

The formulation of strategy for Moriana Muti

by

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ABSTRACT

Traditional healing has become an integral and recognised part of health care in South Africa. Consumers are allowed to choose who to consult for their health care, and legislation is changing to facilitate the controlled use of traditional practitioners.

The main objective of this study is to formulate a strategy for Moriana Muti trading in traditional and herbal medicines. The exploratory nature of this research study mitigates the need for a hypothesis to be formulated. The study is focused on developing a unique model for trading in traditional and herbal medicinal products, rather than on the confirmation of prior research, although certain aspects and factors proved in prior research might be used in the development of the strategy.

A comprehensive literature study was undertaken to determine what modern approaches are being used in the formulation of strategy. In parallel, prominent role players in the health care industry were analysed to determine what these companies viewed as an appropriate process or methodology to formulate a strategy.

Moriana Muti was analysed on the basis of the modern approach to strategy formulation in an attempt to evaluate the organisation's strategy development process. The health care industry was also analysed to determine which factors and elements are of strategic significance. Moriana Muti was also evaluated against the industry and major competitors.

It is evident that Moriana Muti is in an industry that is attractive. Growth potential and the return on investment are substantial, given that the company follows the correct strategy. The best strategy for Moriana Muti is a joint venture with pharmaceutical companies Wyeth and Schering Plough. Additional to the joint venture, the pharmaceutical infrastructure, distribution networks and research and development technologies can be utilised to further ensure growth and to acquire market share.

Subsequent strategies have been identified, namely vertical integration and franchising which could be pursued after the primary strategy has been successfully implemented. The balanced scorecard approach will be used to monitor progress and the degree of successful execution of the strategy's critical activities.

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1. CHAPTER 1 – NATURE AND SCOPE OF THE STUDY

1.1. INTRODUCTION

This section introduces the research topic, reasons for its selection and the need for the study

According to Hopa (1998:8), one of the many challenges facing the health industry in the new South Africa is the need to develop a policy on how to integrate the industry in such a way that it takes advantage of the various types of medical practices utilised by South Africa's diverse population. In particular, there is some resurgence of interest in traditional healing methods as practised by indigenous South Africans.

Traditional healing has become an integral and recognised part of health care in South Africa. Consumers are allowed to choose who to consult for their health care, and legislation is changing to facilitate the controlled use of traditional practitioners.

Peltzer (1998:145) indicates that a large proportion of the world's population today still deals with traditional disease theory and an accompanying curing regimen. According to estimates by the World Health Organization, 80 per cent of the world's population relies on medicines derived from plants and animals for primary health care.

The Chicago Tribune (IL) (2003) highlights the fact that particularly in rural areas, South Africa lacks sufficient doctors. This void can and must be filled by the traditional healers, but this endeavour can only succeed under good governance and should incorporate official policies and practices to ensure ethical business practices. What is of interest is the commercial value that can be added in formulating a strategy to support the opportunity.

In this study, the formulation of strategy will address concerns such as strip harvesting of traditional and herbal plants as well as over-utilising animals, which is resulting in the devastation and extinction of species. Simelane *et al.* (1998:121) conclude in their article that traditional healers command considerable recognition and respect in their communities, and if they are educated as to the need for sustainable utilisation of these natural resources, this philosophy could be passed on to the broader community. Traditional healers could then function as powerful participants in the field of environmental education.

Given the unequivocal facts that traditional and herbal medicines form an integral part of the health care system and that government is playing a pivotal role in formalising traditional health care practices, it has become inevitable that a strategy be required for trading in traditional and herbal medicinal plants and animals. In parallel, the strategy will address the accessibility of westernised medicines which do not reach the majority of the South African population.

Baletta (1998:554) reiterates that the health care council will look into the registration of all qualifying traditional healers, promote training, research, professionalism and the creation of a traditional medicine database. It will be responsible for developing an ethical code of conduct and maintaining discipline in the profession. Another function will be to facilitate co-operation among traditional healers, the orthodox medical profession and the government.

The health care committee's report also proposes that the profession be divided into four categories: the iNyanga (traditional doctors or herbalists); the Isangoma (diviner); birth attendants or midwives; and traditional surgeons who mainly do circumcisions. Spiritual healers were not included because their training and accreditation was "unclear" and "ill-defined". The strategy of Moriana Muti will focus primarily on the iNyanga (traditional doctors or herbalists), since this area of traditional healing is most significant and most affordable to all geographic population groups in South Africa that do not have access to westernised medicines.

The implication of the strategy is to create a value chain through the traditional healing practitioners that can be used by government and the health care sector to distribute westernised as well as traditional medicines to all groups in South Africa.

1.2. PROBLEM STATEMENT

Traditional healers have a crucial role to play in building the health system in South Africa. The Traditional Health Practitioners Bill, that recognises and regulates the practice of South Africa's traditional healers, was unanimously approved by Parliament on 15 September 2004. Health Minister Manto Tshabalala-Msimang (2003:8) said the bill would affirm the dignity and respect of this section of the health sector.

Misconceptions have been raised by government leaders that bring the dignity and respect of Traditional healing in disrepute. The debacle in government surrounding HIV, Aids and Tuberculosis has led to numerous costs being misallocated and mismanaged. Time and resources are wasted on inappropriate, indecisive decisions due to a lack of strategy.

Additional strain is placed on the matter due to increasing tension between western and traditional medicines. The tension is substantiated by past colonialism and the introduction of westernised medicines to the indigenous population groups. Research into traditional and herbal medicines has been neglected and construed as unnecessary. Insufficient funds have been made available to further studies and research on traditional healing, leaving a void of unexplored opportunities and untreated diseases.

The high cost of westernised medicine has distanced the ordinary people of South Africa from this much needed medication. Inappropriate strategy additionally cripples networks, funding and resources required to effectively manage and improve the access to traditional and herbal medicines.

Approximately 200 000 traditional health practitioners are set to benefit from the legislation, and the Department of Health has estimated that close to 70 per cent of South Africans consult traditional healers. In terms of the Medical Schemes Act (1998:36) schemes can only pay for health services rendered by a registered health practitioner. Once the new Bill becomes law, traditional healers would be able to apply for registration and to claim fees from the medical aid schemes of their patients.

Partnering westernised and traditional medicines and practices is crucial to the sustained improvement of health care to all population groups in South Africa. Government leaders need to take a more prominent stance and role regarding traditional healing practices and in formulating an implementable strategy.

1.3. OBJECTIVES OF THE STUDY

The main objective of this study is the formulation of a business plan for trading in traditional and herbal medicines in Moriana Muti.

Additionally, key measurements will be determined to ensure that objectives and milestones are reached within a reasonable period. Secondly, a strategic action plan will be drafted as a guide for Moriana Muti management to navigate in reaching their objectives.

1.4. DEMARCATION OF THE FIELD OF STUDY AND LIMITATIONS

The formulation of strategy is specifically for Moriana Muti. The strategy will be based only on the traditional and herbal medicinal products and not the spiritual (black magic) healing element. The four Moriana Muti outlets in the close corporation have been selected due to ease of access to the business's traditional healers and the existing relationship. Secondly, the costs involved in completing the research will be fairly low if limited to the four outlets and thirdly, due to time constraints, only these areas will be accessed assisting in less time being spent on fieldwork.

