure 3.9 - Possible opportunities in the technological environment for BAF Ltda	41
Figure 3.10 - Possible strengths of BAF Ltda	42
Figure 3.11 - Possible weaknesses of BAF Ltda	42
Figure 3.12 - Possible opportunities of BAF Ltda	43
Figure 3.13 - Possible threats to BAF Ltda	43
Figure 3.14 - Generic strategies of BAF Ltda	44

LIST OF TABLES

Table 1.1 - Doing business in Brazil indicators	3
Table 2.1 - Two-by-two matrix: SWOT analysis	21
Table 2.2 - Misconceptions about SWOT analysis	24

CHAPTER 1

1. INTRODUCTION

1.1. Background

The service industry has seen exponential growth over the last century (Drucker, 1986:95) and successfully running a service firm in today's fast changing business environment presents the management team with some dire challenges and requires ever more accurate and relevant information to be at their fingertips. This growth was also accompanied by the change from the industrial age, where mass production lead to great improvements in infrastructure and communication, to the knowledge or information age where this strong foundation of infrastructure and communication was taken to the next level with the development of computers and the internet. Where at the turn of the 19th century it was common for information to take days to travel from one side of the world to the other, at the turn of the 20th century one could send an email from New York to Beijing in a matter of seconds.

Over the last century there have also been many world events and changes, such as the great depression, corporate scandals (Enron, Worldcom), the Dot Com burst, the recent World financial crisis, World War I & II, globalization, etc (Gereffi, Humphrey & Sturgeon, 2005:78) that has led to increasingly complex and diverse business environment in which the modern company finds itself. This has also then lead to new demands and challenges on the management team, which in turn has led to new management theories, technologies, tools and structures, such as:

- Customer Relationship Management (Bull, 2003: 592);
- Total Quality Management (Rodrigues, 2007:702);
- Multinational firms (Drucker, 1986:494-518);
- Environmental analysis (Dess & Origer, 1987:325);
- Resource based strategic development (Barney, 1986a, 1986b, 1991; Peteraf, 1993; Wernerfelt, 1984);
- Workplace democracy (Rayasam, 2008);
- Generic strategies (Hax & Majluf, 1988:100);
- Value chains (Gereffi *et al.*, 2005:79);

- Knowledge worker (Edersheim, 2007:11);
- Game theory (Clark, 1992:860);
- Decision support systems (Clark, 1992:860);
- Forecasting (Clark, 1992:860); and
- Spreadsheets (Clark, 1992:860).

With all these changes and available tools, management teams are faced with information overload, without knowing where to start or which direction in which to go. Rasiel and Friga (2002:9) state that executives and entrepreneurs can manage this surfeit of data only by filtering out all but the most relevant facts. The appropriate structured framework will allow management to do this much more efficiently, thereby increasing the probability that they will arrive at a solution in a reasonable amount of time—and add value to the business.

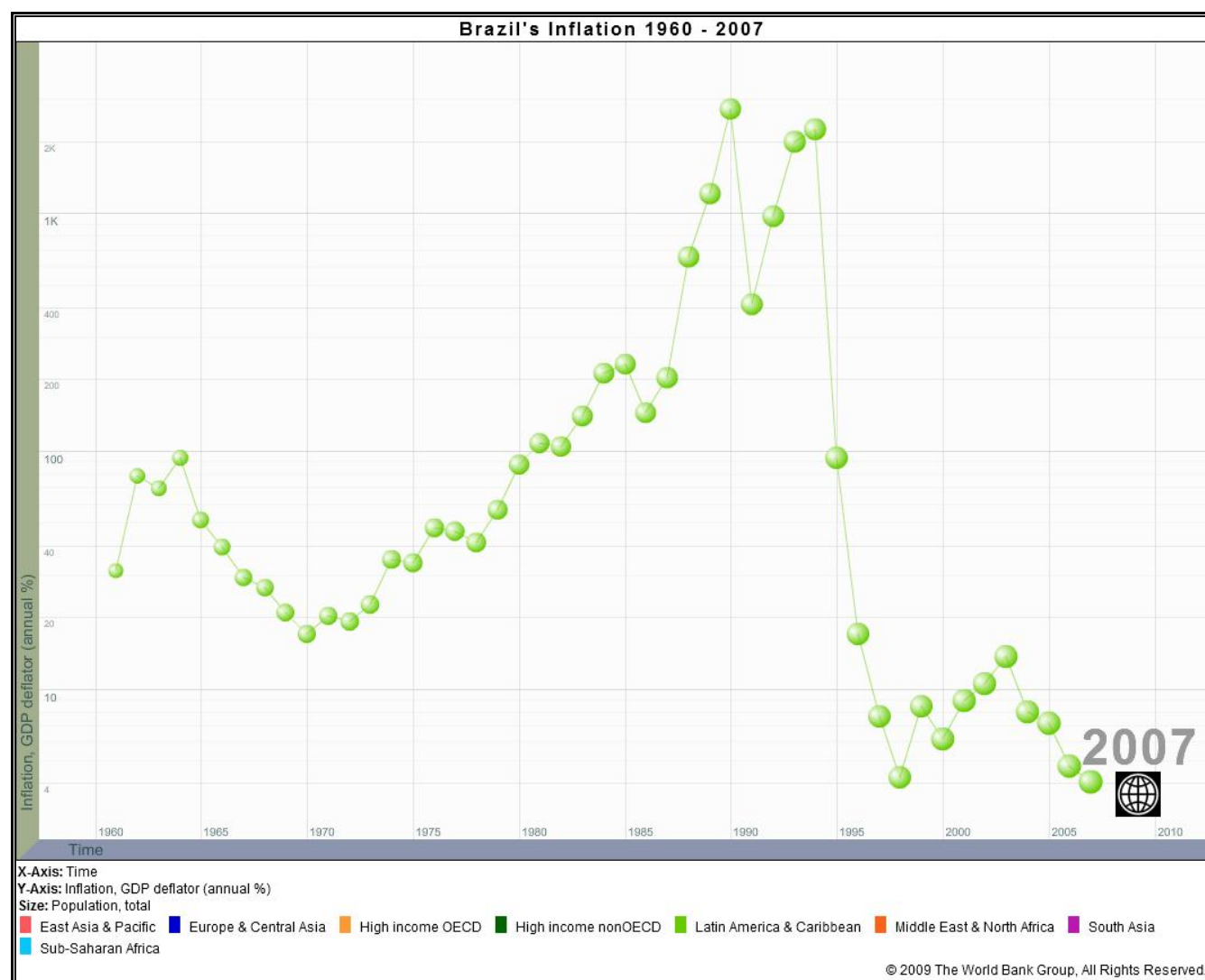
If one then considers the events, changes and new developments listed above in a dynamic and complex market, such as in a country like Brazil, where;

- the average number of man-hours to complete a medium-sized company's taxes for the year amounts to 2 600 man-hours (IFC, 2010:46);
- to open a company takes an average of 120 days (IFC, 2010:110);
- the potential market for your product consists of 190 million people (CIA, 2010);
- the country went through a period of hyperinflation in the 1980's and 1990's, where the average inflation between 1990 and 1995 was 764% per year (The Economist, 2009:2);
- the complex tax laws, regulations and incompetent government create a bureaucratic obstruction for aspiring businessmen (The Economist, 2009:10);
- foreign direct investment (FDI) was up 30% on the year before even as FDI inflows into the rest of the world fell by 14% (The Economist, 2009:2); and
- many multinationals have their most profitable subsidiaries, e.g. Nestle, AB Inbev and Portugal Telecom (Barbosa, 2010).

With the above in mind, one often ends up with management teams that are especially in need of the best structured framework through which to analyze the

available information, both internally and externally, and then to make their strategic decisions in such a way as to avoid the most hazards and get the best return on the available resources. Figure 1.1 and table 1.1 below provide some key indicators of the past and current state of the Brazilian economy and the difficulties of the Brazilian business environment.

Figure 1.1 - Brazil's inflation from 1960 – 2007



(Source: The World Bank, 2010)

Table 1.1 - Doing business in Brazil indicators

Summary of Indicators - Brazil			
Starting a business		Protecting investors	

Procedures (number)	16	Extent of disclosure index (0-10)	6
Time (days)	120	Extent of director liability index (0-10)	7
Cost (% of income per capita)	6.9	Ease of shareholder suits index (0-10)	3
Minimum capital (% of income per capita)	0.0	Strength of investor protection index (0-10)	5.3
Dealing with construction permits		Paying taxes	
Procedures (number)	18	Payments (number per year)	10
Time (days)	411	Time (hours per year)	2600
Cost (% of income per capita)	50.6	Profit tax (%)	15.7
		Labour tax and contributions (%)	46.9
Employing workers		Other taxes (%)	6.6
Difficulty of hiring index (0-100)	78	Total tax rate (% profit)	69.2
Rigidity of hours index (0-100)	60		
Difficulty of redundancy index (0-10)	0	Enforcing contracts	
Rigidity of employment index (0-100)	46	Procedures (number)	45
Redundancy costs (weeks of salary)	46	Time (days)	616
		Cost (% of claim)	16.5
Getting credit			
Strength of legal rights index (0-10)	3	Closing a business	
Depth of credit information index (0-6)	5	Recovery rate (cents on the dollar)	17.1
Public registry coverage (% of adults)	23.7	Time (years)	4.0
Private bureau coverage (% of adults)	59.2	Cost (% of estate)	12
Trading across borders		Registering property	
Documents to export (number)	8	Procedures (number)	14
Time to export (days)	12	Time (days)	42
Cost to export (USD per	1540	Cost (% of property value)	2.7

container)			
Documents to import (number)	7		
Time to import (days)	16		
Cost to import (USD per container)	1440		

(Source: IFC, 2009)

1.2. The corporate competitive environment

One question that naturally arises from all this complexity, challenges and opportunities is: How does a company find its way in such a multifaceted environment and achieve its corporate goals with the resources it has available?

An answer could be seen in the combination of two definitions of corporate strategy. Firstly, Schendel and Hatten's definition (Hax & Majluf, 1988:100) states that strategy starts with the basic goals and objectives of the company. From there it is completed by the major programs of actions chosen to reach these goals and objectives and the resource allocation used to connect the organisation with its environment. Secondly, Argyris's definition (Hax & Majluf, 1988:100) states that strategy formulation and implementation include the identification of opportunities and threats in the organisation's environment and evaluating the strengths and weaknesses within the organisation. Added to this then is the designing of structures, defining of roles, hiring of appropriate people, and developing appropriate rewards to keep those people motivated to make contributions.

From the two definitions, it is clear that corporate strategy involves different and interlocking facets. The overall theme is that the company decides on its goals, studies the available information (both inside and outside the company) and directs and manages its various functions to achieving the predetermined objectives. As mentioned before, the management teams need structured frameworks and tools through which they can filter the available information in order to set goals, keep track of their progress and allocate the necessary resources to where it is most needed.

Two models that have been developed to assist in filtering and analyzing the necessary information to formulate strategies are the SWOT (Strengths, Weaknesses, Opportunities, Threats) (BPP, 2008:210; Barney, 1995:49; IIBA, 2009:217) and PEST (Political, Economic, Social, Technological) models (BPP, 2008:99; Korkmaz & Messner, 2008:208). These models, if used together, take the better of two contrasting perspectives on strategy formulation which has dominated literature over the last three decades, namely Porter's framework of competitive strategy and the more recent resource-based view of the firm. The combination of these models gives a more holistic look at the company and its environment, giving the management team ample information from which to set their strategic course.

- Porter's framework of competitive strategy (1980, 1985, 1990, 1991) adopts an "outside-in" perspective regarding market structure and its effect on performance. Within this framework the firm is viewed as a bundle of strategic activities aiming at adapting to the industry environment by seeking an attractive position in the market arena (Spanos & Lioukas, 2001:907). The research done by Antonio-Rafael Ramos-Rodríguez and José Ruíz-Navarro (2004:981-1004) places Porter at the forefront of those considered to influence strategic management research of the period between 1980 and 2000. Porter states that competitive advantage grows out of the value a firm is able to create for its buyers that exceeds the firm's cost of creating it (Porter, 1985:3). He then goes further by defining the two ways of creating this value namely (i) cost leadership and (ii) differentiation.
 - (i) *Cost leadership* can be summarized as the company that produces its products or does their service at the lowest possible cost.
 - (ii) *Differentiation* can be summarized as creating value through innovation or new/different products/services than what is available on the market.
- The more recent resource-based perspective (Barney, 1986a, 1986b, 1991; Wernerfelt, 1984) redirects attention into idiosyncratic firm capital and postulates that performance is ultimately a return to unique assets owned and controlled by the firm (Spanos & Lioukas, 2001:908). Wernerfelt (1984) was the pioneer of the resource-based view of the firm, while Barney (1991)

advanced this by developing a model for identifying the features of strategic resources and thus for defining those constituting a source of competitive advantage (Ramos-Rodríguez & Ruíz-Navarro: 2004:988). Thus the focus is more on what resources the firm currently possesses and adapting the strategy, to use those resources that could be used to the best of the firm's ability with regards to the current competitive environment.

The research of O'Brien and Meadows (2000) has shown that companies that make strategic plans and best understand their competitive environment has achieved more success than their counterparts that have not done so. This is of key importance, as it gives management teams the motivation to actually take the time and effort to use the aforementioned tools and techniques, with the statistical proof that in most cases they will be able to pluck the proverbial fruit of their labour and gain the allusive competitive advantage on their competitors.

1.3. Motivation

The current global financial crisis plunged most of the corporate planning functions of companies all over the world into chaos. Even though Brazil only experienced two quarters of the crisis (CIA, 2010), the complex and fast-changing business environment and the extreme level of bureaucracy make this one of the countries where a competitive strategy and proper corporate planning is invaluable. On the contrary, having been awarded the Fifa Soccer World Cup in 2014 and the Summer Olympic Games in 2016 (CNN, 2009), while also having a growth forecast of 5%, the country and Brazilian companies stand to reap unprecedented success in 2010 if the right strategic decisions are made (CIA, 2010). According to a report by UKTI, it is estimated that between USD 16 billion and USD 48 billion of investment is needed in order to improve Brazil's infrastructure to prepare for the 2014 World Cup, while it is expected that around USD 15 billion will be invested in Rio ahead of the 2016 Olympic Games (Wilkins, 2009).

In order to make the best possible decisions in a unique situation, the management team of BAF Ltda needs accurate and relevant information from which to develop a competitive strategy. BAF Ltda is a family run auditing and consulting firm that was founded in 1965 in Brazil. They have five offices, 114 employees and an annual

turnover of USD 5 million. In 2008 they joined an international auditing and accounting network with offices in 76 countries, 7 600 employees and a turnover of USD 650 million, as an independent member.

The firm is in its second generation of family management, with the father being the senior partner, the son being the executive director and the daughter the commercial and marketing director. The firm has four partners, of which the father and son are two. Strategic and overall management decisions are in most cases made by the father directly, however the input of the three other partners and also the daughter is considered in strategic decisions.

The firm was one of the first 44 auditing firms to register with the Brazilian accounting association in its state and is one of the few of those 44 that are still operating. They are rated as being in the top ten auditing firms in their field in Brazil and focus mainly on auditing, which is split into financial auditing and IT systems auditing. They do not do any accounting work; however, they have partnerships with reputable accounting firms to which they outsource any such work. Considering the aspects mentioned above, this therefore represents a unique opportunity to investigate and acquire this key information for BAF Ltda and recommend a possible, best-fitting strategy.

1.4. Problem statement and research objectives

1.4.1. Problem statement

The external business environment is becoming more complex and more competitive by the day. Brazil, with its labyrinth-like tax system, high level of bureaucracy and unique opportunities, creates a playing field in which companies need to choose between various variables in order to not only survive, but prosper. Although a company cannot control its external environment, it can analyse it and adapt itself so as to make the most of both internal and external aspects.

The primary problem statement forming the foundation of this research project can therefore be defined as follows:

- P₁: What is the internal and external environment in which BAF Ltda finds itself?

From the above problem statement, a further secondary research question can be identified, namely:

- P₂: What is the best fit generic strategy for BAF Ltda that arises from the information identified in P1?

1.4.2. Objectives

The main objective of this research project is to research the internal and external competitive environment of BAF Ltda. The study will consist of three main focus areas, namely an internal analysis, an external analysis and a choice of best strategy. These three focus areas will be addressed as follows:

- Firstly, a PEST analysis will be done in order to get the best possible understanding of the external environment;
- secondly, a SWOT analysis will be done in order to uncover the key building blocks of BAF Ltda; and
- thirdly, generic strategies will be analyzed and a best-fit strategy will be chosen for BAF Ltda.

1.5. Research method

To achieve the above mentioned objective, a theoretical study of recent literature as well as an exploratory empirical study is required.

1.5.1. Literature review

The theoretical study will focus on explaining the tools used to analyze the internal and external environments and also the generic strategy options. The purpose of the literature review in this research project is therefore to:

- Gain a thorough understanding of the corporate planning tools, PEST & SWOT;

- gain a thorough understanding of the generic strategy options available to BAF Ltda; and
- use the understanding gained from the two previous points and also the literature review as a foundation from which to develop the questionnaire for the empirical study.

The literature study will make use of peer reviewed articles in leading academic journals, research presented in the form of website articles or other forms of publication, and traditional texts in the form of books.

1.5.2. Empirical research

The empirical research aims to provide an exploratory analysis of the internal and external environment of BAF Ltda. Sekaran (2000:123) states that an exploratory study is undertaken when little 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 the management team of BAF Ltda in order to gather the necessary information. These questionnaires will also be presented to external experts with regards to the analysis of the external environment, while special-focus publications will also be consulted. Semi-structured interviews will also form part of the information gathering process.

1.6. Definitions

For purposes of this mini-dissertation, the following definitions and concepts are considered to be correct:

Accountancy: The practice or profession of an accountant (Webster's Dictionary and Thesaurus, 2006:5; CIMA Dictionary of Finance and Accounting, 2003:4; Longman Business English Dictionary, 2001:5), which includes related financial services and advice the accountant might provide (Hole & Hawker, 2004:3).

Accounting: The generic term for the activities carried out by accountants (Webster's Dictionary and Thesaurus,

2006:5) or the work done in keeping an organisation's financial records (CIMA Dictionary of Finance and Accounting, 2003:5; Longman Business English Dictionary, 2001:5). According to Robb and Wallis (1985:2) the terms accounting and accountancy are often used synonymously.

Generic Strategies: Basic approaches to strategic planning that can be adopted by any firm in any market or industry to improve its competitive performance. The three fundamental marketing strategies (which, though different, are not mutually exclusive) are: differentiation strategy, focus strategy, and low cost strategy (Business Dictionary, 2010b).

General Systems Theory: A modelling device that accommodates the interrelationships and overlap between separate disciplines. Problems cannot be solved as well if they are considered in isolation from interrelated components (University of New Brunswick, 2010).

Methodology (-ical): The application of methods and techniques in pursuit of valid knowledge (Mouton, 2009:173; Brynard & Hanekom, 2008:4; Audi, 2005:700), or how researchers go about practically studying whatever they believe can be known (Terre Blanche, Durrheim & Painter, 2008:6).

Monochronic: Monochronic time use emphasizes planning and the establishment of schedules, with significant energy being put into the maintenance of established schedules (Kaufman-Scarborough, Lindquist & Lindquist, 1999).

PEST: A situation analysis in which political-legal (government stability, spending, taxation, etc.), economic (inflation, interest rates, unemployment, etc.), socio-cultural

(demographics, education, income distribution, etc.), and technological (knowledge generation, conversion of discoveries into products, rates of obsolescence, etc.) factors are examined to chart an organisation's long-term plans (Business Dictionary, 2010a).

Polychronic: Polychronic time use occurs when two or more activities are carried out within the same clock block; switching among activities can be both desirable and productive (Kaufman-Scarborough *et al.*, 1999).

Science: Knowledge ascertained by observation and experimentation, tested, systematised and brought under general principles (Livingstone, 2008:588; Webster's Dictionary and Thesaurus, 2006:336; Hole & Hawker, 2004:496).

Strategy: Strategy is a coherent, unifying, and integrative pattern of decisions. It determines and reveals the organisational purpose in terms of long-term objectives, action programs, and resource allocation priorities. It further selects the businesses the organisation is in or is to be in, defines the kind of economic and human organisation the company is or intends to be, attempts to achieve a long-term sustainable advantage in each of its businesses by responding properly to the opportunities and threats in the firm's environment and the strengths and weaknesses of the organisation, engages all the hierarchical levels of the firm (corporate, business, functional), and defines the nature of the economic and non-economic contributions it intends to make to its stakeholders (Hax & Majluf, 1988:102).

SWOT: A strategic planning tool used to evaluate the strengths, weaknesses, opportunities, and threats involved in a

project or business venture. Strengths and weaknesses are internal to the company. Opportunities and threats originate from outside the company. A SWOT analysis is usually performed early in the project development process, and helps organisations evaluate the environmental factors and internal situation facing a project (Webster's Online Dictionary, 2010).

Theory: The exposition of the abstract principles of a science or art (Webster's Dictionary and Thesaurus, 2006:393; Hole & Hawker, 2004:578) or a set of ideas to explain something (Livingstone, 2008:688).

1.7. Overview

The study will follow the mini-dissertation route in accordance with the guidelines of the North-West University and will be divided into four chapters.

Chapter 1: Introduction

This chapter will address the background to the study and motivation of topic actuality, which will demonstrate the relevance and need for the suggested study. The problem statement and research objectives will also be addressed, which will set the foundation for the rest of the study. Lastly, the hypothesis, research method used and outline of the study will make the final part of this chapter.

Chapter 2: Assessing the competitive environment

This chapter will explain the corporate planning tools that will be used in the research, mainly:

- SWOT – Strengths, Weaknesses, Opportunities and Threats; and
- PEST – Political, Economic, Social and Technological.

Both of these will be studied in depth, with a specific emphasis on SWOT analysis with regards to its application and current misconceptions about the planning tool.

Each individual part of the tools will be discussed. Porter's generic strategies will then also be evaluated individually.

Chapter 3: Business environment assessment in practice: An Empirical study

This chapter will provide the empirical data gathered from BAF Ltda in a graph format together with a brief analysis of the answers gained from the respective parts of the planning tools. The final part of the chapter will evaluate the above mentioned data and its implementation in choosing a best fit generic strategy.

Chapter 4: Summary, Conclusions and recommendations

This chapter will provide a summary of the study and consist of a summary and conclusion of the overall study. Then the results will be interpreted by evaluating the data gathered as well as the organizational knowledge gained during the physical application of the questionnaires and interviews. The objectives of the study will be discussed and conclusions together with recommendations will be given. Lastly, the scope for further research, as well as limitations of the study, will be addressed.

CHAPTER 2

2. ASSESSING THE COMPETITIVE ENVIRONMENT

2.1. Introduction

With the emergence of the large-scale organisation around the 1870's, such as the Transcontinental Railroad in North America and the "universal bank" in Europe, the need for professional management was born (Drucker, 1986:21). During the 20th century, management has gone on to become an integral and indispensable part of society and institution. With the study of management came the study of various other aspects of business and institution, like company structure, culture, human resources, communication and strategy, to name a few. This was also greatly assisted by the management boom that lasted for 25 years, from the end of World War II to the end of the 1960's (Drucker, 1986:22), which was followed by the invention of personal computers and also the dramatic rise in the importance of technology strategy within business schools' management departments as found by Shane and Ulrich (2004:135). From virtually out of nowhere, strategic management became a required business school course in all MBA and undergraduate programs, spurring greater and greater amounts of research in the area. The study and rise of Management Information Systems in the early 1980's (Culnan & Swanson: 1986:289) which basically emerged from a supporting base of three foundational fields namely (i) computer science, (ii) management science, and (iii) organisational science, also made a great contribution to the further study of management as a science.

Seminal studies like those of Clark (1992:859-870) demonstrates some of these management science tools and their specific application within strategic planning. Two specific developments within strategy formulation has been the PEST and SWOT analysis through which a company can assess its internal and external environment. This also fits in with how strategy has long been understood, which is as a process in which the firm simultaneously attempts to adapt to environmental constraints and to exploit existing capabilities (Kraatz & Zajac, 2001:653). Another development has been Porter's generic strategies, which grows from Porter's definition of strategy, namely that strategy is a consistent array or configuration of

activities (Porter, 1991:102) aiming at creating a specific form of competitive advantage for which there exist two fundamental types: differentiation or low cost. These, together with the scope of operations, define the notion of generic strategies. Within this framework, strategy choice is the product of, and response to, a sophisticated understanding of industry structure (Spanos & Lioukas, 2001:909).

This chapter examines aspects of a PEST and a SWOT analysis and Porter's generic strategies.

2.2. PEST analysis

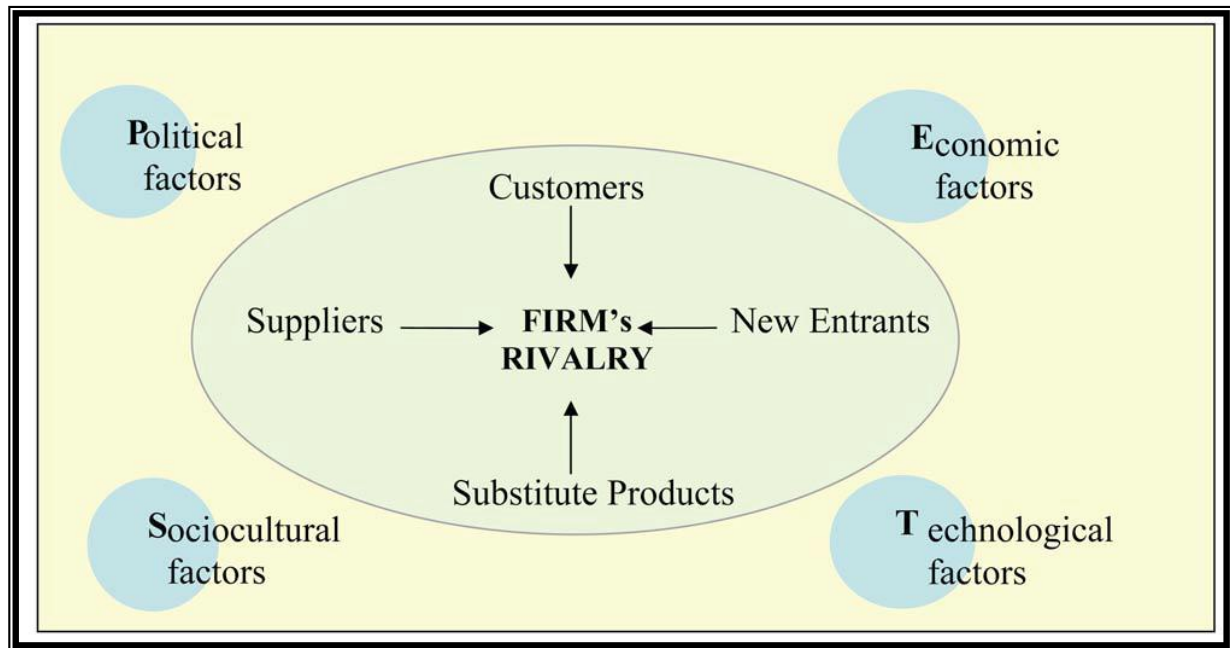
2.2.1. Introduction

Bertalanffy (Bertalanffy & Rapoport, 1956), through his "General Systems Theory", was one of the first to acknowledge the interrelationship among people, groups, organisations, and societies. From there, in the early 1980's, the emphasis in the literature moved to understanding the relationship between the environment and the organisation. The outcome of this examination was the development of definitions of the environment and of the behaviour of firms in their environments, which were subdivided at two levels (Burt *et al.*, 2006:54):

- The contextual environment that is understood in terms of macro factors (such as political, economic, societal, and technological factors), giving birth to the PEST taxonomy; and
- the task (or organisation-specific) environment that is understood in terms of choice of strategy by an organisation toward that particular environment.

Although this study will focus on the contextual environment, both types mentioned above create both opportunities and problems for organisations, with organisations depending on the environment for scarce resources and often having to cope with and adapt to changes in the environment (Frishammar & Hörte, 2005:250).

Figure 2.1 - Factors of macro and micro environments in which firms operate



(Source: Korkmaz & Messner, 2008:208)

Most often firms do not have any influence on the macro environmental forces such as political, economic, social, and technological factors (refer to figure 2.1.). Therefore, these factors can be viewed as either threats or opportunities. Analysis of these factors on the country or region level would give a firm the chance to better position themselves within their environments through increased awareness and adaptation (Korkmaz & Messner, 2008:208).

2.2.2. Political environment

Hoskisson (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. This political environment affects the firm in a number of ways:

- A basic legal framework generally exists (tax law, employment law, company law);
- the government can take a particular stance on an issue of direct relevance to a business or industry; and

- the government's overall conduct of its economic policy is relevant to business (BPP, 2008:101).

Although firms might not have direct control within the political environment, they can influence government through lobbying, non-executive directorships and by influencing public opinion (BPP, 2008:103). The political environment has many different definitions and is much more complex than a mere manager's opinion or perception of what will be the major political influences to their business. This part of the PEST tool, however, gives the strategic planner deeper insights into the management team's understanding and perception of the political influences and what the individual management member's self imposed border is on the vast political ocean that could potentially be analysed.

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. Economic factors that affect a company include the overall level of growth, the business cycle, official monetary and fiscal policy, exchange rates and inflation (BPP, 2008:105).

The economic environment consists of both the micro economy, which Law (2006:1) states is an analysis of economic behaviour at the level of individual market participants, individual businesses or consumers, and the macro economy, which 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 such factors as money supply, employment, interest rates, government spending, investment and consumption. It is also concerned with the role, if any, that a government should play in a national economy (De Kock, 2008:17).

Although economics has grown to become a fundamental part of many high school and university education programs, many people may not actually truly understand its inner workings. This part of the PEST tool will assist the strategic planner with gauging the mastery of this subject by the management team and also highlight

probable areas of training for members that have very limited or basic inputs with regard to the assessment of the economic environment.

2.2.4. Social culture environment

Social and cultural factors relate to two main issues (BPP, 2008:110):

- Demography, which is the study of population as a whole (size, growth), the proportion of people in different age groups, where people live and work and ethnic origin.
- Culture includes customs, attitudes and characteristic ways of viewing the world and behaviour.

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

- 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 reserved.

With the development of social networks, like Facebook and LinkedIn and the expansive research done into emotional intelligence, this part of the PEST analysis has grown in importance over the last couple of years. Here the strategic planner can identify, together with the management team's understanding of the technology environment, just how connected the management team is and how well they are using the diversity that is available in the job and work environment today.

2.2.5. Technology environment

Hoskisson *et al.* (2004:176) state that technology includes the institutions and activities involved with creating new knowledge and translating that knowledge into new outputs, products, processes and materials. Jiang and Alis (2009:10) gives as examples of this technological environment new innovation, the Internet, networking and other technological changes that affects the way the organisation runs its business.

Blackberry smartphones, iPhones and other permanently connected devices have really been a blessing and a curse to the modern executive by allowing them to be in touch with their company, workers and customers for 24 hours a day, but also not allowing them a moment's rest as they can be contacted anywhere and at anytime. In this part of the analysis the strategic planner can get a better comprehension of how well the executive team are using the available technology to stay connected, but also how well they are using the technology to get more work done in less time, whilst still being able to balance the workload with leisure time.

2.3. SWOT analysis

2.3.1. Introduction

According to Barney (1995), SWOT is a simple framework (as shown in table 2.1) that points to the importance of external and internal forces for the purpose of understanding the sources of competitive advantage. It is a preliminary analytical tool that must be supplemented with rigorous competitive, resource, financial and organisational analysis. The SWOT analysis techniques help decides whether the main problems facing an organisation revolve around a need to revise strategy, a need to improve strategy implementation, or both (Chermack & Kasshanna, 2007:384).

The techniques can generally help to portray a strategic organisational situation and to identify what information is needed and what decisions are likely to be made on a personal as well as organisation level (Balamuralikrishna & Dugger, 1995). This tool helps look at the organisation's current (strengths and weaknesses) and future (opportunities and threats) performance by accounting for the factors that exist in the

external environment. SWOT is a powerful and often highly successful technique that can be applied to individuals, groups, teams, organisations, or even plans (Chermack & Kasshanna, 2007:384).

Table 2.1 - Two-by-two matrix: SWOT analysis

	Strengths	Weaknesses
Opportunities	Achieve opportunities that greatly match the company's strengths	Overcome weaknesses to attain opportunities
Threats	Use strengths to reduce the company's vulnerability to threats	Prevent weaknesses to avoid making the company more susceptible to threats

(Source: Chermack & Kasshanna, 2007:387)

SWOT analysis techniques are used in both the positioning-based and resource-based approach to formulating strategy, however at different stages of the process. With the position-based approach the SWOT analysis forms a kind of summary after the examination of the resources and environment in light of the company's mission statement. In the resource-based approach, the SWOT analysis forms the foundation for the rest of the process and seeks to establish the nature of the organisation's core competences before deciding on what the objectives of the strategy should be (BPP, 2008:210). Furthermore, the SWOT analysis is divided up into external and internal segments. Strengths and weaknesses are internal factors within the organisation, while opportunities and threats are external to the organisation. Organisations should have a good understanding of what their strengths and weaknesses are. Identifying opportunities and threats may be less clear (De Kock, 2008:23).

2.3.2. Strengths

According to Thompson (1993:57), strengths are "those elements of success such as a strong competitive position". According to Groenewald *et al.* (2003:73),

strengths are “resources and competencies that an organisation has that are better than those of its competitors”. Katsioloudes (2006:100) states that strengths are “positive attributes or abilities unique to the organisation that in some way enhance the organisation’s ability to achieve its objectives”. Examples of strengths include excellent product quality, high service standards, availability of funds, highly skilled personnel and proprietary know-how.

2.3.3. Weaknesses

According to Thompson (1993:57), weaknesses are “those elements which prevent the organisation from achieving that competitive advantage”, while Groenewald *et al.* (2003:71) defines a weakness as “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”. Examples of weaknesses include blocked channels or total lack of communication within the organisation, weak management team, bad financial management and untrained sales teams.

2.3.4. Opportunities

According to Groenewald *et al.* (2003:71) 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”. According to De Kock (2008:24) examples of opportunities include: i) government legislation about to be introduced that will enable additional product claims; ii) new technology being developed that will mean a realignment of the market sector; and iii) market vacated by an ineffective competitor.

2.3.5. Threats

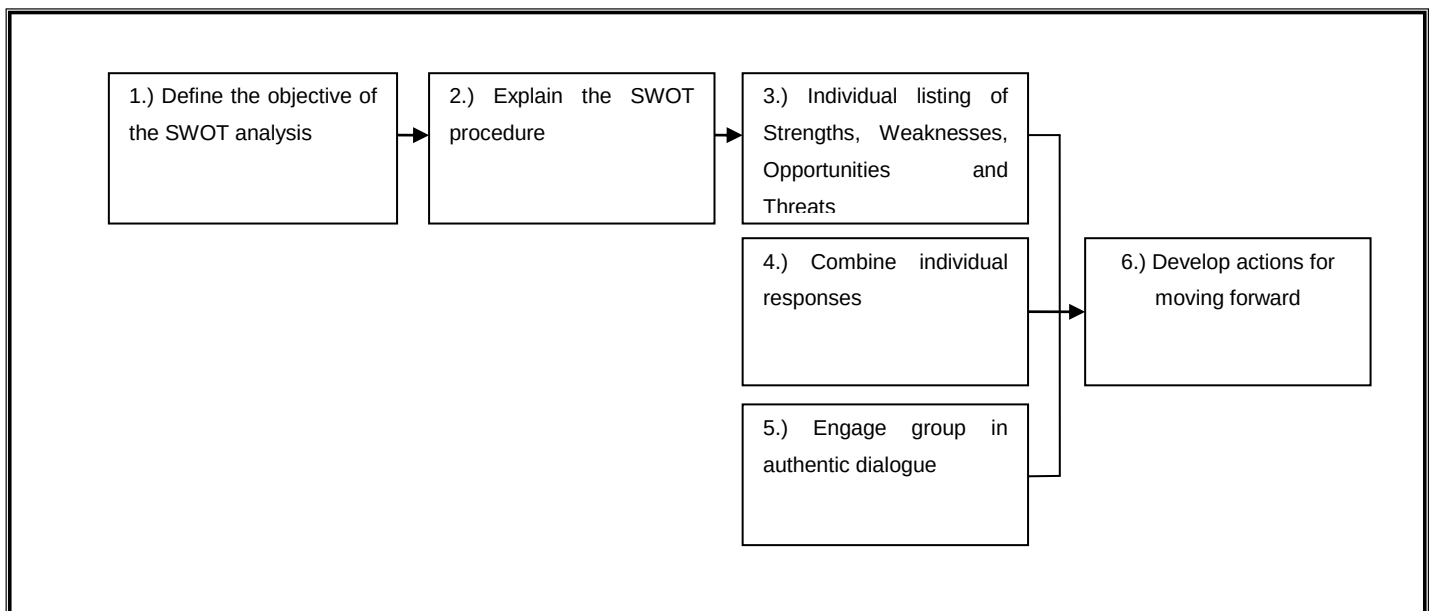
According to Groenewald *et al.* (2003:71), a threat is “a major negative factor in the environment that puts an organisation in a weaker position than its competitors”. According to BPP (2008:213), examples of threats include an economic recession, competitors can threaten to steal customer with better products or services, and political legislation may affect a company’s prospects through the threat of a ban on certain products or increase of import/export taxes.

2.3.6. Implementation and misconceptions: SWOT

Although there are many variations on the basic SWOT analysis and while virtually every consulting firm has their own procedure, all follow the same general steps (Chermack & Kasshanna, 2007:388), as demonstrated in figure 2.2. These steps include the following:

- Define the objective of the SWOT analysis;
- provide an explanation of SWOT analysis procedures to participants;
- ask individuals to consider their organisation and list its strengths, weaknesses, opportunities and threats on a two-by-two matrix worksheet (see table 2.1);
- combine the individual worksheets into a single worksheet;
- engage the group in dialogue and debate about the classification of each item; and
- develop specific actions for moving forward.

Figure 2.2 - General model of SWOT analysis



(Source: Chermack & Kasshanna, 2007:389)

No analytical tool is without its faults, though, and SWOT also has its misconceptions, as shown by Chermack and Kasshanna (2007:388) in table 2.1.

Table 2.2. - Misconceptions about SWOT analysis

Misconception	What's wrong with it	Consequences of this misconception
SWOT has an analytical capacity of its own.	SWOT is essentially only an analytical framework of the internal and external audit.	Any SWOT generated inputs may be wrongly considered a reliable basis on which to found strategy making.
SWOT should only be done at, and for, the corporate level.	Most organisations follow, at any point in time, a number of strategies, some of which may relate to sub-corporate levels of activity (SBU, product line, etc.).	If the deployment of SWOT is restricted to the corporate level of strategic analysis, SWOT outputs will often be misleading in that they will suggest that e.g. all strengths and weaknesses are equally relevant to all SBU's and products. Another consequence is that the opportunity learnt from conducting a series of SWOT based analyses at various corporate levels and in various divisions may be foregone.
SWOT is based on the current competitive situation.	If SWOT is done to prepare vital inputs to assist in strategy generation, then the only truly relevant reference is the future competitive situation anticipated in the period the strategy is formulated for.	The strategies selected will be wrongly based on the current, rather than the anticipated, future competitive situation; should any significant changes occur to the list, and the significance of current strengths, weaknesses, opportunities and threats, the strategy may turn out to be a poor fit, and a failure.
The benchmarking/ can be based on the current list of close competitors.	The strategic analysis should foresee the new competitive threats and new entrants into the company's markets; the picture of competition must be brought up-to-	Companies guilty of such an oversight will be unable to counteract new entries and may find themselves ill-prepared to find an effective long-term strategic response to the new competitive structure and patterns, as well as to the competitive strengths of new entrants.

	date and include instances of hyper-competition.	
The benchmarking/bench trending can be based on the local market.	The increasing globalization of competition makes it imperative for many companies to benchmark/trend globally.	Companies that rely on local benchmarking/trending will not develop objectives and strategies aimed at achieving/sustaining international competitiveness.