1.5. RESEARCH METHODOLOGY

Information will be acquired from both secondary and primary sources according to the format stipulated by Struwig *et al* (2004:47).

1.5.1. Secondary data

Already published information in journals, articles, newspapers and the internet will be researched. Specific research will be conducted regarding appropriate business models.

1.5.2. Primary data

An empirical study will be undertaken to gather information regarding specifics related to trading practices in traditional and herbal medicinal products. The nominal group technique will be used to acquire the information. Moriana Muti, Mthombo Whokophila Muti, SA Herbal Medicines and Bubhezi Muti in the specific regional areas will be approached to obtain permission to carry out the brain-storming session with their managers and herbalists. All information will be treated confidentially and used for the study only.

1.5.3. Research design

The exploratory nature of this research study mitigates the need for a hypothesis to be formulated. The study is focused on developing a unique model for trading in traditional and herbal medicinal products, rather than on the confirmation of prior research, although certain aspects and factors proved in prior research might be used in the development of the strategy.

1.6. CHAPTER LAYOUT

The research study is divided into 4 Chapters:

Chapter 1 will be dedicated to the nature and scope of the study, highlighting the topic to be researched, the need for the study, objectives of the study, demarcation of the field of study and the research methodology.

Chapter 2 explores the literature regarding strategy formulation for trading in traditional and herbal medicinal products. Strategy formulation in general for the pharmaceutical health care industry will be explored to determine the appropriate structure and flow.

Chapter 3 is dedicated to drafting a strategic plan for Moriana Muti, including action plans.

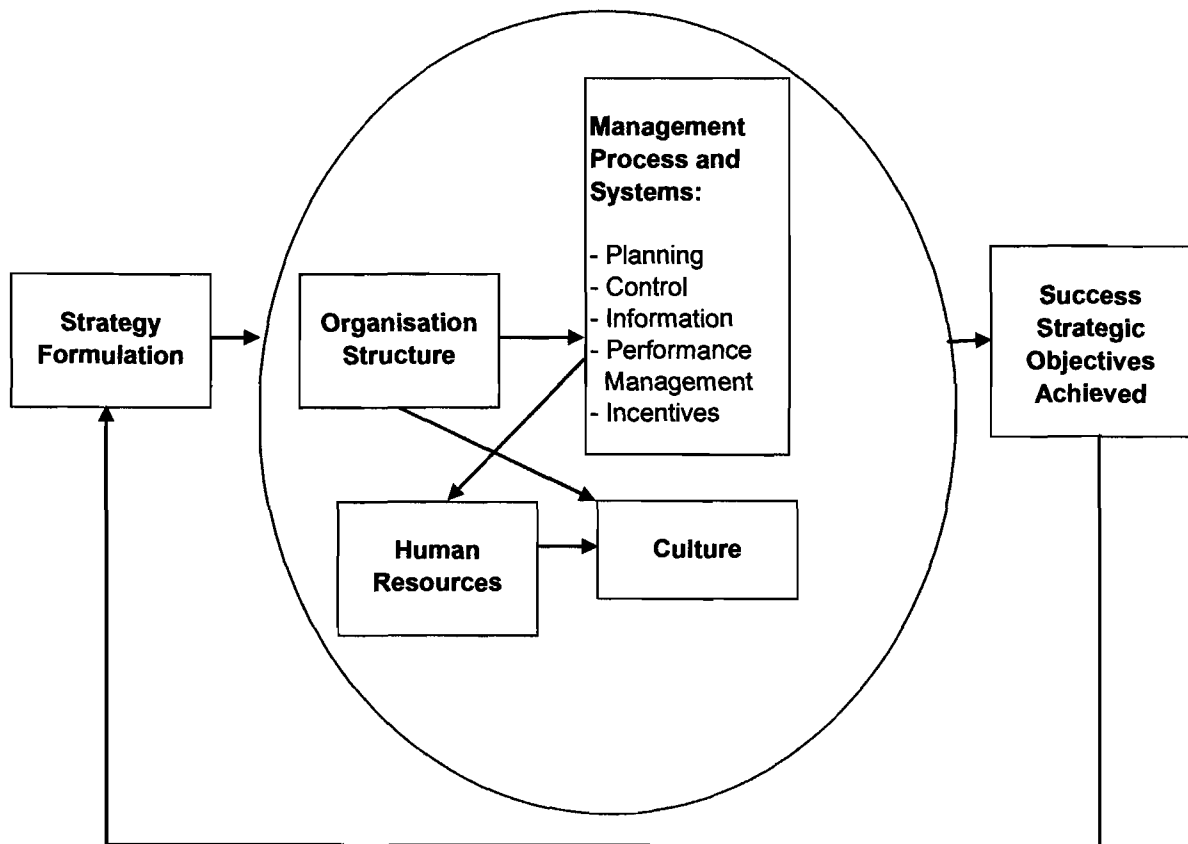
Chapter 4 concludes the research and describes significant aspects of strategy formulation for Moriana Muti.

2. CHAPTER 2 – LITERATURE STUDY

2.1 INTRODUCTION

Formulation of strategy is the process of determining appropriate courses of action for achieving organisational objectives and thereby accomplishing the organisation's purpose. The literature explains that strategy refers to a plan designed to achieve a particular long-term aim. Kotze (2007:1) indicates that strategy formulation is determining where the business is now and where the business wishes to be in the future. This future should be three to five years in the future. The study will focus on formulating strategy and will not include the strategic management process as depicted in Figure 2.1 by Kotze (2007:4).