(Source: Chermack & Kasshanna, 2007:388)

2.4. Generic Strategies

2.4.1. Introduction

Porter's generic strategies (1980) consists of differentiation and cost leadership, while focus can also be identified as one of the most referenced strategy classifications (Korkmaz & Messner, 2008:208). A study by Miller and Friesen (1986:260) found that firms which show distinctive competences in the areas of differentiation, cost leadership and focus dramatically outperformed all the others. They also found that firms may benefit from integrating and matching strategic advantages. It appears also that elements of strategy can be orchestrated over time so that, for example, successful differentiation might lead to market share and volume gains that in turn bring opportunities for cost leadership. Alternatively, cost leadership can create handsome gross margins that free up resources for share-building differentiation measures.

2.4.2. Differentiation

The strategy of differentiation aims at creating a product or service that is somehow unique. This can be done through design or brand image (e.g. Rolls Royce automobiles), technology (e.g. Polaroid cameras), customer service, or other

attractive features. Many firms differentiate themselves along several dimensions — for example, by offering high quality and innovative products. The basic aim of differentiation is to create brand loyalty, and thus price inelasticity on the part of buyers. This can erect competitive barriers to entry, provide higher sales margins, and mitigate the power of buyers who lack acceptable substitute products. The differentiation strategy must typically be backed up with costly activities such as extensive research, product design, and marketing expenditures (Miller & Friesen, 1986:37). Porter (1980) believed that this will usually prevent differentiators from being low cost producers.

2.4.3. Cost Leadership

Here firms aim to become the lowest cost producers in an industry. This usually involves the construction of efficient-scale facilities, rigorous pursuit of cost reductions from experience, tight cost and overhead control, avoidance of marginal customer accounts, and cost minimization in areas like R & D, service, sales force, advertising and so on (Porter 1980:35). A tremendous effort is devoted to cost control. This strategy can provide above average returns since its adherents may lower prices to match those of their most efficient competitor and still earn superior profits. It provides a margin of safety that reduces the dangers of price increases from suppliers and bargaining from customers. Cost leadership often entails large scale facilities and economies that constitute barriers to entry. The cost leadership strategy may require building market share via aggressive pricing to maximise economies of scale, designing products for ease of manufacturing, using state-of-the-art equipment, and pursuing technological (manufacturing) R & D (Miller & Friesen, 1986:38).

2.4.4. Focus

Porter's (1980) final focus generic strategy caters to a circumscribed and specialised segment of the market — a certain kind of customer, a limited geographic market, or a narrow range of products. According to Porter (1980:38) the focus strategy rests on the premise that the firm is able to serve its narrow strategic target market more effectively or efficiently than competitors who are competing more broadly. As a result, the firm achieves either differentiation from better meeting the needs of the

particular target, lower costs in serving this target, or both. The focus strategy can also be used to find neglected target markets — areas or customers for which conditions are the most favourable and competitors the weakest, but it typically involves a trade-off between profitability and sales volume (Miller & Friesen, 1986:38).

2.5. Summary

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. If government formulates new regulations of which an organisation is unaware, it might be penalised, which in turn could result in a loss of business and profit (De Kock, 2008:32). This chapter analysed the different parts that make up a PEST and SWOT analysis and also at Porter's generic strategies. The two analyses allow a company to acquire the relevant information from which to move onto a generic strategy decision, as will be the case in the next chapter.

Given the increasingly complex and dynamic environment within which most organisations operate, the assessment of the environment and subsequent strategic actions will ultimately affect corporate success. Consequently, the importance of scanning the environment cannot be underestimated. Nor should it occur once a year as part of the business or budget planning process, but strive to be a continuous process of gathering and evaluating environmental data (Richardson & Evans, 2007:3). A PEST analysis highlights important factors that should be considered when constructing a strategy model for an organisation. Organisations will react differently to the external environment because of the perceptions of managers and the quality of information they receive. Therefore organisations must plan effectively and should have comprehensive information-gathering techniques that will enable them to make better and more accurate decisions (De Kock, 2008:21). It is important to note, though, that the PEST analysis is often very subjective and thus must only be used a guideline from which to delve into more advanced methods or tools of study. That said, it is a very easy-to-understand tool and provides the strategic planner with a good base from which to build the hypothesis for further strategic analysis.

It has been found that SWOT analysis has the potential to be a tool of high utility in helping organisations maintain fit between internal and external environments. It also helps strategic managers to determine whether the organisation is able to deal effectively with its environment (Chermack & Kasshanna, 2007:396). SWOT can help take an objective, critical, and unemotional look at the organisation as a whole when the results are used for purposes beyond simply completing the procedure (Mintzberg, 1987). Without rigorous attention to these factors, the analysis can lead to biased classification and categorisation of factors, which will thus result in decisions that are less than optimal and that do not maximise strengths, address weaknesses, explore opportunities or work against threats (Thompson, 1993). The SWOT analysis, same as the PEST analysis, is very subjective and the strategic planner will rarely find two members of the management team that have the exact same ideas on what the strengths, weaknesses, opportunities and threats of a company are. A joint discussion is highly recommend after the individual assessments in order for the various opinions to be chiselled into a more concrete and unified base from which to build the corporate strategy.

In Porter's (1980) view, the stuck-in-the-middle firm is in an extremely poor strategic position and is almost guaranteed low profitability. Porter argued that the firm stuck in the middle probably suffers from a blurred corporate culture and a conflicting set of organisational arrangements and motivation system. Such an approach is almost always doomed to failure (Porter, 1980:42). However, this does not mean that a company must choose one of the generic strategies and stick to it religiously, as an integration of these three techniques in various business units can lead to better overall performance for the organisation.

CHAPTER 3

3. BUSINESS ENVIRONMENT ASSESSMENT IN PRACTICE: AN EMPIRICAL STUDY

3.1. Study Background and Company information

The overall objective of the research was to analyse BAF Ltda's understanding of their internal and external environments and through that assist them in choosing a generic strategy. This chapter will explain the research method used and the results of the survey questionnaires and interviews.

BAF Ltda is a family run auditing firm that was founded in 1965 by the current senior partner and his father. The firm is currently still under family management, with both the son and the daughter of the senior partner being part of the management team. The firm currently has five offices in the major business centres of Brazil, namely São Paulo, Rio de Janeiro, Curitiba, Porto Alegre and Brasilia. It has a staff contingent of 114 with an annual turnover of USD 5 million. The auditing and consulting industry is hotly contested in Brazil. With the requirements to become an auditor involving many years of experience, proper planning is essential. The process of becoming a chartered accountant or auditor in Brazil is as follows (IBRACON, 2009):

- Get a degree in Accounting Sciences from an accredited university (normally five years);
- do the national accounting board's exam and become a registered accountant;
- complete five years of practical experience; and
- write the final accounting board's exam and become a registered auditor/chartered accountant.

It is important to note, though, that after the above process one is still limited as to which companies one may perform audits on. For example, if you want to audit listed companies, then you need to do a further course and exam.

The firm currently has four main service departments: Auditing, IT Auditing, Tenders and International Desk. Until recently they had also done accounting, but made the strategic decision to rather contract this function out to third party companies so as to guarantee independence and objectivity. The firm became part of an international accounting and auditing group in 2008, which has placed added pressure on the management team to professionalize the firm and give more structured strategic planning to the head office of this international group.

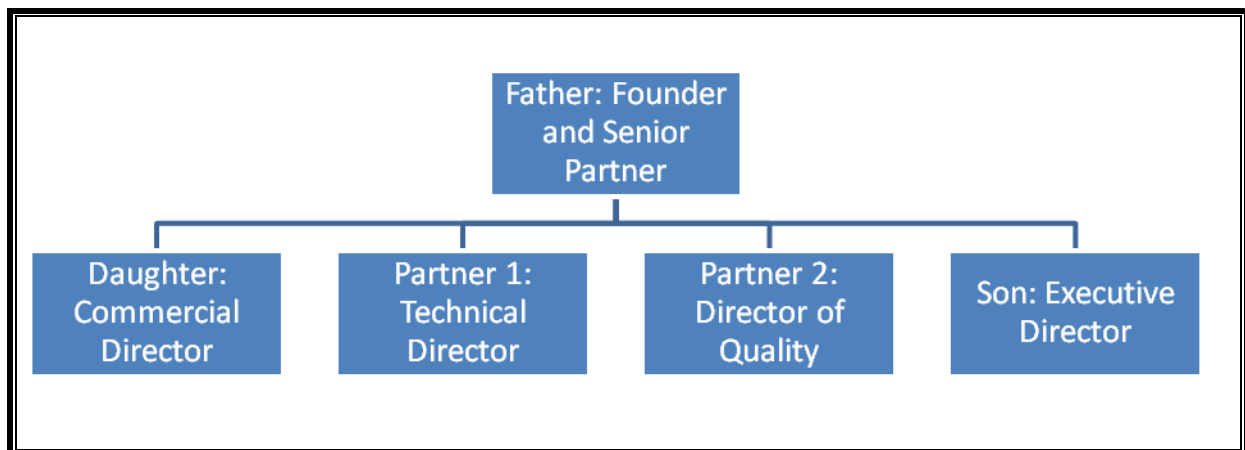
3.2. Research Method

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. The research type utilised in this study is considered as basic or fundamental research which is described as research that is done to enhance the understanding of certain problems that commonly occur in the organisation and to seek methods of solving them (De Kock, 2008:33).

The management team of a family run auditing and consulting firm (throughout this document referred to as BAF Ltda) were selected as the research subjects in this research project. The management team consists of three family members (father, son and daughter) and two other partners of the firm (the firm has a total of four partners). Management and strategic decisions are purely taken by the aforementioned group. No other members of staff or mid-management were thus included in the sample, as their opinions/inputs do not affect the final company decisions.

Figure 3.1 - Example of management structure



A more detailed description of the sample is included in the data collection procedures.

3.2.2. Objectives of the empirical study

The specific objectives as applicable to BAF Ltda include the following:

- A general analysis of the company's internal environment and external business environment as perceived by the subjects; and
- identification of possible generic strategies which, according to the subjects, is the best fit for the internal/external environment identified.

3.2.3. Data collection procedure

The research includes a survey questionnaire and a semi-structured interview, which are discussed in more detail below.

3.2.3.1. *Semi-structured interview*

Due to the small number of people within the group, it was decided, that a semi-structured interview be conducted with each of the subjects in order to establish the following:

- Obtain their opinions on what the possible strengths, weaknesses, threats and opportunities of BAF Ltda is; and

- obtain their input on what the greatest political, economic, social and technological influences are for BAF Ltda, and what will be the major influences in the near future.

All interviews were conducted at BAF Ltda's offices in private meeting rooms. All the information from the interview was documented and summarised during the interview.

3.2.3.2. *Survey questionnaire*

The questionnaire was developed based on the literature study and research objectives discussed in the previous chapters (refer to Annexure 01 on page 52 for the English and Annexure 02 on page 64 for the Portuguese versions of the questionnaire). It consists of four sections, namely: (i) a section to gather background information about the subjects, (ii) a section to gather information about the internal environment of the company, (iii) a section to gather information about the external environment of the company, and (iv) a section to gather information about possible generic strategies.

The survey questionnaires were distributed to the subjects after the initial semi-structured interview, along with a description of the objectives of the study, the necessary explanation on what the internal and external environment entails, 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.

3.3. 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, five subjects were identified for the research questionnaire. Five responses were received and thus a 100% response rate was achieved.

3.3.1. Results of the semi-structured interview

The semi-structured interview was designed so that the answers can be directly incorporated into the survey questionnaire. The survey questionnaire's options for strengths, weaknesses, opportunities and threats in the SWOT analysis, as well as the options with regards to the PEST analysis as listed in the survey questionnaire, were therefore the responses from the subjects taken from the semi-structured interview.

3.3.2. Results of survey questionnaire

3.3.2.1. *Background*

Table 2 (Annexure 06) provides some background information on the sample subjects and includes the frequency and percentages of the responses. A vast majority of the subjects (4 - 80%) have more than ten years' management experience within BAF Ltda; however, only two subjects (40%) have between five and ten years of experience in the management function of other companies. Furthermore, two subjects (40%) have no experience outside the current firm. All the subjects have degrees and four (80%) are Brazilian registered auditors. The vast majority (4 - 80%) have also been working within the consulting/auditing industry for more than ten years, with only one subject coming from an entirely different field, namely architecture. The majority of the subjects (3 - 60%) agree that BAF Ltda is doing external environment analysis.

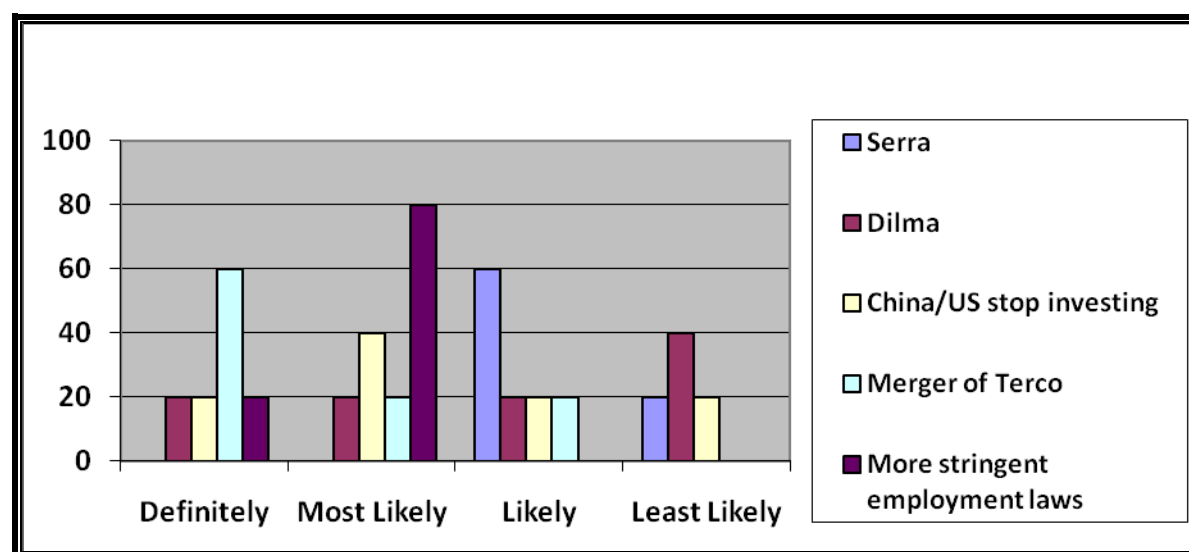
3.3.2.2. *PEST Analysis*

Political environment

Figure 3.2 and 3.3 below demonstrates the data collected with regards to the political environment. With the presidential elections taking place in October, it would seem that the subjects (three) expect Serra's government to be more of a threat with nearly 60% stating it, while three (60%) stated that Dilma's government will present BAF Ltda with more opportunities. The two major threats identified are the recent Brazilian merger of Terco (Grant Thornton's Brazilian member) and Ernst & Young (3 - 60% definitely rating) and the possibility of more stringent employment laws (4 -

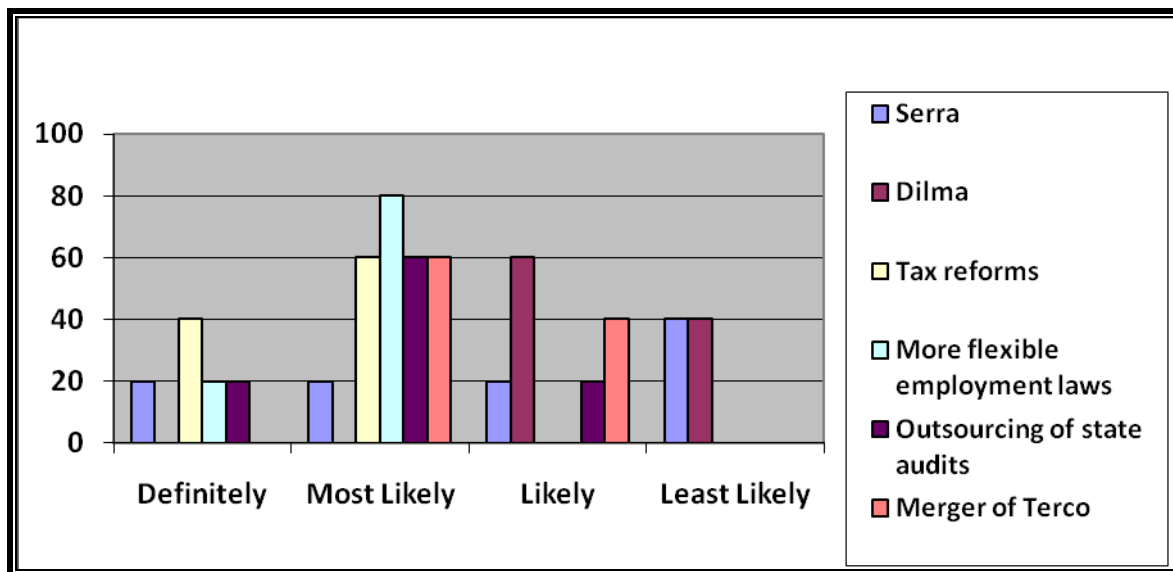
80% most likely rating). The country is already crippled with tough employment laws, so although this rates as a very high threat, the possibility of the laws becoming more stringent is low. The threat from the Terco merger, though, is more apparent, with the new, bigger Ernst & Young Terco firm being able to focus more on BAF Ltda's current high level clients.

Figure 3.2 - Possible threats in the political environment for BAF Ltda



The best opportunities identified were possible tax reforms after the presidential elections (3 – 60% most likely rating and 2 – 40% definitely rating), more outsourcing of state audits to private auditing firms (3 – 60% most likely rating and 1 – 20% definitely rating), the merger of Terco (60% most likely rating) and more flexible employment laws (4 – 80% most likely and 1 – 20% definitely rating). These opportunities need to be understood in the broader perspective. For example, tax reforms have been promised since the 2002 elections, yet so far nothing has been done. The same goes for more flexible employment laws of which most laws are still from the 1940's. The outsourcing of state audits (government departments that contract private audit firms to do the audits) have been happening for the past couple of years; should the trend continues, it could create good opportunities for BAF Ltda. The merger of Terco presents BAF Ltda with some opportunities if they move fast to approach Terco's clients that were or still are unsatisfied with the merger.

Figure 3.3 - Possible opportunities in the political environment for BAF Ltda



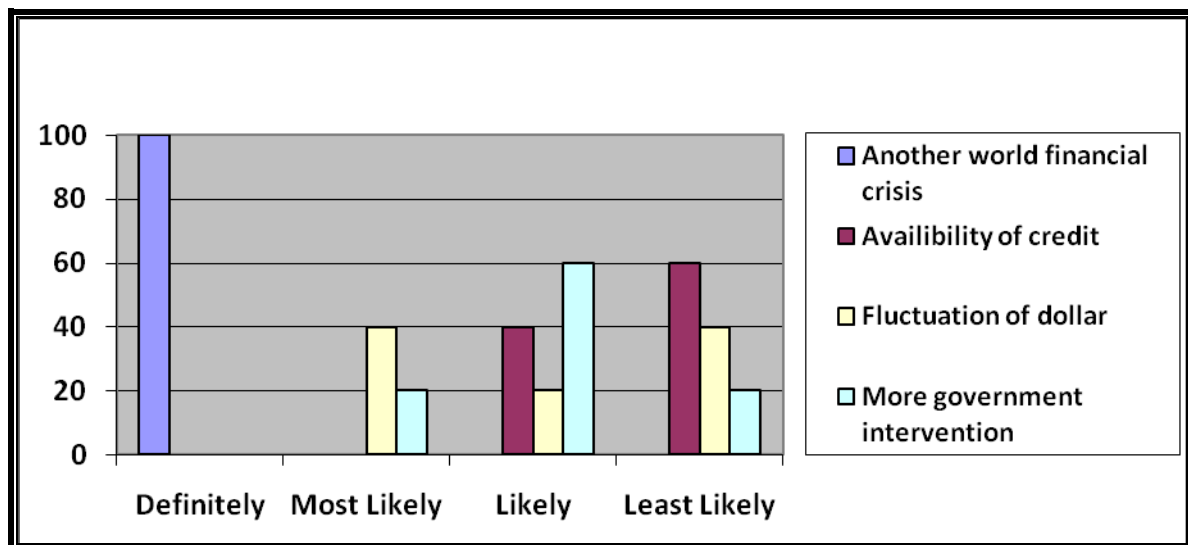
Economic environment

All the subjects (5 – 100%) expect the Brazilian economy to show a positive growth in the next three years, while three (60%) expect the Real to strengthen and only two (40%) expect the currency to stay at the current average. This corresponds strongly with the expectation of the subjects (5 – 100%) for the unemployment rate to decrease over the next three years and for the inflation rate to either decrease (3 – 60%) or stay at current average (2 – 40%). This positive outlook is apparent in local newspaper articles and when speaking to other executives from outside the firm. The majority of the subjects (2 – 40% high impact and 2 – 40% low impact) agree that crime does have an effect on the economy; however, they explain that it depends on which business unit they are referring to. Rio de Janeiro and São Paulo is well known for its organised crime, and Rio in particular has a very high crime rate. This aspect plays a part particularly when foreign companies want to establish themselves in Brazil. The World Cup and Olympics are expected to have a high impact (4 – 80%) and if one contemplates the impact the 2010 World Cup had on South Africa, it is easy to agree with the choice of subjects.

Figure 3.4 and 3.5 demonstrate the threats and opportunities identified in the economic environment. The most probable threat would be another world financial crisis (5 -100% definitely rating), as this negatively affects BAF Ltda's foreign clients.

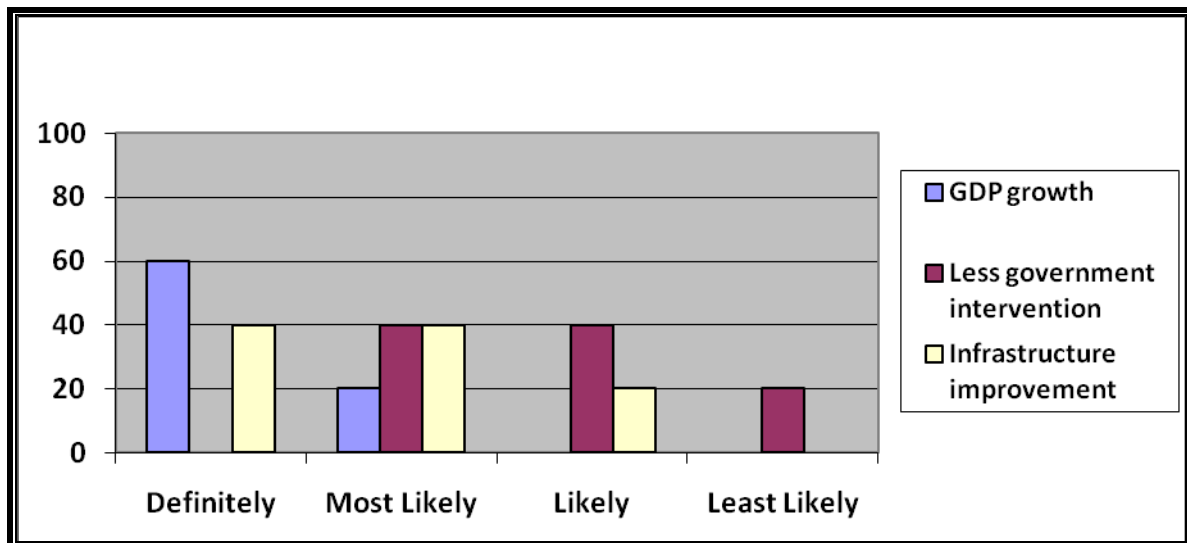
Brazil weathered the last financial crisis quite well (see chapter 1), so the threat will not be so much with regards to BAF Ltda's local clients. The fluctuation of the dollar also poses a threat (2 – 40% most likely and 1- 20% likely rating), however this again is only regarding BAF Ltda's foreign clients, which currently only makes up about 5% of their annual revenue.

Figure 3.4 - Possible threats in the economic environment for BAF Ltda



The main opportunities identified were the growth in GDP (3 – 60% definitely and 2 – 40% most likely rating) and possible infrastructure improvements (2 – 40% definitely and 2 – 40% most likely rating). Less government intervention (2 – 40% most likely and 2 – 40% likely) is also seen as an opportunity, especially with the high levels of bureaucracy that is found in the sectors of the economy where the Brazilian government is strongly intervening. The GDP growth rate has been a very big factor for foreign firms coming into Brazil and also for national firms when deciding to invest in newer equipment or other financial and operational investments. With the World Cup and the Olympics there have been many new developments regarding infrastructure, and although there are lots of fears for overspending and corruption, this opens up the way for BAF Ltda to audit these projects on behalf of the investors and the public. With BAF Ltda doing so much work across Brazil, the improvement of infrastructure will assist in lower travel costs and quicker travel times.

Figure 3.5 - Possible opportunities in the economic environment for BAF Ltda



Social environment

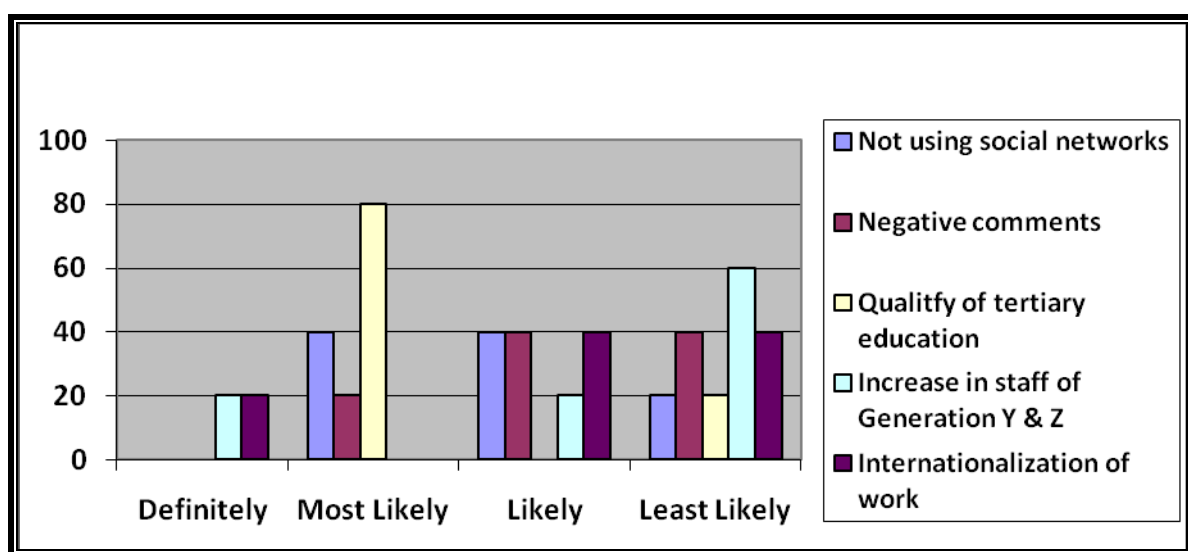
Three subjects (60%) responded that the staff of BAF Ltda is very diverse. The same three (60%) responded that BAF Ltda is doing enough to improve the social culture within the company. The actions that were explained by the subjects as to what is being done to improve the social culture, though, are very limited. This includes things like putting up a monthly birthday calendar and having an end-of-year party. The two subjects who stated that the personnel of BAF Ltda isn't very diverse and that BAF Ltda isn't doing enough to improve the culture, gave more in-depth and concrete explanations:

"There are no career plans or any kind of individual specific training/development programs. The communication between the departments - and even between some individuals within departments - is dismal and there are no action plans to resolve such issues."

Figure 3.6 and 3.7 demonstrate the threats and opportunities identified in the social environment. The most probable threat is a long term threat in the form of lower quality students that are being delivered by the current tertiary education system (4 – 80% most likely rating). Another probable threat is not making full use of social

networks like LinkedIn, Twitter and Facebook (2- 40% most likely and 2 – 40% likely). This is increased when combined with the current level of computer skills that the majority of the staff possess, which is below average. Internationalisation of work can also quickly turn into a threat due to only two people within the firm possessing advanced English skills and only five intermediate English skills. However, only one (20%) subject rated this threat as definitely and the rest as a likely (2 – 40%) and least likely (2 – 40%) threat.

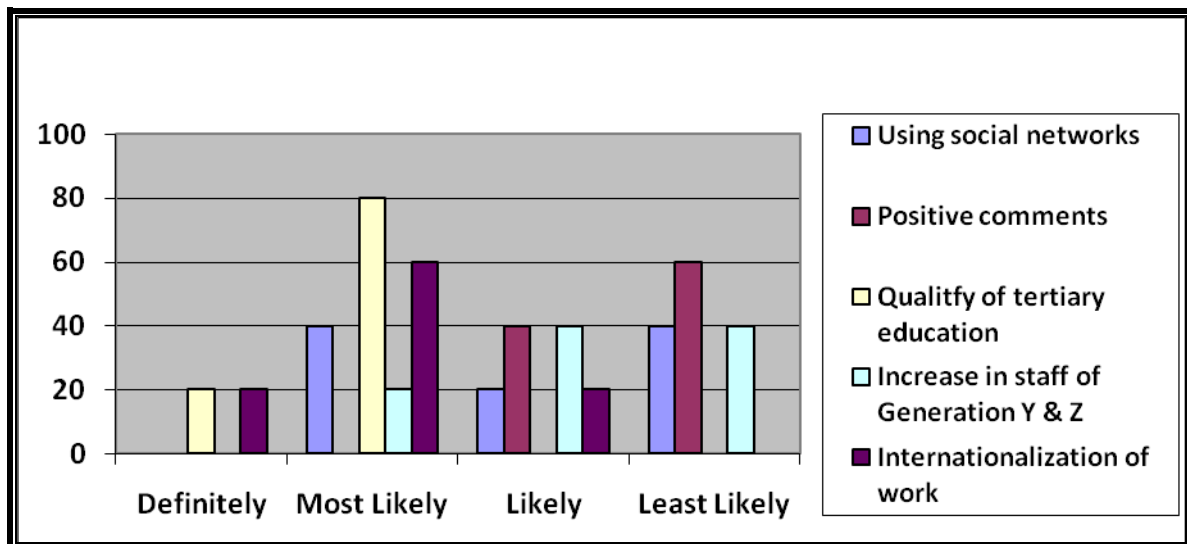
Figure 3.6 - Possible threats in the social environment for BAF Ltda



Possible opportunities lie in more people getting access to higher education with the majority of the subjects rating it as definitely (1 – 20%) and most likely (4 – 80%). As mentioned with the threats, the quality of the degrees might be questionable in some cases; however it still increases the pool of qualified professionals from which to choose. Internationalisation of work also has opportunities in getting staff into contact with different cultures and motivating them to improve their language skills. The majority of the subjects rated this as definitely (1 – 20%) or most likely (3 – 60%). This opportunity will need more proactive management in preparing the staff on international standards (IFRS, USGAAP, Sarbanes Oxley) and also assisting them with improving their language skills. Using social networks as an advantage to the company is becoming more of an issue and thus also an opportunity through the initiatives of the international group to which BAF Ltda belongs. Two subjects (40%) rated it as most likely, one (20%) as likely and two as least likely (40%). Positive

comments on social networks (2 – 40% likely rating and 3 – 60% least likely) and the increase of staff members from generation X and Y (1 – 20% likely, 2 – 40% likely and 2 – 40% least likely) also present some opportunities, however not as great as when compared to the other listed options.

Figure 3.7 - Possible opportunities in the social environment for BAF Ltda



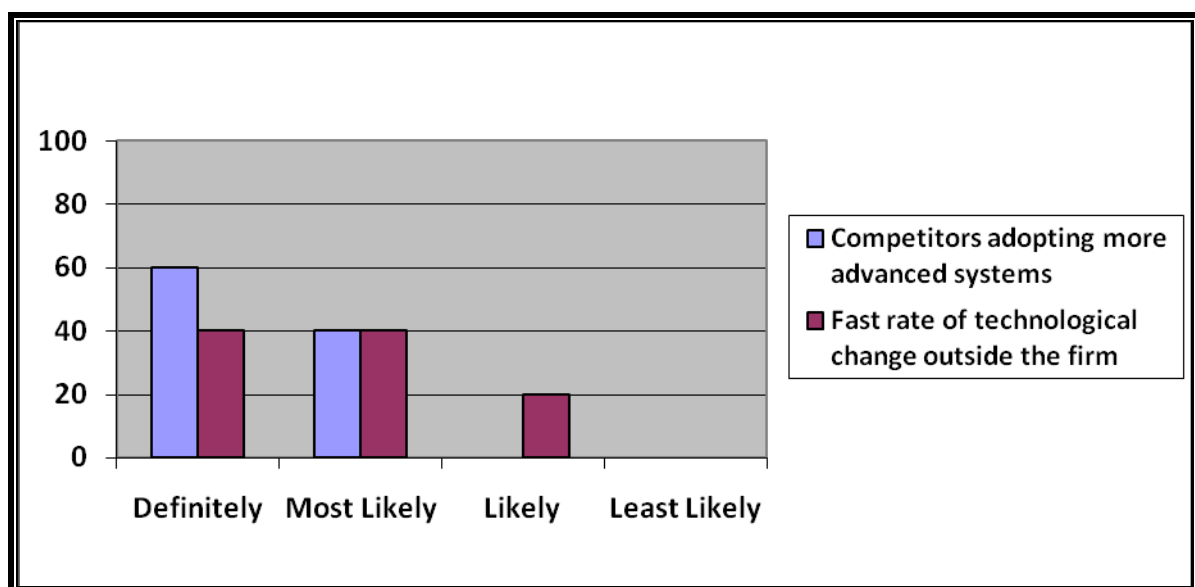
Technological environment

Out of the available technologies listed, BAF Ltda currently only uses Office packages (five subjects – 100%) such as Microsoft Office, VOIP (two subjects – 40%) such as Skype and an internal database (five subjects – 100%). Three subjects (60%) listed that BAF Ltda uses Accounting/Auditing packages; however they were referring to the adaptation of the CCH auditing system that hasn't moved beyond the planning phase of the project since 2008 (when it was first decided to implement the software).

All of the subjects (5 – 100%) agreed that BAF Ltda is not making use of the best technology available in any of the areas listed and all (5 – 100%) also agreed that it is not making the best use of technology as a whole. Four (80%) of the subjects stated that keeping pace with technological developments is of great importance for the future of BAF Ltda. When comparing the three answers mentioned above, it is quite apparent what big threats and opportunities the technological environment holds for BAF Ltda.

Figure 3.8 and 3.9 demonstrate the threats and opportunities identified in the technological environment. The two high level threats identified by the subjects in the semi-structured interview both have rather high ratings. The threat of competitors adopting more advanced systems and thus becoming more cost effective or less prone to human error is rated as a definite threat by three subjects (60%) and by two (40%) as a most likely threat. The fast rate of technological change, which from the previous paragraph answers is apparent that BAF Ltda is not keeping with, is rated as a definite threat by two (40%) subjects, a most likely threat by two (40%) and a likely threat by one (20%). In BAF Ltda's sector, where paperless audits are becoming the norm, threats such as these will need to be handled in short time and with great care.

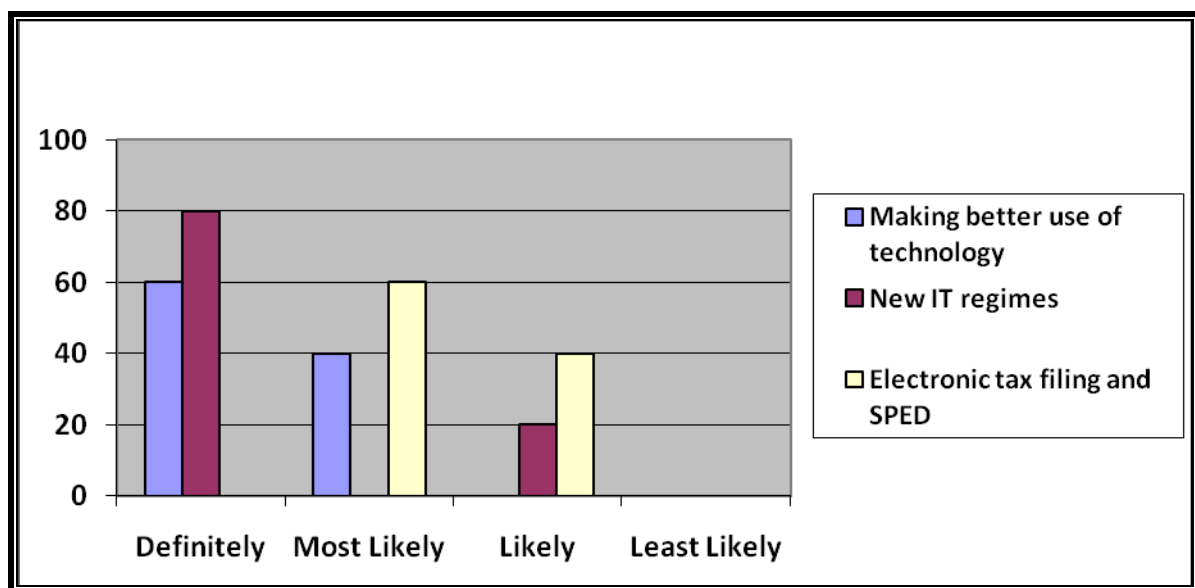
Figure 3.8 - Possible threats in the technological environment for BAF Ltda



Opportunities identified include the better use of technology with a definite rating by three (60%) subjects and most likely rating by two (40%). As mentioned before, this is an area that will need special attention from the management team with regards to strategic planning. Another opportunity is the creation of new IT regimes, which received an 80% definite rating (four subjects) and a 20% most likely rating (one subject). During 2008, BAF Ltda has created an IT Auditing department with IT specialists in the special import/export tax regimes. Currently they are the leader in this field in Brazil, and the development of new regimes by the government will further allow them to expand this department and their market share. Electronically

filing personal and company tax is also an opportunity (3 – 60% most likely and 2 – 40% likely) for BAF Ltda in that it makes it easier to audit, however they have sold their accounting department in 2005, which would have been able to benefit more directly from the implementation of the above and SPED (an electronic invoicing system) in Brazil.

Figure 3.9 - Possible opportunities in the technological environment for BAF Ltda



3.3.2.3. SWOT Analysis

Figure 3.10 below presents the data collected with regards to the strengths of BAF Ltda. The flexibility and agility with which the firm has to take quick decisions through a small and fixed management team is rated as the greatest strength (80% 1st and 20% 3rd), while a strong culture within the firm is rated as the least (40% 5th and 60% 6th).