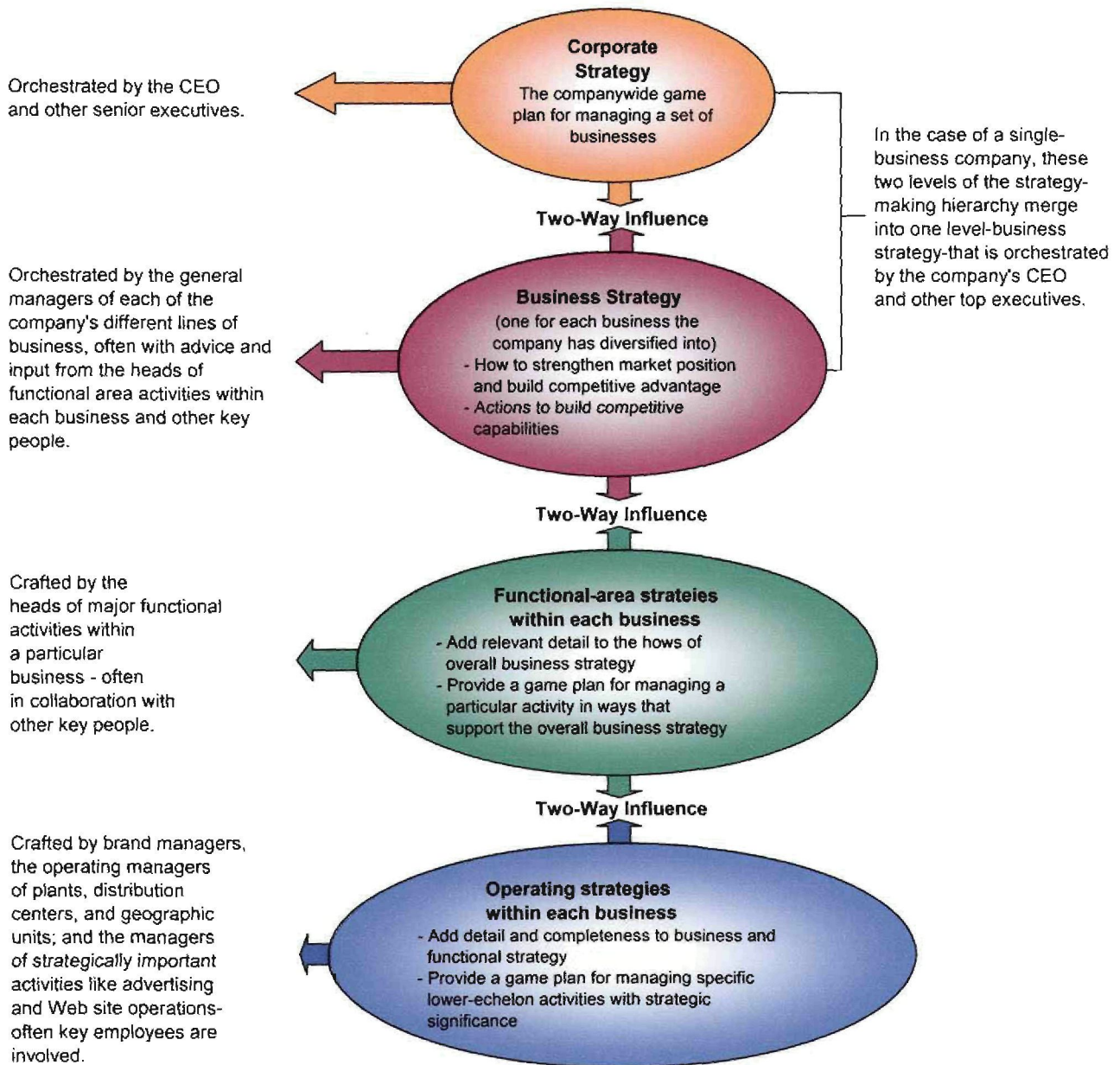
Figure 2.1: A Model of Strategic Management



Source: Kotze (2007:4)

In Figure 2.2, Thompson *et. al.* (2006:39) suggest four distinctive levels of strategy, "... each of which involves different facets of the company's overall strategy."

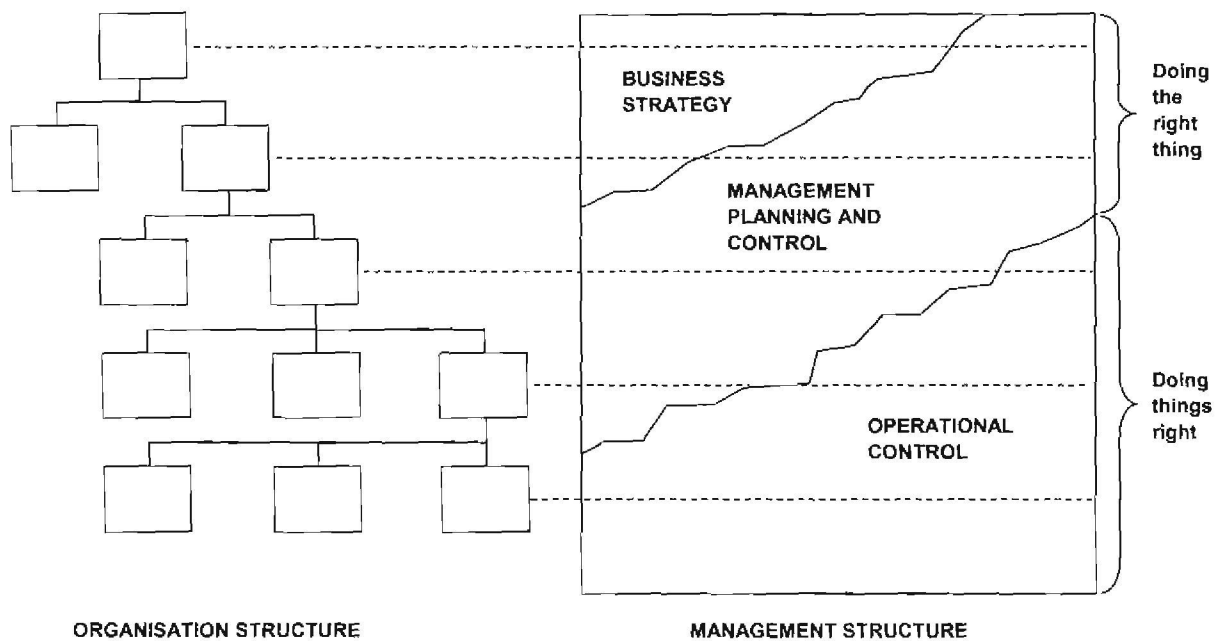
Figure 2.2: A Company's Strategy-Making Hierarchy



Source: Thompson *et. al.* (2007:30)

As indicated in Figure 2.3, in the single-business company, similar to Moriana Muti, the two levels of the strategy-making hierarchy merge into a one-level business strategy that is orchestrated by the company's CEO / Owner and other top executives. Kotze (2007:9) depicts the single-business organisation business strategy structure as follows:

Figure 2.3 Single business organisation. Business strategy



Source: Kotze (2007:9)

Abraham (2006:17) notes that strategy is about being different from the competitors, finding what you are good at and being the best at it. The sentiment is shared by Thompson *et. al.* (2006:15) in that they reiterate that managers must thoroughly craft and execute strategies and that these strategies are at the heart and soul of managing a business enterprise and winning in the marketplace. Two reasons are stipulated why strategy is important; firstly, to proactively shape, or craft, how the company's business will be conducted and secondly, a strategy-focused enterprise is more likely to be a strong bottom-line performer than a company whose management views strategy is secondary and puts its priorities elsewhere. Marcus (2006) extracts critical attributes that contribute to sustaining a company's ongoing success and competitive advantage, namely carrying out a well conceived, self-disciplined strategy.

Prior to the formulation of strategy, strategic thinking should be manifested in an organisation. Formal and informal means of conveying strategic interests should occur regularly – be it during conversations, reading journals and papers, strategy sessions and management meetings. Through these channels, strategy principles and ways of thinking can be manifested in every employee in the business and the more this is practised and communicated, the more the business will start thinking as if it is already in the future. This future thinking will already cause employees to act as if in the future situation and therefore drive the strategy home. Although the process of future thinking will initially take longer to manifest, the principle is sound for long-term continuity and flexibility.