Figure 3.10 - Possible strengths of BAF Ltda

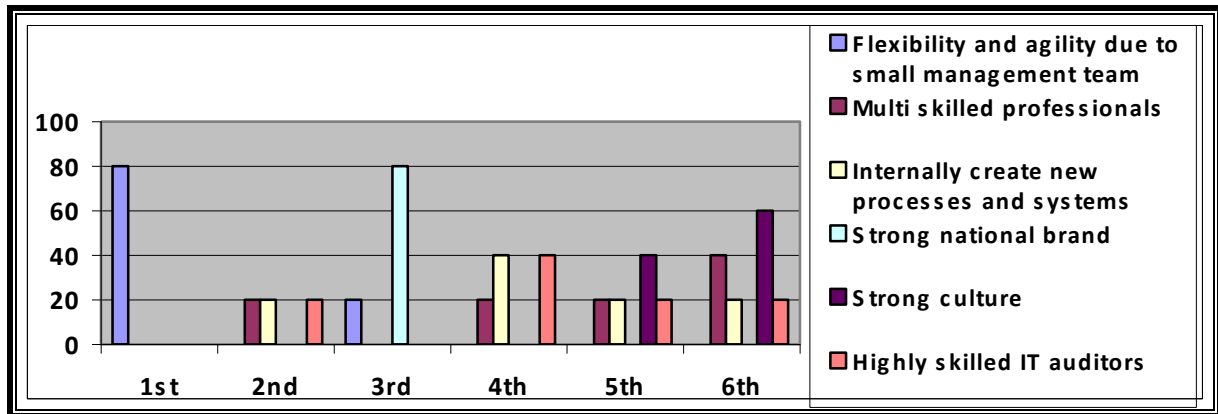


Figure 3.11 below presents the data collected with regards to the weaknesses of BAF Ltda. The low skill level and qualifications of the workforce is rated as the greatest weakness (40% 1st, 40% 2nd and 20% 3rd) and the least is the loss of opportunities due to the fixed mindset of the small management team (20% 1st and 80% 5th).

Figure 3.11 - Possible weaknesses of BAF Ltda

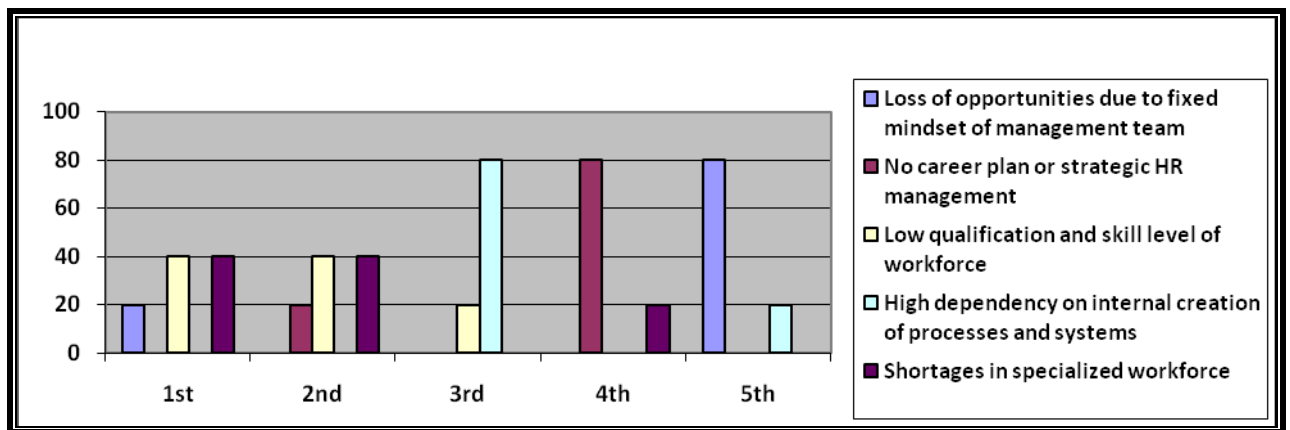


Figure 3.12 below presents the data collected with regards to the opportunities of BAF Ltda. The biggest opportunities are the identification of new market niches (40% 1st, 20% 2nd and 40% 3rd) and making full use of technology (40% 1st, 40% 2nd and 20% 5th). The least of the opportunities is tax and labour reforms with 60% of the subjects rating it as 7th, 20% as 3rd and 20% as 4th.

Figure 3.12 - Possible opportunities of BAF Ltda

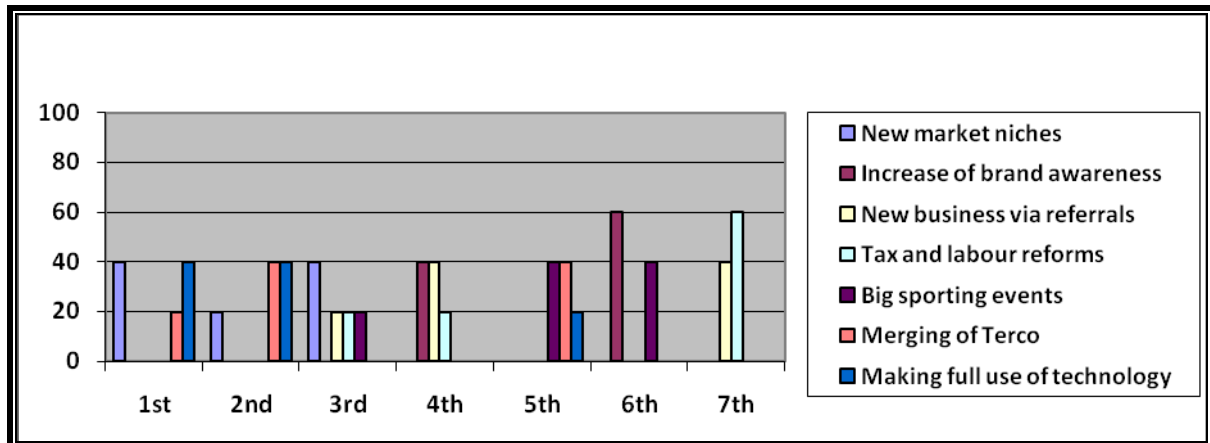
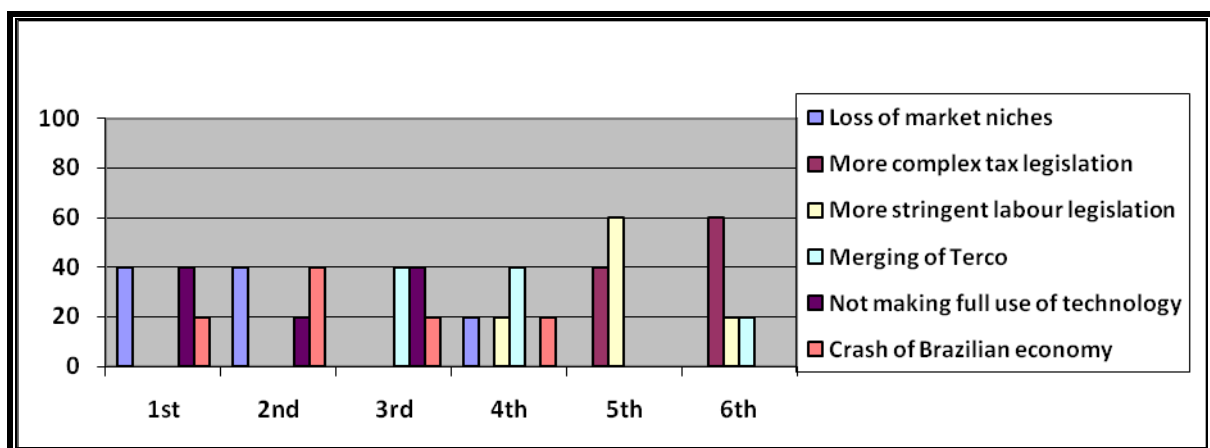


Figure 3.13 below presents the data collected with regards to the threats to BAF Ltda. The greatest threat is the loss of current market niches like the IT auditing (40% 1st, 40% 2nd and 20% 4th) and not making full use of technology (40% 1st, 20% 2nd and 40% 3rd). The lowest threat is the tax legislation becoming more complex after the elections, with 40% of the subjects rating it as 5th and 60% rating it as 6th.

Figure 3.13 - Possible threats to BAF Ltda

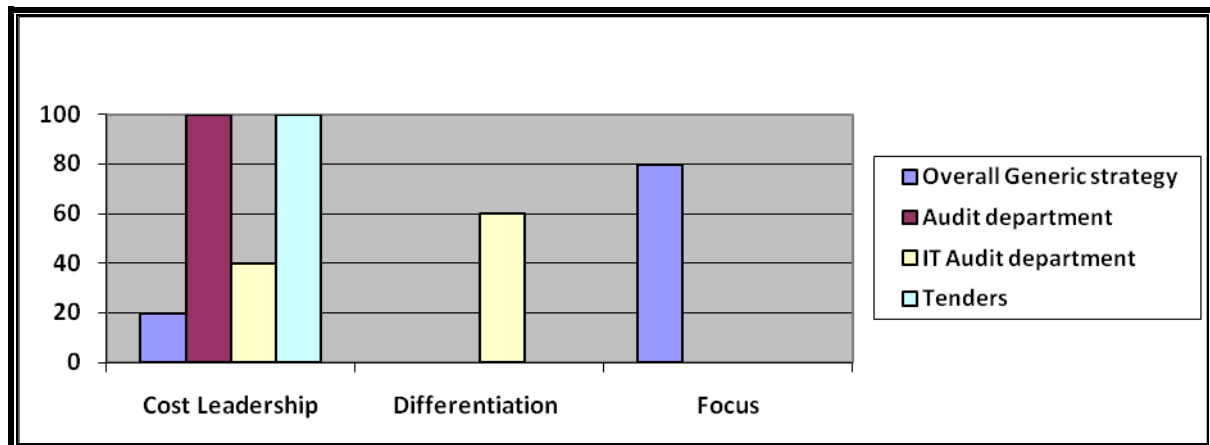


3.3.2.4. Generic strategies

Figure 3.14 below presents the data collected with regards to the generic strategies for BAF Ltda. All subjects (5 – 100%) agree that the cost leadership strategy is best

suited for the audit department and the tenders department. The majority of the subjects (4 – 80%) think that the overall strategy must be a focus strategy and one (20%) thinks it must be cost leadership. With the IT audit department the majority (3 – 60%) chose differentiation as the best strategy for the department, while the rest (2 – 40%) chose cost leadership.

Figure 3.14 - Generic strategies of BAF Ltda



3.4. Summary

Both the SWOT and PEST analyses are very subjective and this was clearly observable in the results demonstrated within this chapter. The management team had varied responses on some issues that, if these planning tools were more objective, would have been much more similar. This is a problem when using tools such as SWOT and PEST, as they are only as good as the information that they contain. In companies such as BAF Ltda, where the culture does not always lend itself for open and honest discussion, it sometimes makes it difficult to get to the core of the issue and acquire the relevant information.

Via these analyses it was possible to identify some of the key strategic issues facing BAF Ltda and bring to the attention of the management team the discrepancies in some of their answers and thought patterns. The value of these issues are not when each of them are analyzed individually, but rather when they are compared and analyzed as a whole, as it is through the combination of all the information that trends can be identified and suitable strategies adopted in a timely fashion. The

dedication of the management team of BAF Ltda to further analyze and address these issues and discrepancies is of extreme importance for the future success of the firm. During the course of the study, it was apparent that more attention will be given to this by the BAF Ltda management team.

The overall choice of the focus strategy seems to fit well with the results as identified within this chapter and lends itself to form a foundation for more advanced strategic planning by BAF Ltda in the future.

This chapter discussed the research methodology and presented the results of the empirical study. Objectives of the study were highlighted, the sample was discussed and the details of the questionnaire were summarized. The following chapter will discuss the findings in more depth and also highlight the limitations of this study.

CHAPTER 4

4. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

4.1. Introduction

This study evaluated the competitive environment of BAF Ltda and its generic strategy choices. The preceding chapters discussed and highlighted the most important factors that the company should consider. This chapter provides conclusions regarding the findings of the study and also recommendations for future research. A discussion of the limitations will also be presented.

4.2. Summary of research

The twofold research problem was to examine the internal and external environment of BAF Ltda and also from that identify the best fit generic strategy. The outlined objectives as stated in Chapter 1 will be discussed in this chapter. A semi-structured interview was designed to acquire the necessary data from which to design a survey questionnaire. The above stated survey was designed to address the research questions and objectives in this study. The sample consisted of the five members of the management team of BAF Ltda, of which all five responded, thus achieving a response rate of 100%.

4.3. Interpretation of results

BAF Ltda is a family firm that has weathered many business storms during its 45-year existence. It has an experienced management team with four out of the five already being in the management team of BAF Ltda for over ten years. This amount of years together has shaped their way of thinking to become very similar, which could easily be seen when contrasted with the answers from the final subject of the five, which has less than five years of management experience within BAF Ltda, however more experience outside of the firm than the other four subjects. What was found during the study was that this familiarity between the four longest standing members has created some substantial communication gaps, as with some decisions it is merely assumed that someone will take ownership of the project/decision, which in reality isn't always the case.

From the threats and opportunities facing BAF Ltda, the most important strategic factor would seem to be the protecting of current market niches and also the entering of new market niches. Two developments that have a bit of both of these are:

- The merger of Terco and Ernst & Young: This could create great opportunities and at the same time great threats for BAF Ltda, and will need a better structured strategic approach from the management team to make the most of the situation. BAF Ltda will need to implement a more customer-focused way of dealing with their current high-level clients, while at the same time positioning themselves to become the natural choice for Terco's clients who want to move away from the firm before the merger. BAF Ltda's major weakness of not having sufficiently qualified and skilled staff will, however, need to be addressed before they will be able to assume this role and the subsequent implementation of career plans and strategic HR management. The majority of Terco's clients are in the construction industry and this will be an excellent niche for BAF Ltda to enter, particularly with the subjects expecting the Brazilian economy to continue growing and the World Cup and Olympics expected to have a big impact on the Brazilian economy.
- Outsourcing of state audits: This specific market niche could be very lucrative for BAF Ltda in the future; however, these kinds of audits are normally scrutinised very carefully by the media and the state audit department, so it will need good planning and execution. These audits are normally sent out on a tender basis and this is where BAF Ltda can position itself better by implementing auditing software or packages and other technological improvements which will bring down costs and increase efficiency. This will need to be planned together with human resources so as to ensure that better quality staff is obtained, and also that they receive the necessary training to work on the proposed new systems. The presidential elections could play a big part in whether more audits get contracted out or not, as Dilma's party looks much more favourably on the process than Serra's.

The company also has a lot of work to do with regards to human resource management and making better use of technology. When combined, these two aspects could hamper virtually any strategic plan that is put together without

resolving the two issues first. Furthermore, a change like that will need the full backing of the whole management team and will also need to be implemented at the top first. Currently the company's policy is to contract for the cheapest possible salary and this will create problems in the future if the competitors keep on increasing their efficiency and lowering their cost base while attracting and keeping better skilled workers. Cost savings by keeping salaries down must always be weighed against the time or productivity lost by having staff that need more time and training to do what someone more skilled (and thus with a higher salary) can do from the outset.

The differentiation generic strategy, as chosen by the majority of the subjects for the IT audit department, needs to be better understood and implemented as, even though the subjects chose this strategy, they are currently still pursuing the cost leadership within this department. This department is the leader in its field and if more strategic thought is given to how to develop better and different services, then the department can continue to differentiate itself from the competitors and thus protect its niche.

The same could be said for the implementation of the cost leadership strategy within the audit and tender departments. Before the arrival of management theories like Theory of Constraints and Lean manufacturing, it was believed that costs could be brought down by building up inventory. Within BAF Ltda there are various similar assumptions, like the one listed above about the employment policy which, if studied more intently can deliver other, better options.

4.4. Discussion of the study based on the objectives

The key objective of this study (refer to section 1.4.2 on page 9) was to research the operational environment of BAF Ltda via three main focus areas, namely i) an external analysis, ii) an internal analysis and iii) a choice of best strategy. The external environment was investigated using **PEST analysis**, while the internal environment was investigated using **SWOT analysis**. Both techniques were researched in the literature study, the semi-structured interview and the questionnaire. The aim was to identify the threats and opportunities facing BAF Ltda and its strengths and weaknesses. Generic strategies were examined in the

literature study and in the survey questionnaire. Based on this, the best-fitting strategies were identified for each department and for the company as a whole.

4.5. Conclusions and recommendations

Based on the preceding results, certain conclusions were drawn. These conclusions are as follows:

- 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 BAF Ltda's PEST analysis. Currently the company does not have someone (either internally or outsourced) that evaluates the competitive environment on a regular basis.
- The research revealed that the company's key strength is its quick decision-making capability via its small and fixed management team. This means they are able to quickly act on a decision and change the direction of the company. Through the course of the research project it has, however, become apparent that there exists a big gap between the management team making a decision and it actually getting implemented or seen through to the end. The main weakness of the company is the low skill level and qualifications of its workforce. This can cause problems if the company wants to implement more advanced processes and systems in the future.
- The research has shown that the main threats are the loss of market niches and that the firm is not making full use of technology. This threat becomes even more important when compared to the weakness of a low-skilled workforce that might not be able to quickly adapt to a new technologically advanced way of working. The main opportunities were shown as being able to identify new market niches and also to making full use of technology.
- The research has shown that company management only recently recognized the importance of competitive environment analysis and will in the near future dedicate more of the management team's time to this function.

- The research has shown that the focus strategy is best suited for the company and that the cost leadership strategy fits the audit and tenders best, while the differentiation strategy fits the IT audit department best.

Based on the aforementioned, the following recommendations are presented:

- A PEST and SWOT analysis should be conducted regularly by a dedicated team to ensure that the company understands its competitive environment and adjusts its short and long term strategies accordingly.
- The above mentioned analyses should form part of a fully documented competitive analysis process, which in turn should form part of a fully documented strategic planning process.
- The company needs to implement better human resource strategies and either start to develop the current staff to be prepared for future technological changes, or start to contract better skilled and highly qualified workers.
- The company should think more strategically about how they can keep their current market niches and also how to identify future market niches. This also means that more time must be spent on evaluating strategies on how to enter these markets and also how to defend the current ones.
- The management team must choose a process/project owner each time a new strategic decision is made. That person must be responsible for implementing the change and seeing the project through to the end.
- The management team must better evaluate and act quicker on actions/projects that will assist in the better application of the chosen strategy for each department. An example here is the cost savings that can be made by making better use of technology with the tender and audit departments, where the cost leadership strategy has been identified as the principle strategy.

4.6. Scope for further research

After the management team of BAF Ltda gets a stronger foundation in strategic decision making and strategic management, follow-up research can be done to assess the difference between the competitive environment analyses (as found in the preceding chapters) and the future analyses, with the subjects possessing more

knowledge and skills in the specific area. Further research can be done into the possible benefits and disadvantages of changing the firm from a family-run structure to a non-family run structure. Future research can also assess competitors and make a cross-company comparison to judge who has a better economic performance over a specific period and then compare what key differences exist between each firm's respective competitive environments.

4.7. Limitations of research

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

- The sampling frame of five may be considered too small in size to allow for inferential statistical examination of the reliability and validity of the survey instrument, even though there are no other subjects - apart from those chosen for the study - that have any influence on the strategic decisions or direction of the company.
- The knowledge of the subjects about the external environment is questionable and there are also key differences in the knowledge and understanding of the subjects on the internal environment.
- The external environment is constantly changing and it is difficult to measure all the variables that would influence the operations of BAF Ltda.
- There was difficulty in comparing and benchmarking BAF Ltda versus its competitors because of a lack of competitor information. The cost of obtaining such information would have been too substantial for a study of this size.

4.8. Summary

In this chapter the results of the research were summarised based on the data obtained from the survey questionnaire and semi-structured interviews. The specific objectives highlighted in Chapter 1 were addressed, while conclusions, recommendations and limitations were discussed and highlighted.

ANNEXURE 01: SURVEY OF BAF LTDA AND ITS INTERNAL AND EXTERNAL ENVIRONMENT (ENGLISH)

Instructions:

Please answer all the questions objectively and select the best answer according to you.

- If you chose "Other", please give a short explanation as to why you selected it.
- If "Explain" is displayed underneath the question answers, please give a short explanation of your specific answer, especially the reasoning behind it.

Notes:

Please complete the questionnaire before Friday, 27th August 2010. All the information gathered will be treated as confidential. Also note that you are under no obligation to complete the questionnaire (or parts thereof) and can withdraw at any stage.

PART A: Individual information of staff

1.) How long have you been in the management function of BAF Ltda?	
i) Less than 5 years	[]
ii) 5 – 10 years	[]
iii) More than 10 years	[]

2.) How long have you been in the management function at other companies? (This excludes the years in the management function at BAF Ltda.)	
i) Less than 5 years	[]
ii) 5 – 10 years	[]
iii) More than 10 years	[]

3.) What is your highest qualification?	
i) High School	[]
ii) Diploma	[]
iii) Some university degree	[]
iv) Masters	[]
v) PhD	[]
vi) Brazilian Chartered Accountant/Auditor	[]
vii) Other: _____	

4.) How long have you been in the auditing/consulting industry?	
i) Less than 5 years	[]
ii) 5 – 10 years	[]
iii) More than 10 years	[]

PART B: External and internal environment of BAF Ltda according to the knowledge of its staff

General

5) To your knowledge, is BAF Ltda currently doing external environment analysis to gain insight into the competitive environment?	
i) Yes	[]

ii) No	[]
iii) I don't know	[]

Political environment

6) Do you think the political environment of the country will have a negative or positive effect on the future operations of BAF Ltda in the next five years?	
i) Positive/Optimistic	[]
ii) Negative/Pessimistic	[]
iii) Explain: _____	

7) Please grade the following possible threats that BAF Ltda might face in the political environment (1 definitely to have an influence and 4 least likely to have an influence):	1	2	3	4
i) If Serra wins the presidential elections				
ii) If Dilma wins the presidential elections				
iii) Big economies like China/USA stopping to invest in or buy from Brazil				
iv) The merging of Terco and Ernst & Young in Brazil				
v) More stringent employment laws				

8) Please grade the following possible opportunities that BAF Ltda might face in the political environment (1 definitely to have an influence and 4 least likely to have an influence):	1	2	3	4
i) If Serra wins the presidential elections				
ii) If Dilma wins the presidential elections				
iii) Tax reforms after the presidential elections				

iv) More flexible employment laws				
v) Outsourcing of state audits in various sectors				
vi) Merging of Terco and Ernst & Young in Brazil				

Economic environment

9) What do you expect will happen with Brazil's economy in the next three years?	
i) Positive growth	[]
ii) Negative growth	[]
iii) No change	[]
iv) Explain: _____	

10) What do you expect the Brazilian Real to do over the next three years?	
i) Strengthen	[]
ii) Weaken	[]
iii) Stay at current average	[]
iv) Explain: _____	

11) The inflation rate today is approximately 5%. What do you think will happen with the inflation rate over the next three years?	
i) Increase	[]

ii) Decrease []

iii) Stay at current average []

iv) Explain: _____

12) What impact do you think crime will have on the economy of Brazil?

i) High impact []

ii) Low impact []

iii) No impact []

iv) Explain: _____

13) What impact do you think will the World Cup 2014 have on the Brazilian economy?

i) High impact []

ii) Low impact []

iii) No impact []

iv) Explain: _____

14) What do you think will happen to the unemployment rate over the next three years?	
i) Increase	[]
ii) Decrease	[]
iii) Stay at current average	[]
iv) Explain: _____	

15) Please grade the following possible threats that BAF Ltda might face in the economic environment (1 definitely to have an influence and 4 least likely to have an influence):	1	2	3	4
i) Another world financial crisis				
ii) Availability of credit for Brazilian companies and individuals				
iii) Adverse fluctuation of the dollar with regards to international contracts				
iv) Stronger government intervention in the free market				

16) Please grade the following possible opportunities that BAF Ltda might face in the economic environment (1 definitely to have an influence and 4 least likely to have an influence):	1	2	3	4
i) GDP growth rate continues at current or higher rate				
ii) Less government intervention in the free market				

iii) Improvements in infrastructure				

Social culture

17) Do you think that BAF Ltda's staff is very diverse?	
i) Yes	[]
ii) No	[]

18) Do you think that BAF Ltda is doing enough to improve the social culture within the organisation?	
i) Yes	[]
ii) No	[]
iii) Explain: _____	

19) Please grade the following possible threats that BAF Ltda might face in the social environment (1 definitely to have an influence and 4 least likely to have an influence):	1	2	3	4
i) Not using social networks to improve and increase marketing opportunities				
ii) Negative comments that can be posted in different social networks in the case of bad quality work				
iii) Quality of tertiary education (many new colleges/universities with no stringent control of quality)				
iv) Increase in staff that are from Generation Y and Z				
v) Internationalisation of work and more contact with foreign cultures				

20) Please grade the following possible opportunities that BAF Ltda might face in the social environment (1 definitely to have an influence and 4 least likely to have an influence):	1	2	3	4
i) Use social networks to improve marketing opportunities				
ii) Benefits of positive feedback and comments on social networks in the case of high quality work				
iii) Level of qualification of staff (access to higher education for more people)				
iv) Increase in staff that are from Generation Y and Z				
v) Internationalisation of work and more contact with foreign cultures				

Technology environment

21) Is BAF Ltda currently making use of the following technology? If yes, is it making use of the best possible technology (within budget constraints, strategic plans etc.)?	Yes	No	Best Possible
i) Internal communication (Intranet)			
ii) Customer relationship management			
iii) Virtual meetings (e.g. Skype with video centre)			
iv) Office packages			
v) VOIP (internal and external calls)			
vi) Databases (Internal)			
vii) Databases (External)			
viii) Accounting packages/auditing packages			

22) Do you think BAF Ltda is using the available technology to the best of its ability?	
i) Yes	[]
ii) No	[]
iii) Explain: _____	

23) Will keeping pace with technological developments be of great importance to the future of BAF Ltda?	
i) Yes	[]
ii) No	[]
iii) Explain: _____	

24) Please grade the following possible threats that BAF Ltda might face in the technological environment (1 definitely to have an influence and 4 least likely to have an influence):	1	2	3	4
i) Competitors that adopt more advanced technological systems at a faster rate than the company and thus having lower cost and quicker service				
ii) Rate of technological change outside the firm too rapid for internal change to keep up (training of older work force)				

25) Please grade the following possible opportunities that BAF Ltda might face in the technological environment (1 definitely to have an influence and 4 least likely to have an influence):	1	2	3	4
i) Use of technology in improving work processes, procedures and systems (cost and time savings)				
ii) Development of new regimes that will require IT specialists				
iii) Development of systems like SPED (electronic invoicing) and electronic tax filing				

Strengths of BAF Ltda

26) Please rank the following possible strengths that BAF Ltda has in order of importance (1 being very important and 6 least important):	Rank
i) Flexibility and agility of the company in being able to make quick decisions due to a fixed and small management team	
ii) Multi-skilled professionals	
iii) Ability to internally create new processes and systems	
iv) Strong national brand	
v) Strong culture that keeps like-minded professionals in the company	
vi) Highly skilled workforce in the IT audit sector	

Weaknesses of BAF Ltda

27) Please rank the following possible weaknesses that BAF Ltda has in order of importance (1 being very important and 5 least important):	Rank
i) Loss of opportunities due to a set business mindset of the fixed and small management team	
ii) Lack of career plans and strategic human resource management	
iii) Qualifications and skills of general workforce (English, technical ability, etc.)	
iv) Too high dependency on internal creation of processes and systems	
v) Shortages in specialised workforce (tax, etc.)	

Opportunities for BAF Ltda

28) Please rank the following possible opportunities that BAF Ltda should consider in order of importance (1 being very important and 7 not important):	Rank
i) New market niches opening up	
ii) Increase of brand awareness both nationally and internationally	
iii) New business via referrals from current clients	
iv) Tax and labour legislation reforms	
v) Big sporting events (World Cup 2014 and Olympics 2016)	
vi) Merging of Terco and Ernst & Young in Brazil	
vii) Making full use of technology	

Threats for BAF Ltda

29) Please rank the following possible threats that BAF Ltda might encounter in order of importance (1 being very important and 6 not important):	Rank
i) Loss of market niches (682 – IT Audits, etc.)	
ii) More complex tax legislation	
iii) More stringent labour legislation	
iv) Merging of Terco and Ernst & Young in Brazil	
v) Not making full use of technology	
vi) Crash of Brazilian economy	

Generic strategy

30) According to your answers in the previous sections, which generic strategy will fit best as the overall strategy of the company?	
i) Cost Leadership	[]
ii) Differentiation	[]
iii) Focus	[]

31) Which generic strategy would best fit the auditing department?	
i) Cost Leadership	[]
ii) Differentiation	[]
iii) Focus	[]

32) Which generic strategy would best fit the IT auditing department?	
i) Cost Leadership	[]
ii) Differentiation	[]
iii) Focus	[]

33) Which generic strategy would best fit the tenders department?	
i) Cost Leadership	[]
ii) Differentiation	[]
iii) Focus	[]

THANK YOU FOR TAKING THE TIME TO COMPLETE THE QUESTIONNAIRE!

ANNEXURE 02: SURVEY OF BAF LTDA AND ITS INTERNAL AND EXTERNAL ENVIRONMENT (PORTUGUESE)

Instruções:

Por favor, responda todas as questões de forma objetiva e selecione a melhor resposta de acordo com você.

- Se você escolher o item "Outros", por favor, dê uma breve explicação sobre o significado da resposta em relação à questão específica.
- Se a palavra "explicar" aparecer abaixo da resposta, por favor, dê uma breve explicação sobre a sua resposta específica, salientando especialmente a razão pela qual optou pela resposta.

Notas:

Preencha o questionário até sexta-feira 27 de agosto de 2010. Todas as informações coletadas serão tratadas como confidenciais. Além disso, você não será obrigado a completar este questionário, podendo retirar sua participação a qualquer momento.

PARTE A: Informações individuais de pessoal

1.) Quanto tempo você está na função de gestão da BAF Ltda?	
i) Menos de 5 anos	[]
ii) 5 – 10 anos	[]
iii) Mais de 10 anos	[]

2.) Quanto tempo você esteve na função de gestão em outras empresas? Isto exclui os anos na função de gestão na BAF Ltda.	
i) Menos de 5 anos	[]
ii) 5 – 10 anos	[]
iii) Mais de 10 anos	[]

3.) Qual é a sua mais alta qualificação?	
i) Ensino médio	[]
ii) Diploma	[]
iii) Graduação	[]
iv) Mestrado	[]
v) PhD	[]
vi) Auditor Brasileiro	[]
Outros: _____	

4.) Quanto tempo você tem trabalhado no setor de auditoria / consultoria?	
i) Menos de 5 anos	[]
ii) 5 – 10 anos	[]
iii) Mais de 10 anos	[]

PARTE B: Ambiente externo e interno da BAF Ltda de acordo com o conhecimento do seu pessoal

Geral

5) De acordo com o seu conhecimento, a BAF Ltda está realizando análises do ambiente externo para obter um melhor entendimento sobre o ambiente competitivo no mercado atual?

i) Sim	[]
ii) Não	[]
iii) Não sei	[]

Ambiente político

6) Você acha que o ambiente político do país terá um efeito positivo ou negativo sobre as operações futuras da BAF Ltda, nos próximos cinco anos?	
i) Positivo/Otimista	[]
ii) Negativo/Pessimista	[]
Explique: _____	

7) Por favor, preencha o quadro elegendo, dentre as situações citadas no ambiente político, o nível de influência negativa (ameaça) que elas podem gerar para a BAF Ltda. (1sendo definitivamente influente e 4 menos propenso a ter uma influência):	1	2	3	4
i) Se Serra vencer as eleições presidenciais				
ii) Se Dilma vencer as eleições presidenciais				
iii) As grandes economias como China / E.U.A. pararem de investir /comprar no Brasil				
iv) Fusão das Terco e Ernst & Young no Brasil				
v) Leis trabalhistas mais rigorosas				

8) Por favor, preencha o quadro elegendo, dentre as situações citadas no ambiente político, o nível de	1	2	3	4
--	---	---	---	---

influência positiva (oportunidades) que elas podem gerar para a BAF Ltda. (1 sendo definitivamente influente e 4 menos propenso a ter uma influência):				
i) Se Serra vencer as eleições presidenciais				
ii) Se Dilma vencer as eleições presidenciais				
iii) As reformas fiscais após as eleições presidenciais				
iv) Leis trabalhistas mais flexíveis				
v) Terceirização de auditorias em vários setores do Estado				
vi) Fusão das Terco e Ernst & Young no Brasil				

Ambiente econômico

9) O que você espera que aconteça com a economia do Brasil nos próximos três anos?	
i) Crescimento positivo	[]
ii) Crescimento negativo	[]
iii) Nenhuma mudança	[]
Explique: _____	

10) O que você espera que acontecerá com a moeda brasileira (Real) durante os próximos três anos?	
i) Fortalecerá	[]
ii) Enfraquecerá	[]
iii) Permanecerá na média atual	[]
Explique: _____	

11) A taxa de inflação hoje é de aproximadamente 5%. O que você acha que vai acontecer com a taxa de inflação ao longo dos próximos três anos?

i) Aumentar []

ii) Diminuir []

iii) Permanecerá na média atual []

Explique: _____

12) Qual o impacto você acha que o crime terá sobre a economia do Brasil?

i) Alta impacto []

ii) Baixa impacto []

iii) Nenhum impacto []

Explique: _____

13) Qual o impacto que a Copa do Mundo de 2014 terá sobre a economia brasileira?

i) Alta impacto []

ii) Baixa impacto	[]
iii) Nenhum impacto	[]
Explique: _____	

14) O que você acha que vai acontecer com a taxa de desemprego ao longo dos próximos três anos?	
i) Aumentar	[]
ii) Diminuir	[]
iii) Fique em média atual	[]
Explique: _____	

15) Por favor, classifique as seguintes ameaças que poderão afetar negativamente a BAF Ltda no ambiente econômico (1 sendo definitivamente influente e 4 menos propenso a ter influência):	1	2	3	4
i) Outra crise financeira mundial				
ii) Disponibilidade de crédito para empresas Brasileiras e pessoas				
iii) Flutuações adversas do dólar em relação aos contratos internacionais				
iv) Maior intervenção do governo no mercado livre				

16) Por favor, classifique as seguintes oportunidades que poderão afetar positivamente a BAF Ltda no ambiente econômico (1 sendo definitivamente influente e 4 menos propenso a ter influência):	1	2	3	4
i) Taxa de crescimento do PIB continuar na média atual ou maior				
ii) Menor intervenção do governo no mercado livre				
iii) Melhorias na infra-estrutura				

Cultura social

17) Você acha que o pessoal da BAF Ltda tem uma cultura diversificada?	
i) Sim	[]
ii) Não	[]

18) Você acha que BAF Ltda está fazendo o suficiente para melhorar a cultura social dentro da organização?	
i) Sim	[]
ii) Não	[]
Explique: _____	

19) Por favor, classifique as seguintes ameaças que a BAF Ltda poderá enfrentar no ambiente social (1 definitivamente influente e 4 menos propenso a ter influência):	1	2	3	4
i) Não utilizar as redes sociais para melhorar e expandir				

as oportunidades de marketing				
ii) Comentários negativos que poderão ser postados nas redes sociais em caso de um trabalho de baixa qualidade				
iii) Baixa qualidade do ensino superior (muitas faculdades novas ou universidades sem um controle rigoroso de qualidade)				
iv) Aumento de pessoal que pode ser classificados como Geração Y e Z				
v) Internacionalização do trabalho e maior contato com culturas estrangeiras				

20) Por favor, classifique as seguintes oportunidades que poderão influenciar positivamente a BAF Ltda no seu ambiente social (1 definitivamente influente e 4 menos propenso a ter influência):	1	2	3	4
i) Utilização das redes sociais para aumentar as oportunidades de comercialização				
ii) Benefícios de feedback e comentários positivos nas redes sociais, no caso de trabalho de alta qualidade				
iii) Nível de qualificação de pessoal (acesso ao ensino superior para mais pessoas)				
iv) Aumento de pessoal que pode ser classificados como Geração Y e Z				
v) Internacionalização do trabalho e maior contato com culturas estrangeiras				

Ambiente Tecnologia

21) A BAF Ltda está fazendo uso das tecnologias citadas abaixo? Em caso afirmativo, a empresa tem feito uso da melhor tecnologia possível (dentro das limitações	Sim	Não	Melhor Possível
--	-----	-----	-----------------

de orçamento, planejamento estratégico etc.)?			
i) Comunicação Interna (Intranet)			
ii) Gestão de relacionamento com o cliente			
iii) Reuniões virtuais (Skype com central de video)			
iv) Pacotes Office			
v) VOIP (Ligações internas e externos)			
vi) Bases de dados (Interna)			
vii) Bases de dados (Externo)			
viii) Pacotes de contabilidade / auditoria			

22) Você acha que a BAF Ltda está utilizando a tecnologia disponível na sua melhor capacidade?

i) Sim []

ii) Não []

Explique: _____

23) Você acha que que manter o ritmo da evolução tecnológica é de grande importância para o futuro da BAF Ltda?

i) Sim []

ii) Não []

Explique: _____

24) Por favor, classifique as seguintes ameaças que a BAF Ltda poderá enfrentar no ambiente tecnológico (1 definitivamente influente e 4 menos propensos a ter influência):	1	2	3	4
i) Os concorrentes que adotam sistemas tecnológicos mais avançados em um ritmo mais rápido do que a empresa e, portanto, com menor custo e disponibilizando serviços mais rápido				
ii) Mudança tecnológica fora da empresa em velocidade maior que a mudança interna, gerando dificuldade de acompanhar as mudanças e exigindo treinamento da força de trabalho.				

25) Por favor, classifique as seguintes oportunidades que poderão afetar positivamente a BAF Ltda no ambiente tecnológico (1 definitivamente influente e 4 menos propenso a ter influência):	1	2	3	4
i) Uso da tecnologia na melhoria dos processos de trabalho, procedimentos e sistemas (economizar custos e tempo)				
ii) Desenvolvimento de novos regimes que exigem especialistas de TI				
iii) Desenvolvimento de sistemas como o SPED (facturação eletrônica) e arquivamento do imposto eletrônico.				

Pontos fortes da BAF Ltda

26) Por favor, classificar os seguintes pontos fortes que a BAF Ltda tem em ordem de importância (1 sendo muito importante e 6 o menos importante):	Classificação
---	---------------

i) Flexibilidade e agilidade da empresa em ser capaz de tomar decisões rápidas, devido ao grupo pequeno e fixo de gestores	
ii) Profissionais multi qualificados	
iii) Capacidade de criar novos processos internos e sistemas	
iv) Marca nacional forte	
v) Forte cultura que mantém profissionais com mentes semelhantes na empresa	
vi) Força de trabalho altamente qualificados no sector da auditoria de TI	

Pontos fracos da BAF Ltda

27) Por favor, classificar as seguintes deficiências possíveis que a BAF Ltda pode ter em ordem de importância (1 sendo muito importante e 5 o menos importante):	Classificação
i) Perda de oportunidades devido à falta de abertura para o externo com um grupo pequeno e fixo de gestores	
ii) Falta de planos de carreira e gestão estratégica de recursos humanos	
iii) Qualificações e competências dos trabalhadores em geral (Inglês, capacidade técnica, etc)	
iv) Forte dependência da criação interna de processos e sistemas	
v) Escassez de mão de obra especializada (Impostos, etc)	

Oportunidades para BAF Ltda

28) Por favor, classificar as seguintes oportunidades possíveis que a BAF Ltda deve considerar em ordem de importância (1 sendo muito importante e 7 menos importante):	Classificação
i) Abertura de novos nichos de mercado	
ii) Aumento da percepção/divulgação da marca a nível nacional e internacional	
iii) Novas operações geradas através de referências de clientes atuais	

iv) Reformas tributária e legislação trabalhista	
v) Grandes eventos desportivos (Copa do Mundo de 2014 e Olimpíadas de 2016)	
vi) Fusão das Terco e Ernst & Young no Brasil	
vii) Faz o uso total de tecnologia	

Ameaças para BAF Ltda

29) Por favor, classificar as seguintes ameaças possíveis que a BAF Ltda pode encontrar em ordem de importância (1 sendo muito importante e 6 menos importante):	Classificação
i) Perda de nichos de mercado (682 - Auditorias de TI, etc)	
ii) Legislação fiscal mais complexa	
iii) Legislação trabalhista mais rígida	
iv) Fusão das Terco e Ernst & Young no Brasil	
v) Não faz o uso total de tecnologia	
vi) Crise da economia brasileira	

Estratégia genérica

30) De acordo com as suas respostas nas seções anteriores, qual a estratégia genérica que melhor se encaixa como a estratégia global da empresa?	
i) Liderança nos custos	[]
ii) Diferenciação	[]
iii) Enfoque	[]

31) Qual a estratégia genérica que se encaixaria melhor no departamento de auditoria?	
i) Liderança nos custos	[]
ii) Diferenciação	[]

iii) Enfoque	[]
--------------	-----

32) Qual a estratégia genérica que se encaixaria melhor no departamento de auditoria de TI?	
i) Liderança nos custos	[]
ii) Diferenciação	[]
iii) Enfoque	[]

33) Qual a estratégia genérica se encaixaria melhor no departamento de licitações?	
i) Liderança nos custos	[]
ii) Diferenciação	[]
iii) Enfoque	[]

OBRIGADO POR PREENCHER ESTE QUESTIONÁRIO!