Goding (2005:117) references Senge's view of the learning organisation, which is in line with the principles of manifesting strategic thinking and formulation of strategy. The view is that leaders are "... designers, stewards and teachers ... who are responsible for building organisations where people are continually expanding their capabilities to control their future ...". Senge describes the five disciplines of the learning organisation as follows:

- **Systems thinking:** Utilising a framework for seeing interrelationships rather than linear cause-effect change and seeing processes of change rather than static events.
- **Personal mastery:** The development of personal proficiency and mastery in key areas and focusing one's energy.
- **Mental models:** The awareness of the limiting and often unconscious generalisations and assumptions made about the world, and the adoption by individuals of ways of thinking that move the organisation forward.
- **Shared vision:** Building a shared vision for the organisation that involves genuine commitment rather than compliance.
- **Team learning:** Identifying the patterns of interaction that support learning, so that the team that is the "... fundamental learning unit in modern organisations ..." can be productive.

Ian de Lange (2007:1), in his daily report, notes the value of strategic focus as "... worth a lot of money for any business. For Tiger Brands, its strategic focus today was worth around R2,5 billion. That's the increase in market cap after announcing a strategic review of its healthcare – not too bad at all, and should get some other companies looking at their own focus. Because it's worth such a lot, I think private investors should also look at this thing called strategy. This focus comes about by taking the time out and looking at the strategy, not by being busy in the trenches. The role of the board of directors is to define the strategy and then, to ensure that the strategy is implemented. Over time, they will be measured by how successful they are in defining and implementing a strategy."

2.2 OVERVIEW OF THE MODERN APPROACH

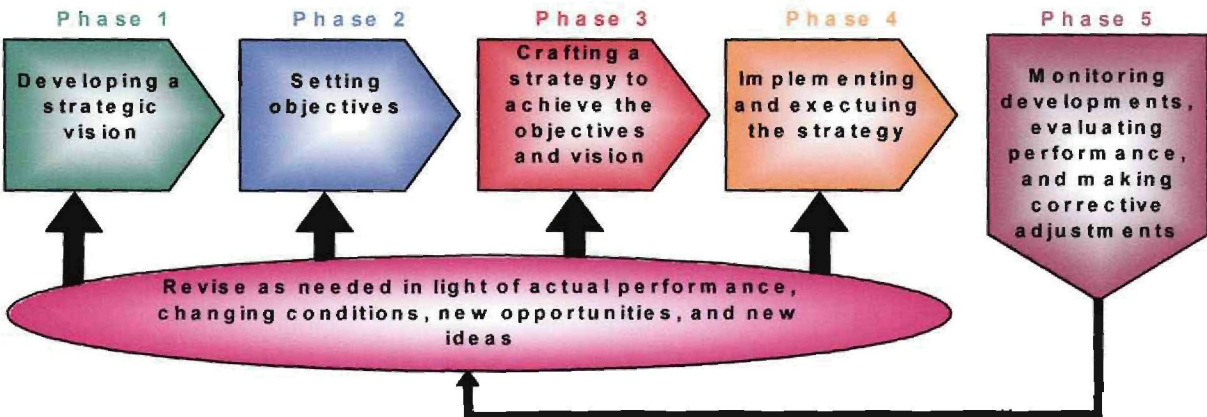
2.2.1 Introduction

From the extensive literature on formulation of strategy, crafting and executing strategy and strategic planning, there are distinctive similarities across the numerous models as well as distinctive differences, depending on the industry in which the business operates. There is a definitive golden thread of similarities that are captured and explained which will be used in Chapter 3 to evaluate Moriana Muti.

2.2.2 Strategic planning process

Thompson *et al.* (2007:20) interpret crafting and implementing strategy in five (5) phases, as indicated in Figure 2.4:

Figure 2.4: The strategy-making, strategy executing process

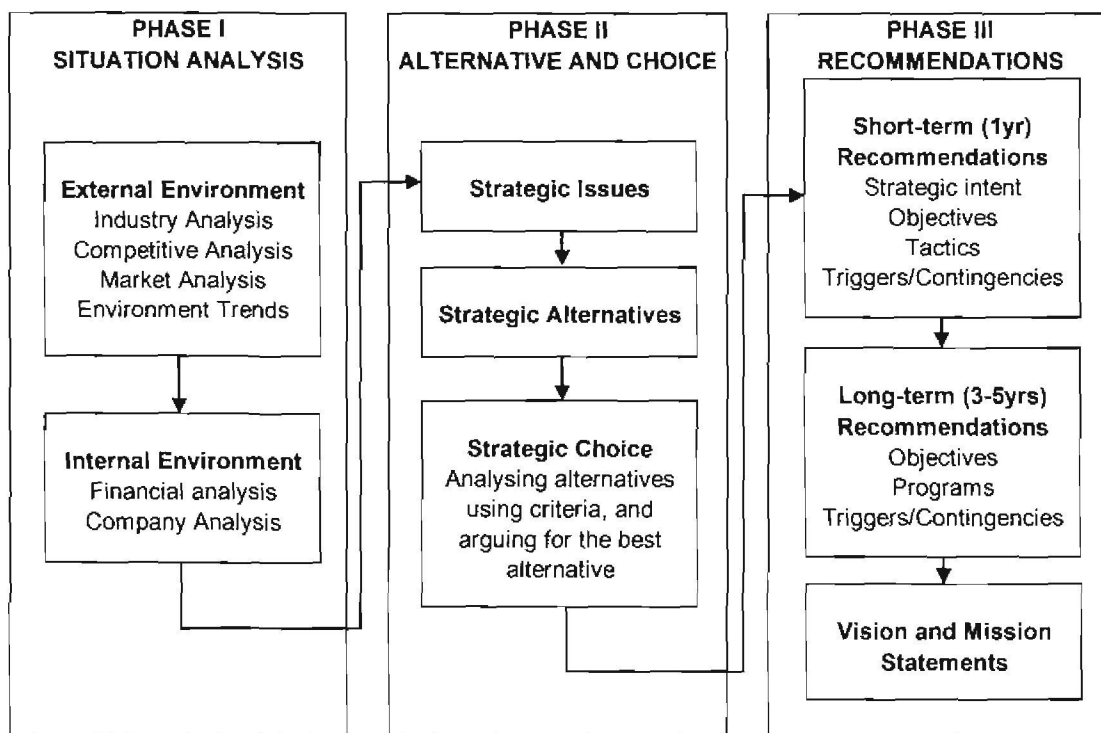


Source: Thompson *et al.* (2007:20)

The first three phases of the process have specific elements and questions that are relevant and will be used to formulate a strategy for Moriana Muti.

Abraham (2006:223) provides a practical guide in Figure 2.5, of the strategic planning process also depicted in three (3) phases. He develops a strategic analysis model SAM™ to help with the *how* to do it. He also comments that there is an abundance of literature on the theory and principles on the formulation of strategy but very few, and usually incomplete, practical tools to help managers flow through the process and actually reach a result – a strategy for the business.