ANNEXURE 03: EXPLANATION OF SWOT AND PEST (ENGLISH)

The external environment in which a business operates can create opportunities which a business can exploit, as well as threats which could damage a business. To be in a position to exploit opportunities or respond to threats, a business needs to have the right resources and capabilities in place. An important part of business strategy is concerned with ensuring that these resources and competencies are understood and evaluated - a process that is often known as a "strategic audit". Two tools that could be used in conjunction with each other to analyze the internal and external environment and thus get a better understanding of the company's resources and competencies, are the SWOT analysis and PEST analysis. SWOT is an abbreviation for Strengths, Weaknesses, Opportunities and Threats. SWOT analysis is an important tool for auditing the overall strategic position of a business and its environment. Once key strategic issues have been identified, they feed into business objectives and help with the creation of an overall strategy.

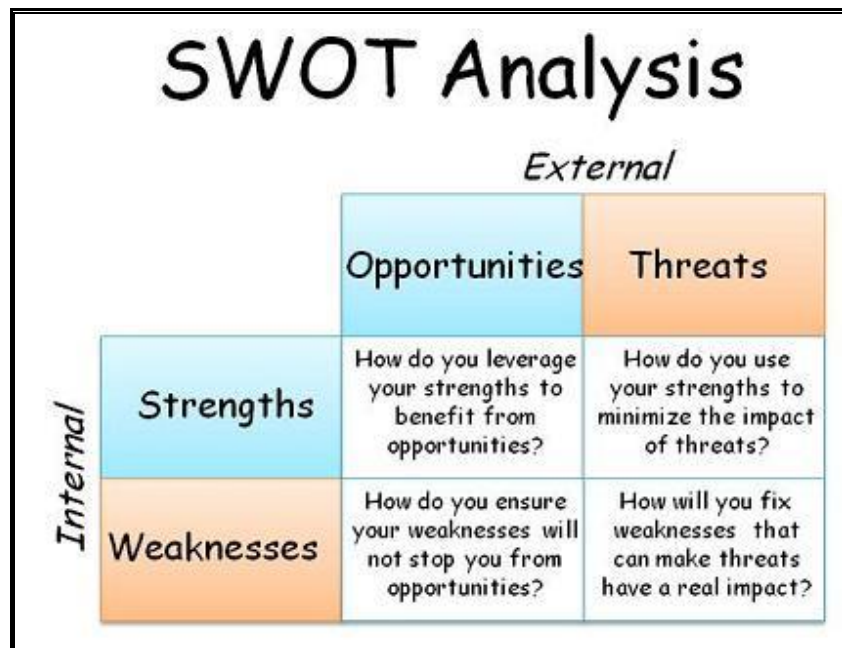
The Key Distinction - Internal and External Issues

- Strengths and weaknesses are internal factors. For example, a strength could be your specialist marketing expertise. A weakness could be the lack of communication between departments.
- Opportunities and threats are external factors. For example, an opportunity could be a developing distribution channel such as the Internet, or changing consumer lifestyles that potentially increase demand for a company's products. A threat could be a new competitor in an important existing market or a change in the law that affects the way you can or cannot do business.

It is worth pointing out that SWOT analysis can be very subjective; two people rarely come up with the same version of a SWOT analysis even when given the same information about the same business and its environment. Accordingly, SWOT analysis is best used as a guide and not a prescription.

Example:

Figure 2: SWOT Analysis example



The PEST analysis is concerned with the environmental influences on a business and is normally used to gather information on the Opportunities and Threats items of the SWOT analysis. The acronym stands for the Political, Economic, Social and Technological issues that could affect the strategic development of a business. The table below lists some possible factors that could indicate important environmental influences for a business under the PEST headings:

Political/Legal

- Environmental regulation and protection;
- Taxation (corporate; consumer);
- International trade regulation;
- Consumer protection;
- Employment Law;
- Government organisation / attitude; and
- Competition regulation.

Economic

- Economic growth (overall; by industry sector);
- Monetary policy (interest rates);
- Government spending (overall level; specific spending priorities);
- Policy towards unemployment (minimum wage, unemployment benefits, grants);
- Taxation (impact on consumer disposable income, incentives to invest in capital equipment, corporation tax rates);
- Exchange rates (effects on demand by overseas customers; effect on cost of imported components);
- Inflation (effect on costs and selling prices);
- Stage of the business cycle (effect on short-term business performance); and
- Economic "mood", i.e. consumer confidence.

Social

- Income distribution (change in distribution of disposable income);
- Demographics (age structure of the population; gender; family size and composition; changing nature of occupations);
- Labour/social mobility;
- Lifestyle changes (e.g. working from home, single households);
- Attitudes to work and leisure;
- Education;
- Fashions and fads;
- Health & welfare; and
- Living conditions (housing, amenities, pollution).

Technological

- Government spending on research;
- Government and industry focus on technological effort;
- New discoveries and development;
- Rates of technological obsolescence;

- Speed of technology transfer;
- Energy use and costs;
- Impact of changes in Information technology; and
- Internet.

Example:

Figure 3: PEST Analysis example



ANNEXURE 04: EXPLANATION OF SWOT AND PEST (PORTUGUESE)

O ambiente externo em que opera um negócio pode criar oportunidades que a empresa pode explorar, bem como ameaças que podem prejudicá-la. No entanto, para estar em condição de explorar oportunidades e responder às ameaças, uma empresa precisa ter os recursos e capacidades necessárias. Uma parte importante da estratégia empresarial é preocupar-se com a garantia de que esses recursos e competências são entendidos e avaliados - um processo que muitas vezes é conhecido como "Strategic Audit". Deste complexo processo selecionamos duas ferramentas que serão usadas em conjunto para analisar o ambiente interno e externo, denominadas análise SWOT e análise PEST. SWOT é uma sigla para Forças, Fraquezas, Oportunidades e Ameaças. A análise SWOT é uma metodologia importante para analisar a situação estratégica global do negócio e seu ambiente. Uma vez identificadas as principais questões estratégicas, elas vão auxiliar na formação dos objetivos de negócios e contribuir com a criação de uma estratégia global.

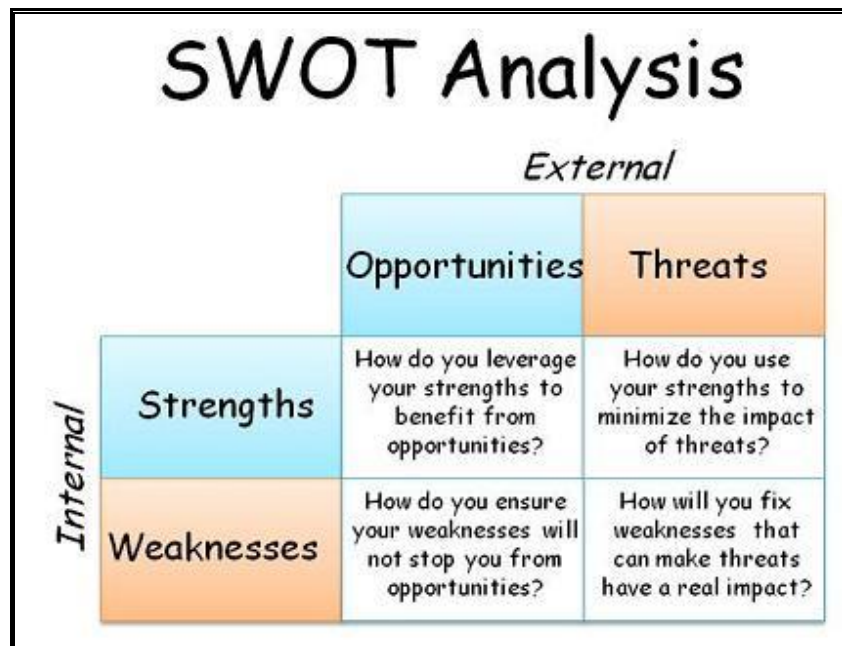
A distinção fundamental – Questões Internas e Questões Externas.

- Pontos fracos e fortes são fatores internos. Por exemplo, uma força poderia ser sua expertise em marketing. A fraqueza poderia ser a falta de comunicação entre os departamentos.
- Oportunidades e ameaças são fatores externos. Por exemplo, uma oportunidade poderia ser um canal de distribuição em desenvolvimento, como a Internet que, alterando estilos de vida dos consumidores, potencialmente, aumentaria a demanda por produtos de uma empresa. Uma ameaça poderia ser um novo concorrente em um mercado importante existente, ou uma mudança legal que afete a condição de você poder/não poder fazer os negócios.

É importante ressaltar que a análise SWOT pode ser muito subjetiva - duas pessoas raramente acabam com a mesma versão de uma análise SWOT, mesmo quando dadas as mesmas informações de uma mesma empresa e seu ambiente. Assim, a análise SWOT é mais bem usada como um guia e não uma prescrição.

Exemplo:

Figure 4: Exemplo análise SWOT



A análise PEST está preocupada com as influências do ambiente em um negócio e é normalmente usada para coletar informações sobre as oportunidades e ameaças que são itens da análise SWOT. A sigla representa o Político, Econômico, Social e Tecnológico, questões que poderiam afetar o desenvolvimento estratégico de uma empresa. A tabela abaixo mostra alguns possíveis fatores que poderiam indicar importantes influências externas de uma empresa:

Político / Legal

- Regulamentos e Proteções Ambientais;
- Tributação (corporativa; consumidor);
- Regulamentos de Comércio Internacional e Limitações;
- Código de Defesa do Consumidor (CDC);
- Leis Trabalhistas (CLT);
- Programas e Atitudes do Governo;
- Órgãos Fiscalizadores.

Econômico

- O crescimento econômico (global e setorial);A política monetária (taxas de juro);
- Os gastos do governo (nível global e prioridades de despesa específica);
- Política para o desemprego (salário mínimo, subsídios de desemprego e subsídios familiares);
- Tributação (impacto sobre a renda disponível do consumidor, incentivo para investir em equipamentos de capital, taxas e impostos sobre as sociedades);
- As taxas de câmbio (efeitos sobre a procura por clientes no exterior; efeito sobre o custo dos componentes importados);
- Inflação (efeito sobre os custos e preços de venda);
- Fase do ciclo de negócios (efeito sobre o desempenho dos negócios de curto prazo);
- Económico "humor" - A confiança do consumidor.

Social

- Distribuição de renda (mudança na distribuição do rendimento disponível);
- Aspectos demográficos (estrutura etária da população, sexo, tamanho e composição da família e natureza das mudanças de ocupações);
- Trabalho / mobilidade social;
- As mudanças no estilo de vida (trabalho doméstico e famílias);
- Condições do Trabalhador (trabalho e repouso);
- Educação;
- Modas e tendências;
- Saúde e segurança;
- Condições de vida (habitação, lazer, poluição).

Tecnológica

- Gastos do Governo em pesquisas;
- Governo e o foco da indústria no esforço tecnológico;
- Novas descobertas e desenvolvimento;

- As taxas de obsolescência tecnológica;
- Velocidade de transferência de tecnologia;
- O consumo e custos de energia;
- Impacto de mudanças na tecnologia da informação;
- Internet

Exemplo:

Figure 5: Exemplo análise PEST



ANNEXURE 05: SEMI-STRUCTURED INTERVIEW (ENGLISH)

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 are the main strengths of the company?
- What are the main weaknesses of the company?
- What are the main opportunities for the company?
- What are the main threats to the company?
- What aspects of, or developments in, the political environment will have the greatest effect on BAF Ltda in the near future? This should be answered and categorised as either threats or opportunities.
- What aspects of, or developments in, the economic environment will have the greatest effect on BAF Ltda in the near future? This should be answered and categorised as either threats or opportunities.
- What aspects of, or developments in, the social environment will have the greatest effect on BAF Ltda in the near future? This should be answered and categorised as either threats or opportunities.
- What aspects of, or developments in, the technological environment will have the greatest effect on BAF Ltda in the near future? This should be answered and categorised as either threats or opportunities.

ANNEXURE 06: SEMI-STRUCTURED INTERVIEW (PORTUGUESE)

Formato de entrevista semi-estruturada

Os objetivos do estudo e da entrevista foram explicadas ao entrevistado. As seguintes perguntas foram feitas:

- Quais são os principais pontos fortes da empresa?
- Quais são os principais pontos fracos da empresa?
- Quais são as principais oportunidades para a empresa?
- Quais são as principais ameaças para a empresa?
- Quais os aspectos ou a evolução do quadro político terão o maior efeito sobre BAF Ltda, no futuro próximo? Responder classificando como ameaças ou oportunidades.
- Quais os aspectos ou a evolução da conjuntura econômica terão o maior efeito sobre BAF Ltda, no futuro próximo? Responder classificando como ameaças ou oportunidades.
- Que aspectos da evolução ou no ambiente social terão o maior efeito sobre BAF Ltda, no futuro próximo? Responder classificando como ameaças ou oportunidades.
- Que aspectos da evolução ou no ambiente tecnológico terão o maior efeito sobre BAF Ltda, no futuro próximo? Responder classificando como ameaças ou oportunidades.

ANNEXURE 07: SURVEY QUESTIONNAIRE RESULTS

Table 2: Summary of the Individual Information of Staff

Variable	Description	Frequency	Percentage
Years in Management Function at BAF Ltda	Less than five years	0	0%
	Five to ten years	1	20%
	More than ten years	4	80%
Years in Management Function outside of BAF Ltda	Less than five years	3	60%
	Five to ten years	2	40%
	More than ten years	0	0%
Highest qualification obtained	High School	0	0%
	Diploma	0	0%
	Some university degree	5	100%
	Masters	0	0%
	PhD	0	0%
	Brazilian Chartered Accountant/Auditor	4	80%
	Other	0	0%
Experience in auditing/consulting industry	Less than five years	0	0%
	Five to ten years	1	20%
	More than ten years	4	80%

Table 3: General

Variable	Description	Frequency	Percentage
Does BAF Ltda do external environment analyses	Yes	3	60%
	No	2	40%
	I don't know	0	0%

Table 4: Political environment

Variable	Description	Frequency	Percentage
Influence of political environment on BAF Ltda in next 5 years	Positive/Optimistic	5	100%
	Negative/Pessimistic	0	0%
Possible threats in the political environment for BAF Ltda			
Serra	Definitely	0	0%
	Most likely	0	0%
	Likely	3	60%
	Least likely	2	40%
Dilma	Definitely	1	20%
	Most likely	1	20%
	Likely	1	20%
	Least likely	2	40%
China/USA stop investing	Definitely	1	20%
	Most likely	2	40%
	Likely	1	20%
	Least likely	1	20%
Merger of Terco	Definitely	3	60%
	Most likely	1	20%
	Likely	1	20%
	Least likely	0	0%
Stringent employment laws	Definitely	1	20%
	Most likely	4	80%
	Likely	0	0%
	Least likely	0	0%
Possible opportunities in the political environment for BAF Ltda			
Serra	Definitely	1	20%
	Most likely	1	20%
	Likely	1	20%
	Least likely	2	40%
Dilma	Definitely	0	0%
	Most likely	0	0%
	Likely	3	60%

Variable	Description	Frequency	Percentage
	Least likely	2	40%
Tax reforms	Definitely	2	40%
	Most likely	3	60%
	Likely	0	0%
	Least likely	0	0%
Flexible employment laws	Definitely	1	20%
	Most likely	4	80%
	Likely	0	0%
	Least likely	0	0%
Outsourcing of state audits	Definitely	1	20%
	Most likely	3	60%
	Likely	1	20%
	Least likely	0	0%
Merger of Terco	Definitely	0	0%
	Most likely	3	60%
	Likely	2	40%
	Least likely	0	0%

Table 5: Economic environment

Expectation of Brazil's economy over the next three years	Positive growth	5	100%
	Negative growth	0	0%
	No change	0	0%
Brazilian Real's movement in the next three years	Strengthen	3	60%
	Weaken	0	0%
	Stay at current average	2	40%
Brazilian inflation rate over the next three years	Increase	0	0%
	Decrease	3	60%
	Stay at current average	2	40%
Impact of Brazilian crime rate	High impact	2	40%
	Low impact	2	40%
	No impact	1	20%

Variable	Description	Frequency	Percentage
Impact of World Cup 2014	High impact	4	80%
	Low impact	1	20%
	No impact	0	0%
Brazilian unemployment rate over the next three years	Increase	0	0%
	Decrease	5	100%
	Stay at current average	0	0%
Possible threats in the economic environment for BAF Ltda			
Another financial crisis	Definitely	5	100%
	Most likely	0	0%
	Likely	0	0%
	Least likely	0	0%
Availability of credit	Definitely	0	0%
	Most likely	0	0%
	Likely	2	40%
	Least likely	3	60%
Fluctuation in dollar	Definitely	0	0%
	Most likely	2	40%
	Likely	1	20%
	Least likely	2	40%
More government intervention	Definitely	0	0%
	Most likely	1	20%
	Likely	3	60%
	Least likely	1	20%
Possible opportunities in the economic environment for BAF Ltda			
GDP Growth	Definitely	3	60%
	Most likely	2	40%
	Likely	0	0%
	Least likely	0	0%
Less government intervention	Definitely	0	0%
	Most likely	2	40%
	Likely	2	40%

Variable	Description	Frequency	Percentage
	Least likely	1	20%
Infrastructure improvement	Definitely	2	40%
	Most likely	2	40%
	Likely	1	20%
	Least likely	0	0%

Table 6: Social culture environment

Variable	Description	Frequency	Percentage
Are BAF Ltda's staff very diverse	Yes	3	60%
	No	2	40%
Is BAF Ltda doing enough to improve the social culture within the organisation	Yes	3	60%
	No	2	40%
Possible threats in the social culture environment for BAF Ltda			
Not using social networks	Definitely	0	0%
	Most likely	2	40%
	Likely	2	40%
	Least likely	1	20%
Negative comments	Definitely	0	0%
	Most likely	1	20%
	Likely	2	40%
	Least likely	2	40%
Quality of tertiary education	Definitely	0	0%
	Most likely	4	80%
	Likely	0	0%
	Least likely	1	20%
Increase in staff of Generation Y & Z	Definitely	1	20%
	Most likely	0	0%
	Likely	1	20%

Variable	Description	Frequency	Percentage
	Least likely	3	60%
Internationalisation of work	Definitely	1	20%
	Most likely	0	0%
	Likely	2	40%
	Least likely	2	40%
Possible opportunities in the social culture environment for BAF Ltda			
Use of social networks	Definitely	0	0%
	Most likely	2	40%
	Likely	1	20%
	Least likely	2	40%
Positive comments	Definitely	0	0%
	Most likely	0	0%
	Likely	2	40%
	Least likely	3	60%
Quality of tertiary education	Definitely	1	20%
	Most likely	4	80%
	Likely	0	0%
	Least likely	0	0%
Increase in staff of Generation Y & Z	Definitely	0	0%
	Most likely	1	20%
	Likely	2	40%
	Least likely	2	40%
Internationalisation of work	Definitely	1	20%
	Most likely	3	60%
	Likely	1	20%
	Least likely	0	0%