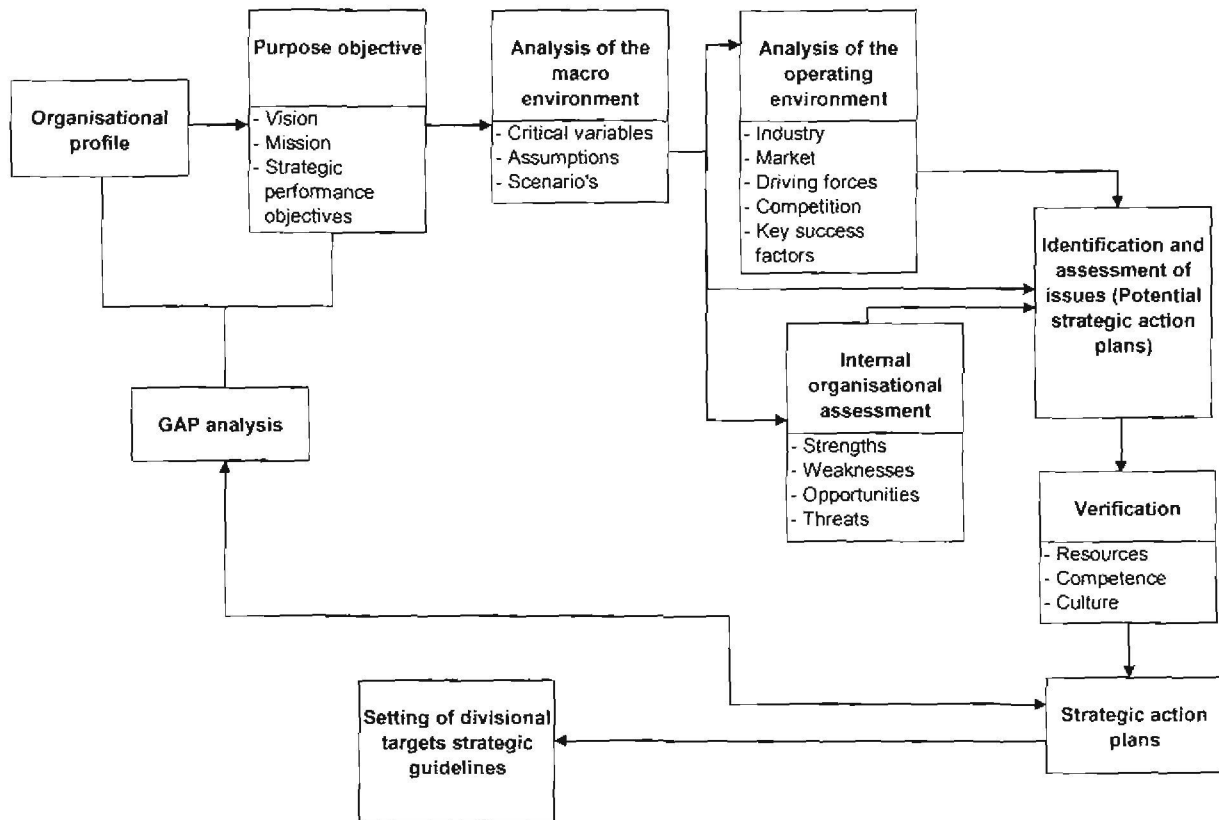
Figure 2.5: A strategic-analysis model that works (SAM™)



Source: Abraham (2006:55)

Kotze (2007:9) illustrates the strategic planning process in Figure 2.6:

Figure 2.6: The strategic planning process



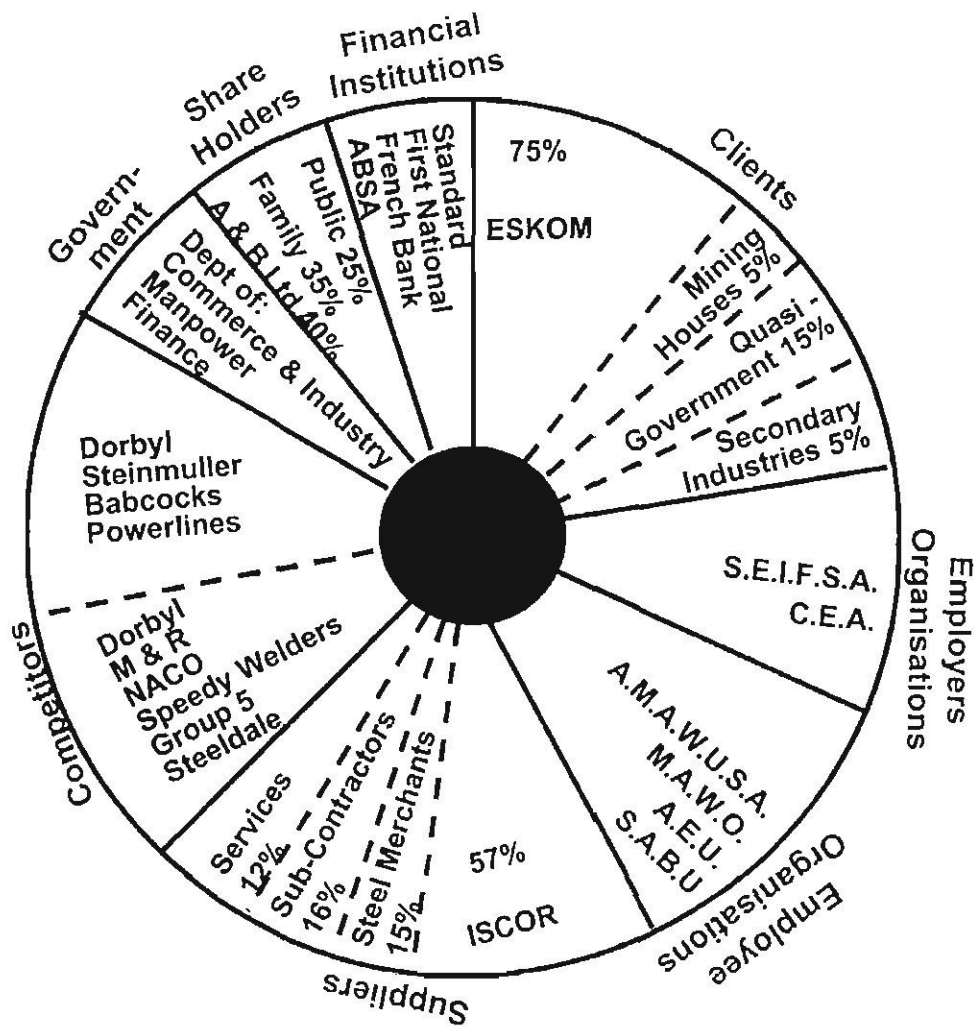
Source: Kotze (2007:9)

2.2.3 Organisational profile

The golden thread running through the formulation of strategy, or strategic planning process, starts with an organisational profile. Kotze (2007:10) describes the profile as a summary of the present position and status of the business. Abraham (2006:85) notes that assessing the company itself is to know where the enterprise is today. Both authors indicate that the business should be assessed in terms of products, services, markets, financial position, resources, technology, operations and competitors.

Kotze (2007:19) further indicates that the organisational profile could be visually depicted in a Pie chart as illustrated below in Figure 2.7:

Figure 2.7: Organisational profile

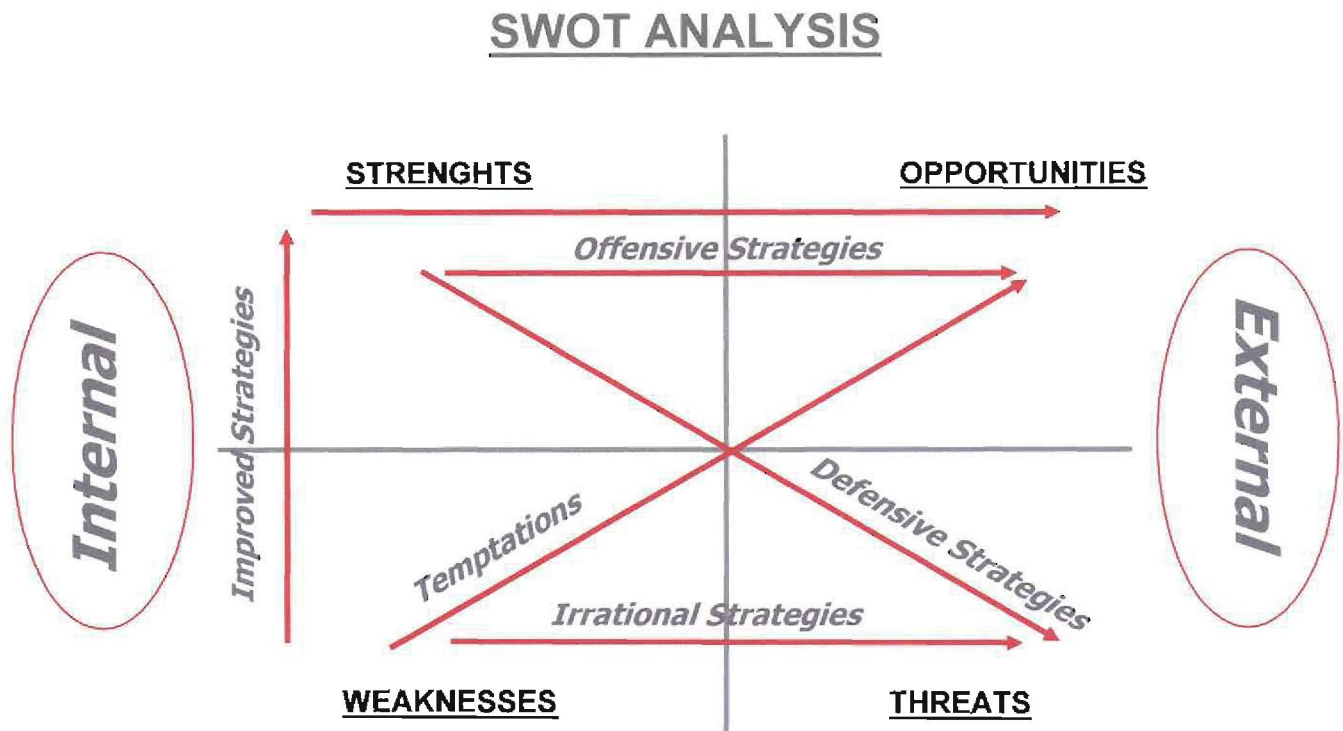


Source: Kotze (2007:19)

Abraham (2006:85) notes that assessing the company itself or the internal environment of the company should include a SWOT analysis, focused on identifying internal strengths and weaknesses and external opportunities and threats.

Sasol (2007) depicted the SWOT analysis, Figure 2.8, with related strategies as follows:

Figure 2.8: SWOT analysis



Source: Sasol (2007)

Additional to the SWOT analysis, the TOWS matrix, as compiled by Fleisher *et. al.* (2002:54), can be used as a technique for analysing business competition. The SWOT analysis information is used in the TOWS matrix to determine strategies to take advantage of strengths and opportunities and to minimise threats and weaknesses.

The General Electric (GE) Matrix, as discussed by Abraham (2006:204), can also be used as a two-dimensional plot, Figure 2.9, of the industry attractiveness (IA) index against the Competitive Strength (CS) index. Indicating which strategies to follow depending on which quadrant the analysis result enters the company in.

Figure 2.9: Using the General Electric Matrix

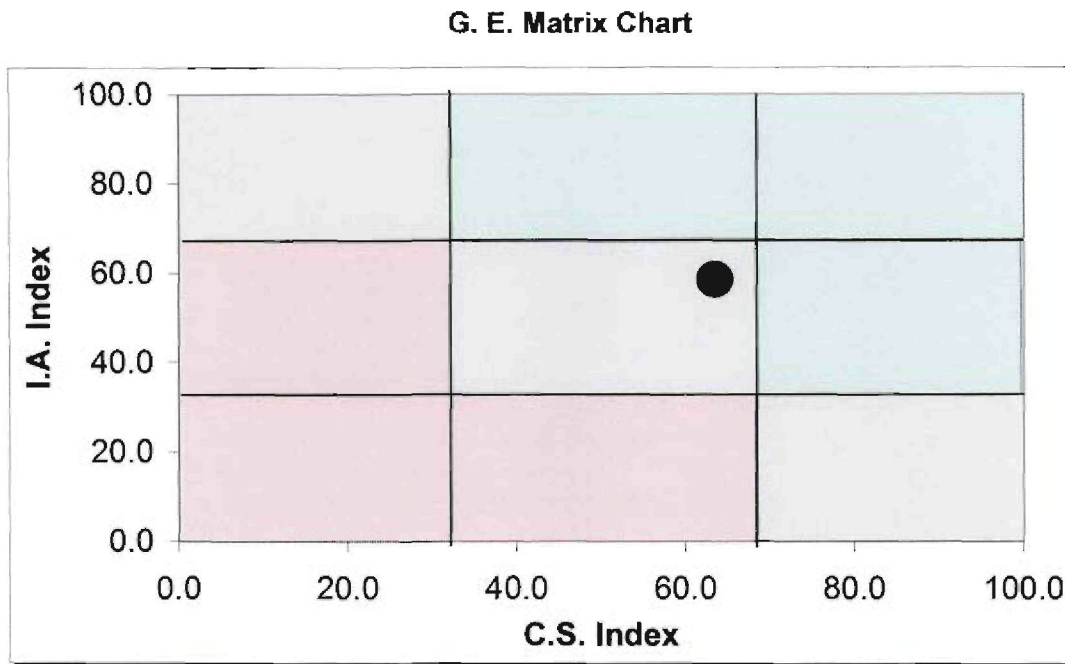
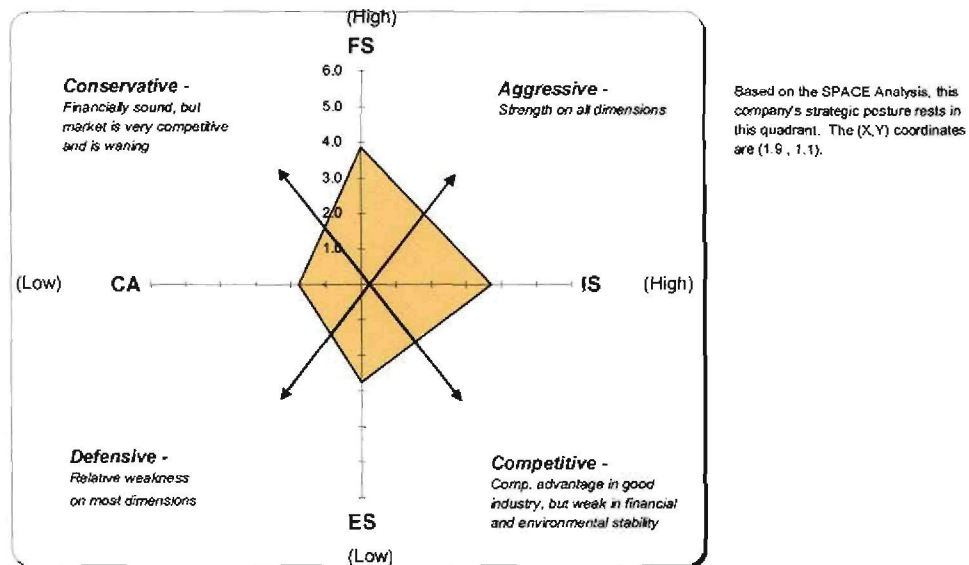