Table 7: Technology environment

Is BAF Ltda making use of technology	Internal Communication	0	0%
	Customer Relationship	0	0%

Variable	Description	Frequency	Percentage
	Management Virtual meetings Office packages VOIP Databases (internal) Databases (external) Accounting/auditing packages	0 5 2 5 0 3	0% 100% 40% 100% 100% 60%
Is BAF Ltda making use of the best possible technology	Internal communication Customer relationship management Virtual meetings Office packages VOIP Databases (internal) Databases (external) Accounting/auditing packages	0 0 0 0 0 0 0 0	0% 0% 0% 0% 0% 0% 0% 0%
Is BAF Ltda using technology to the best of its ability	Yes No	0 5	0% 100%
Will keeping pace with technology be of great importance to the future of BAF Ltda	Yes No	4 1	80% 20%
Possible threats in the technological environment for BAF Ltda			
Competitors adopt more advanced systems	Definitely Most likely Likely Least likely	3 2 0 0	60% 40% 0% 0%
Fast rate of technological change outside firm	Definitely Most likely	2 2	40% 40%

Variable	Description	Frequency	Percentage
	Likely	1	20%
	Least likely	0	0%
Possible opportunities in the technological environment for BAF Ltda			
Better use of technology	Definitely	3	60%
	Most likely	2	40%
	Likely	0	0%
	Least likely	0	0%
New IT regimes	Definitely	4	80%
	Most likely	0	0%
	Likely	1	20%
	Least likely	0	0%
Electronic tax filing and SPED	Definitely	0	0%
	Most likely	3	60%
	Likely	2	40%
	Least likely	0	0%

Table 8: Strengths of BAF Ltda

Possible strengths of BAF Ltda			
Ranked first	Flexibility and agility due to small management team	4	80%
	Multi-skilled professionals	0	0%
	Internally create new processes and systems	0	0%
	Strong national brand	1	20%
	Strong culture	0	0%
	Highly skilled IT auditors	0	0%
Ranked second	Flexibility and agility due to small management team	0	0%

Variable	Description	Frequency	Percentage
	Multi-skilled professionals	1	20%
	Internally create new processes and systems	1	20%
	Strong national brand	0	0%
	Strong culture	0	0%
	Highly skilled IT auditors	1	20%
Ranked third	Flexibility and agility due to small management team	1	20%
	Multi skilled professionals	0	0%
	Internally create new processes and systems	0	0%
	Strong national brand	4	80%
	Strong culture	0	0%
	Highly skilled IT auditors	0	0%
Ranked fourth	Flexibility and agility due to small management team	0	0%
	Multi-skilled professionals	1	20%
	Internally create new processes and systems	2	40%
	Strong national brand	0	0%
	Strong culture	0	0%
	Highly skilled IT auditors	2	40%
Ranked fifth	Flexibility and agility due to small management team	0	0%
	Multi-skilled professionals	1	20%
	Internally create new processes and systems	1	20%
	Strong national brand	0	0%

Variable	Description	Frequency	Percentage
	Strong culture	2	40%
	Highly skilled IT auditors	1	20%
Ranked sixth	Flexibility and agility due to small management team	0	0%
	Multi-skilled professionals	2	40%
	Internally create new processes and systems	1	20%
	Strong national brand	0	0%
	Strong culture	3	60%
	Highly skilled IT auditors	1	20%

Table 9: Weaknesses of BAF Ltda

Possible weakness of BAF Ltda			
Ranked first	Loss of opportunities due to fixed mindset of management team	1	20%
	No career plan or strategic HR management	0	0%
	Low qualification and skill level of workforce	2	40%
	High dependency on internal creation of processes and systems	0	0%
	Shortages in specialised workforce	2	40%
Ranked second	Loss of opportunities due to fixed mindset of management team	0	0%
	No career plan or strategic HR management	1	20%

Variable	Description	Frequency	Percentage
	Low qualification and skill level of workforce	2	40%
	High dependency on internal creation of processes and systems	0	0%
	Shortages in specialised workforce	2	40%
Ranked third	Loss of opportunities due to fixed mindset of management team	0	0%
	No career plan or strategic HR management	0	0%
	Low qualification and skill level of workforce	1	20%
	High dependency on internal creation of processes and systems	4	80%
	Shortages in specialised workforce	0	0%
Ranked fourth	Loss of opportunities due to fixed mindset of management team	0	0%
	No career plan or strategic HR management	4	80%
	Low qualification and skill level of workforce	0	0%
	High dependency on internal creation of processes and systems	0	0%
	Shortages in specialised workforce	1	20%

Variable	Description	Frequency	Percentage
Ranked fifth	Loss of opportunities due to fixed mindset of management team	4	80%
	No career plan or strategic HR management	0	0%
	Low qualification and skill level of workforce	0	0%
	High dependency on internal creation of processes and systems	1	20%
	Shortages in specialised workforce	0	0%

Table 10: Opportunities for BAF Ltda

Opportunities for BAF Ltda			
Ranked first	New market niches	2	40%
	Increase of brand awareness	1	20%
	New business via referrals	0	0%
	Tax and labour reforms	0	0%
	Big sporting events	0	0%
	Merging of Terco	0	0%
	Making full use of technology	2	40%
Ranked second	New market niches	1	20%
	Increase of brand awareness	0	0%
	New business via referrals	0	0%
	Tax and labour reforms	0	0%
	Big sporting events	0	0%
	Merging of Terco	2	40%
	Making full use of	2	40%

Variable	Description	Frequency	Percentage
	technology		
Ranked third	New market niches	2	40%
	Increase of brand awareness	0	0%
	New business via referrals	1	20%
	Tax and labour reforms	1	20%
	Big sporting events	1	20%
	Merging of Terco	0	0%
	Making full use of technology	0	0%
Ranked fourth	New market niches	0	0%
	Increase of brand awareness	2	40%
	New business via referrals	2	40%
	Tax and labour reforms	1	20%
	Big sporting events	0	0%
	Merging of Terco	0	0%
	Making full use of technology	0	0%
Ranked fifth	New market niches	0	0%
	Increase of brand awareness	0	0%
	New business via referrals	0	0%
	Tax and labour reforms	0	0%
	Big sporting events	2	40%
	Merging of Terco	2	40%
	Making full use of technology	1	20%
Ranked sixth	New market niches	0	0%
	Increase of brand awareness	3	60%
	New business via referrals	0	0%

Variable	Description	Frequency	Percentage
	Tax and labour reforms	0	0%
	Big sporting events	2	40%
	Merging of Terco	0	0%
	Making full use of technology	0	0%
Ranked seventh	New market niches	0	0%
	Increase of brand awareness	0	0%
	New business via referrals	2	40%
	Tax and labour reforms	3	60%
	Big sporting events	0	0%
	Merging of Terco	0	0%
	Making full use of technology	0	0%

Table 11: Threats for BAF Ltda

Variable	Description	Frequency	Percentage
Threats for BAF Ltda			
Ranked first	Loss of market niches	2	40%
	More complex tax legislation	0	0%
	More stringent labour legislation	0	0%
	Merging of Terco	0	0%
	Not making full use of technology	2	40%
	Crash of Brazilian economy	1	20%
Ranked second	Loss of market niches	4	40%
	More complex tax legislation	0	0%
	More stringent labour	0	0%

Variable	Description	Frequency	Percentage
	legislation		
	Merging of Terco	0	0%
	Not making full use of technology	1	20%
	Crash of Brazilian economy	2	40%
Ranked third	Loss of market niches	0	0%
	More complex tax legislation	0	0%
	More stringent labour legislation	0	0%
	Merging of Terco	2	40%
	Not making full use of technology	2	40%
	Crash of Brazilian economy	1	20%
Ranked fourth	Loss of market niches	1	20%
	More complex tax legislation	0	0%
	More stringent labour legislation	1	20%
	Merging of Terco	2	40%
	Not making full use of technology	0	0%
	Crash of Brazilian economy	1	20%
Ranked fifth	Loss of market niches	0	0%
	More complex tax legislation	2	40%
	More stringent labour legislation	3	60%
	Merging of Terco	0	0%

Variable	Description	Frequency	Percentage
	Not making full use of technology	0	0%
	Crash of Brazilian economy	0	0%
Ranked sixth	Loss of market niches	0	0%
	More complex tax legislation	3	60%
	More stringent labour legislation	1	20%
	Merging of Terco	1	20%
	Not making full use of technology	0	0%
	Crash of the Brazilian economy	0	0%

Table 12: Generic strategies of BAF Ltda

Variable	Description	Frequency	Percentage
Generic strategies that BAF Ltda can use			
Overall Generic strategy	Cost Leadership	1	20%
	Differentiation	0	0%
	Focus	4	80%
Audit department	Cost Leadership	5	100%
	Differentiation	0	0%
	Focus	0	0%
IT Audit department	Cost Leadership	2	40%
	Differentiation	3	60%
	Focus	0	0%
Tenders	Cost Leadership	5	100%
	Differentiation	0	0%
	Focus	0	0%

BIBLIOGRAPHY

ANDREWS, K.R. 1971. The concept of corporate strategy. Homewood: Dow-Jones Irwin.

AUDI, R. 2005. The Cambridge dictionary of philosophy (2nd ed.) Cambridge. Cambridge University Press. 1001p.

BARBOSA, M. 2010. Filiais brasileiras salvam balanço de multinacionais (Brazilian subsidiaries save the multinational's balance sheet.). Folha de São Paulo Newspaper, 8th March 2010.

BARNEY, J.B. 1986a. Strategic factor markets: expectations, luck and business strategy. *Management Science*, 32: 1231-1241.

BARNEY, J.B. 1986b. Organizational culture: can it be a source of sustained competitive advantage? *Academy of Management Review*, 11: 656-665.

BARNEY, J.B. 1991. Firm resources and sustained competitive advantage. *Journal of Management*, 17: 99-120.

BARNEY, J.B. 1995. Looking inside for competitive advantage. *Academy of Management Executive*, 9(4): 49-61

BERTALANFFY, L. von. & RAPOPORT, A. 1956. General system theory. Yearbook of the Society for the Advancement of General Systems Theory: 1–10.

BULL, C. 2003. Strategic issues in customer relationship management (CRM) implementation. *Business Process Management Journal*, 9(5):592-602.

BURT, G., WRIGHT, G., BRADFIELD, R., CAIRNS, G. and VAN DER HEIJDEN, K. 2006. The role of scenario planning in exploring the environment in view of the limitations of PEST and its derivatives. *International Studies of Management & Organization*, 36(3):50–76. Fall.

BUSINESS DICTIONARY. 2010a. PEST analysis. Available: <http://www.businessdictionary.com/definition/PEST-analysis.html>. Date of Access: 11 April 2010.

BUSINESS DICTIONARY. 2010b. Generic strategies. Available: <http://www.businessdictionary.com/definition/generic-strategies.html>. Date of Access: 11 April 2010.

BPP. 2008. CIMA: Strategic paper P6. London: BPP Learning Media Ltd. 524p.

BRYNARD, P.A. & HANEKOM, S.X. 2008. Introduction to research in management-related fields (2nd ed.). Pretoria. Van Schaik. 89p.

CHERMACK, T.J & KASSHANNA, B, K. 2007. The use and misuse of SWOT analysis and implications for HRD professionals. Human Resource Development International, Vol. 10, No. 4, 383 – 399, December 2007

CIA. 2010. CIA world factbook: Brazil. Available: <https://www.cia.gov/library/publications/the-world-factbook/geos/br.html>. Date of Access: 13 March 2010.

CIMA DICTIONARY OF FINANCE AND ACCOUNTING. 2003. London. Bloomsbury Publishing. 310p.

CLARK, D. N. 1992. A literature analysis of the use of management science tools in strategic planning. *The Journal of the Operational Research Society*, 43(9):859-870, September

CNN. 2009. Rio de Janeiro to host 2016 Olympics. Available: <http://www.cnn.com/2009/WORLD/europe/10/02/olympics.2016/>. Date of Access 13 March 2010.

CULNAN, M.J. & SWANSON, E. B. 1986. Research in management information systems, 1980-1984: points of work and reference. *MIS Quarterly*, Vol. 10, No. 3 (Sep., 1986), pp. 289-302. DESS, G.D and ORIGER, N.K. 1987. Environment,

structure, and consensus in strategy formulation: a conceptual integration. *The Academy of Management Review*, 12(2):313-330, April.

DE KOCK, D.J. 2008. The competitive environment in the Information and Communication Technology (ICT) industry – a case study. Potchefstroom, NWU (Mini-dissertation – M.Com) 82p.

DRUCKER, P.F. 1986. Management: tasks, responsibilities, practices. New York: Truman Talley Books. 553p

EDERSHEIM, E.H. 2007. The definitive Drucker. New York: McGraw-Hill. 289p.

FRISHAMMAR, J. & HÖRTE, S.A. 2005. Managing external information in manufacturing firms: the impact on innovation performance. *The Journal of Product Innovation Management*, 22:251–266.

GEREFFI, G., HUMPHREY, J & STURGEON, T. 2005. The governance of global value chains. *Review of International Political Economy*, 12(1):78-104, February.

GROENEWALD, D., LE ROUX, S.J., & ROSSOUW. D. 2003. Strategic management: an applied South African perspective. Cape Town: ABC. 283p.

HAX, A.C. & MAJLUF, N.S. 1988. The concept of strategy and the strategy formation process. interfaces. *Strategic Management*, 18(3):99-109. May/June

HOFER, C.W. & SCHENDEL, D. 1978. Strategy formulation: analytical concepts. St. Paul: West. 219p.

HOLE, G. & HAWKER, S., eds. 2004. Oxford English Dictionary (6th ed). Oxford University Press. Oxford. 648p.

HOSKISSON, E. R., HITT, M. A. & IRELAND, R. D. 2004. Competing for advantage. Ohio : South Western. 395p.

HOSKISSON, E. R., HITT, M. A. & IRELAND, R. D. 2005. Strategic management, competitiveness and globalization: concepts and cases. 6th Ed. Ohio : South Western. 512p.

IBRACON, 2009. Como fazer para se tornar um auditor independente? (What to do in order to become an independent auditor?) Available: <http://www.ibracon.com.br/faq/resultado.asp?identificador=2412>. Date of Access 5 October 2010.

IFC. 2009. Doing business 2010. Washington: The World Bank. 231p

JIANG, Q. & ALIS, T. 2009. Strategic management in East Asia SMEs: the case study of SMEs in China and Indonesia. Jönköping International Business School. 85p.

IIBA. 2009. A guide to the Business Analysis Body of Knowledge (BABOK guide). Canada: International Institute of Business Analysis. 253p

KATSILOUDES, M.I. 2006. Strategic management: global culture perspective for profit and non-profit organisations. New York: Elsevier. 387p.

KAUFMAN-SCARBOROUGH, C., LINDQUIST, C. & LINDQUIST, J. 1999. Time management and polychronicity: comparisons, contrasts, and insights for the workplace. *Journal of Managerial Psychology, special issue on Polychronicity*, 14(3/4): 288-312.

KORKMAZ, S. & MESSNER, J. I. 2008. Competitive positioning and continuity of construction firms in international markets. *Journal of Management in Engineering*, 24(4):207-216, October

KRAATZ, M.S. & ZAJAC, E.J. 2001. How organizational resources affect strategic change and performance in turbulent environments: theory and evidence. *Organization Science*, 12(5):632-657, September/October

LIVINGSTONE, C., ed. 2008. Oxford mini dictionary and thesaurus. Oxford: Oxford University Press. 722p.

LONGMAN BUSINESS ENGLISH DICTIONARY. 2001. Barcelona. Pearson Education Ltd. 533p.

MILLER, D. & FRIESEN, P.H. 1986(a). Porter's (1980) generic strategies and performance: an empirical examination with American data. Part i: Testing Porter. *Organization Studies*, 7(1): 37-55.

MILLER, D. & FRIESEN, P.H. 1986(b). Porter's (1980) generic strategies and performance: an empirical examination with American data. Part ii: Performance Implications. *Organization Studies*, 7(3): 255-261.

MINTZBERG, H. 1987. The strategy concept 1: Five Ps for strategy. *California management Review*, 30:11 – 24.

MOUTON, J. 2009. How to succeed in your master's & doctoral studies. Pretoria: Van Schaik. 280p.

O'BRIEN, F. & MEADOWS, M. 2000. Corporate visioning: a survey of UK practice. *The Journal of the Operational Research Society*, 51(1):36--44, January.

PORTER, M. 1980. Competitive strategy: techniques for analyzing industries and competitors. New York: Free Press.

PORTER, M. 1985. Competitive advantage: creating and sustaining superior performance. New York: Free Press.

PORTER, M. 1990. The competitive advantage of nations. New York: Macmillan.

PORTER, M. 1991. Towards a dynamic theory of strategy. *Strategic Management Journal*, Winter Special Issue 12: 95-117.

PETERAF, M.A. 1993. The cornerstones of competitive advantage: a resource-based view. *Strategic Management Journal*, 14(3): 179-191.

RAMOS-RODRÍGUEZ, A. R. & RUÍZ-NAVARRO, J. 2004. Changes in the intellectual structure of strategic management research: a bibliometric study of the "Strategic Management Journal", 1980-2000. *Strategic Management Journal*, 25(10):981-1004. October.

RASIEL, E.M. & FRIGA, P.N. 2002. The McKinsey mind: understanding and implementing the problem-solving tools and management techniques of the world's top strategic consulting firm. New York: McGraw Hill. 218p.

RAYASAM, R. 2008. Why workplace democracy can be good business. Available: <http://www.usnews.com/articles/business/careers/2008/04/24/why-workplace-democracy-can-be-good-business.html>. Date of Access: 18 November 2008.

ROBB, A.J. & WALLIS, R.W. 1985. Accounting terms dictionary. London. Pitman Publishing. 85p.

RODRIGUES, C. A. 2007. The quality organization: A conceptual framework. *Quality Management*, 18(7):697-713, September.

RICHARDSON, M. & EVANS, C. 2007. Strategy in action: assessing the environment. *British Journal of Administrative Management*, 1-3.

SHANE, S.A. & ULRICH, K.T. 2004. Technological innovation, product development, and entrepreneurship in management science. *Management Science*, 50(2):133-144. February.

SPANOS, Y.E & LIOUKAS, S. 2001. An examination into the causal logic of rent generation: contrasting Porter's competitive strategy framework and the resource-based perspective. *Strategic Management Journal*, 22(10):907-934. October.

SEKARAN, U. 2000. Research methods for business: a skill-building approach. New York: Wiley. 463p.

TERRE BLANCHE, M., DURRHEIM, K. & PAINTER, D. (eds) 2008. Research in practice: Applied methods for the social sciences. Cape Town. University of Cape Town Press. 594p.

THE ECONOMIST. 2009. Getting it together at last. London: The Rights and Syndication Department. 15p

THE WORLD BANK. 2010. Data visualizer. Available: <http://devdata.worldbank.org/DataVisualizer/>. Date of Access: 9 April 2010.

THOMPSON, J. L. 1993. Strategic management: awareness and change. London: Chapman & Hall. 1138p.

UNIVERSITY OF NEW BRUNSWICK. 2010. Systems theory overview. Available: <http://www.cs.unb.ca/profs/fritz/cs3503/system35.htm>. Date of Access: 11 April 2010.

WEBSTER'S DICTIONARY AND THESAURUS. 2006. New Lanark, Scotland: Geddes & Grosset. 948p.

WEBSTER'S ONLINE DICTIONARY. 2010. Swot analysis. Available: <http://www.websters-online-dictionary.org/definition/swot+analysis>. Date of Access 11 April 2010.

WERNERFELT, B. 1984. A resource-based view of the firm. *Strategic Management Journal*, 5(2):171-180.

WILKINS, B. 2009. Boosting Brazil: infrastructure challenges ahead of major sporting events. Available: <http://www.khl.com/magazines/international-construction/detail/item50277/>. Date of Access: 9 April 2010.