Figure 2.9: Abraham (2006:100)

SPACE or Strategic Position and Action Evaluation, as drafted by Rowe *et. al.* (1994:255), are used to confirm what strategic position the company is in currently. The chart plots financial strengths, competitive advantage, industry strengths and environmental stability in relation to each other to indicate a position the company is in which correlates with strategic posture.

Figure 2.10: SPACE chart



Source: Abraham (2006:100)

2.3 PURPOSE OBJECTIVE

2.3.1 Vision statement

The purpose objective indicates where the business should be in the future and includes elements such as the business' vision, mission and strategic objectives. Karl Albrecht's strategic success model comprises five levels, as discussed by Abraham (2006:49). The first level, creating a vision statement, comprises a shared image of what the leaders want the company to become, an answer to how the organisation would like those it cares about to perceive it. Thompson *et. al.* (2007:21) explains "... a good vision always needs to be a bit beyond a company's reach, but progress toward the vision is what unifies the efforts of company personnel."

Floyd *et. al.* (2005:142) explains that a "shared vision refers to the degree that the initiative group shares common goals and aspirations with other organisational actors in the organisation ..." A pitfall that should be avoided is the concept *group think*, the cliché that fools never differ, causing decision makers to fail to recognise new trends, situations and opportunities.

Thompson *et. al.* (2007:22) characterises an effective strategic vision in Table 2.1:

Table 2.1: Characteristics of an effectively worded strategic vision

Graphic	Paints a picture of the kind of company that management is trying to create and the market position(s) the company is striving to stake out
Directional	Is forward-looking: describes the strategic course that management has charted and the kinds of product/market/customer/technology changes that will help the company prepare for the future
Focused	Is specific enough to provide managers with guidance in making decisions and allocating resources
Flexible	Is not a once-and-for-all-time statement – the directional course that management has charted may have to be adjusted as product/market/customer/technology circumstances change.
Feasible	Is within the realm of what the company can reasonably expect to achieve in due time
Desirable	Indicates why the chosen path makes good business sense and is in the long-term interests of stakeholders (especially shareowners, employees and customers).
Easy to Communicate	Is explainable in 5–10 minutes and, ideally, can be reduced to a simple, memorable slogan (like Henry Ford’s famous vision of “a car in every garage”

Source: Thompson *et al.* (2007:22)

Kotze (2007:16) explains that a well developed vision statement can be characterised by the following:

- It addresses values as well as performance
- It provides direction to the members of the enterprise, signalling in which direction future change is headed
- It is symbolic, providing a common frame of reference, identification and commitment
- It is educational, assisting employees to understand the environment and changes in the environment
- It unleashes energy
- It is brief; expressed in one or two sentences
- It is expressed as an end result ... a desired destination
- It expresses a dream however, an intelligent dream
- It is emotional and motivating ... it addresses the heart as well as the mind

Thompson *et. al.* (2007:26) recognises that a well-executed strategic vision pays off in several respects:

- It crystallises senior executive's own view of the firm's long-term direction;
- It reduces the risk of rudderless decision-making;
- It is a tool for winning the support of organisational members for internal changes that will help make the vision a reality;
- It provides a beacon for lower-level managers in forming departmental missions, setting departmental objectives and crafting functional and departmental strategies that are in sync with the company's overall strategy;
- It helps an organisation prepare for the future.

2.3.2 Mission statement

The mission statement of the business defines what an organisation is, why it exists, its reason for being or purpose and keeps the owner and employees focused within the scope of their activities. When preparing a mission statement, Hughes (2005) suggests that a few points should be kept in mind, while Pearce and Robinson (as quoted by Kotze (2007:18) suggest that a good mission statement should be characterised by eight key components:

Table 2.2: Characteristics of a well developed mission statement

Hughes	Pearce & Robinson
Make it clear and to the point	The specification of target customers and markets
Incorporate socially meaningful and measurable criteria	The identification of principal products/services
Consider approaching the mission statement from a grand scale	The specification of the enterprise's geographic domain (area of operations)
Some of or all the following concepts should be included: <ul style="list-style-type: none"> • The moral/ethical position of the enterprise; • The desired public image; • The key strategic influence for the business; • A description of the target market; • A description of the products/services; • The geographic domain; • Expectations of growth and profitability. 	The identification of core technologies
	The expression of commitment to survival, growth and profitability
	The specification of key elements of the enterprise's philosophy
	The identification of the enterprise's self-concept
	The identification of the enterprise's desired public image

Source: Kotze (2007:18)

Both the vision and the mission statements should be linked to the business' values as stipulated by Thompson *et. al.* (2007:27). "By values we mean the beliefs, traits, and ways of doing things that management has determined should guide the pursuit of its vision and strategy, the conduct the company's operations and the behaviour of company personnel."

2.3.3 Values

Sasol (2007) identified their shared values and comments that six values are sufficient to focus on; any additional values could result in leadership and business members not living out these values as intended:

- **Customer focus:** We meet customers' needs by providing world-class service, optimal product performance and efficient support systems.
- **Winning with people:** We respect and encourage individuals to grow as unique contributors to their teams. We reward performance and promote sharing and the harnessing of diversity.
- **Safety:** We commit to eliminate all incidents and work to world-class safety standards.
- **Excellence in all we do:** We pursue world-class business and operating standards and superior performance within a framework of sound governance. We are dedicated to sound safety and health standards, as well as internationally accepted environmental practices.
- **Continuous improvement:** Our innovative spirit drives us as we continuously improve our performance.
- **Integrity:** We maintain the highest level of ethics, fairness and transparency in our interaction with each other, our customers and all other stakeholders.

2.3.4 Objectives

The next step in the modern approach is to set stretch goals or strategic objectives. Thompson *et al.* (2007:29) point out that the "... purpose of setting objectives is to convert the strategic vision into specific performance targets." "Well-stated objectives are quantifiable or measurable and contain a deadline for achievement." Furthermore, the need for a balanced scorecard is mentioned throughout the literature and enforces the focus on strategy to improve financial performance in the future.

Abraham (2007:139) proposes that setting objectives and choosing a strategy should occur simultaneously, "... iteratively until they fit with each other." The statement is also made that it does not really matter which is set first, the two must be so well matched that a conclusion can be drawn that they were done together. "It is impossible to evaluate or judge a strategy without knowing what the objectives are, and likewise impossible to judge whether the objectives make sense without knowing the strategy." Setting objectives is a three-step process:

1. Decide on a small number of measures critical to firm performance, e.g. revenues, profit and return on assets (ROA);
2. Decide on annual values for these critical measures of the next three years; and
3. Check that the objectives match the preferred strategy.

Thompson *et al.* (2007:20) refers to the following as crucial elements of the objective-setting process:

- Balanced scorecards should consist of two performance indicators, namely strategic performance and financial performance measures;
- Balanced scorecards should employ lagging as well as leading indicators;
- Both short-term and long-term objectives are needed;
- Long-term strategic objectives should clearly signal strategic intent;
- The need for objectives at all organisational levels;
- Objective-setting needs to be top-down rather than bottom-up.

Nauert (2005:72) comments on the Chief Planning and Development Officer (CPDO) who can be appointed to oversee the strategic business plan design and implementation. Smaller businesses do not have this luxury and the accountability as well as the responsibility lies with the CEO or owner as is the case with Moriana Muti cc and most companies employing the strategic business planning process.

From the literature, it is evident that most health care providers set goals and objectives and involve all levels of the organisation in supplying inputs into this process. This process is aimed at the participation of all members of the organisation in achieving the vision and mission with attendant commitment.

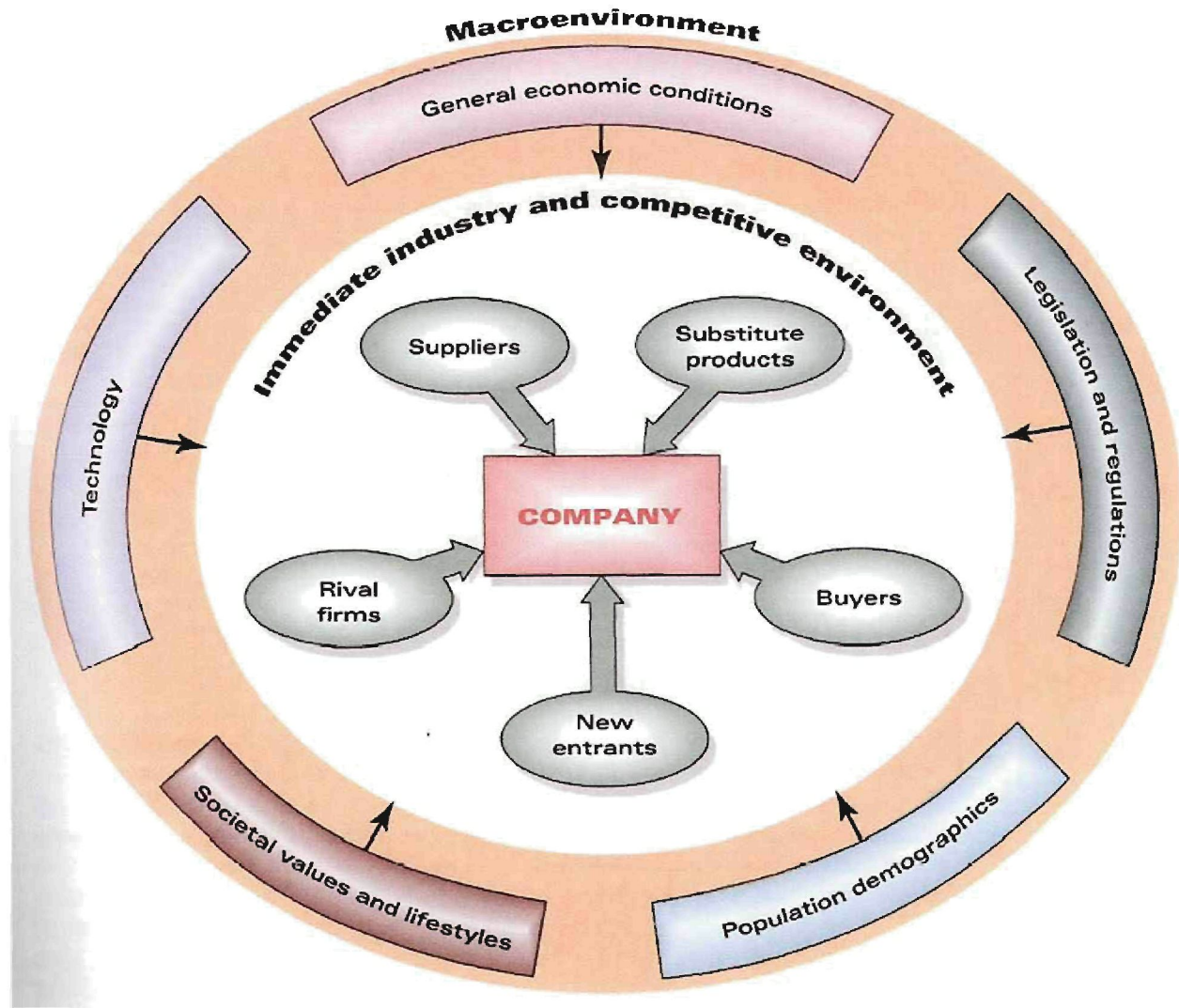
2.4 ANALYSIS OF THE EXTERNAL ENVIRONMENT

2.4.1 Introduction

Abraham (2007:61) indicates that the analysis of the external environment covers the industry in which the business operates and the associated trends and changes. The business environment is also influenced by the economy, regulations, technology, society and values, as depicted in figure 2.11 by Thompson *et. al.* (2007:51).

The macro environment includes all relevant factors and influences on the business in question that will influence decision making. This point is also supported by Abraham (2007:62) when he emphasises that the analyst should capture what is true for the industry and not for the company under analysis. One method to acquire the information is to assemble an industry-knowledgeable group which will supply the analyst with a more complete and understandable set of data and information that can be used.

Figure 2.11: The components of a company's macroenvironment



Source: Thompson et al. (2007:51)

Abraham (2007:62) also points out that the purpose of doing an industry analysis is to provide answers to the following questions.

2.4.2 *Economic characteristics*

Abraham (2007:62) points out that the purpose of doing an industry analysis is to provide answers to the industry's dominant economic characteristics:

- Industry size;
- Industry growth rate;
- Competitive rivalry;
- Number of competitors;
- Stage in the industry's lifecycle;
- The customers or buyers;
- Degree of vertical integration;
- Rate of technological innovation;
- *Product characteristics*;
- Economies of scale.

Once the dominant economic characteristics have been identified, the logical next progressive level in the process is to determine the driving forces that are changing the industry and what is causing these changes.

2.4.3 *Industry driving forces*

Factors to consider when determining the driving forces, their changes and causes for the changes:

- Changes in the industry growth rate;
- Changes in who buys the product and how customers use it;
- Product or marketing innovations;
- Technological change;
- Entry or exit of major firms;
- Diffusion of technical know-how;
- Increasing globalisation of the industry;

- Changes in cost and efficiency;
- Emerging buyer preferences for differentiation;
- Changes in governmental or economic policy;
- Deregulation or increasing regulation of an industry;
- Changing societal concerns, attitudes and lifestyles;
- Reductions or increases in uncertainty and business risk;
- Likelihood that this and one or more other industries will “merge” or converge.

The most common driving forces, as listed by Thompson *et al.* (2007:80), are:

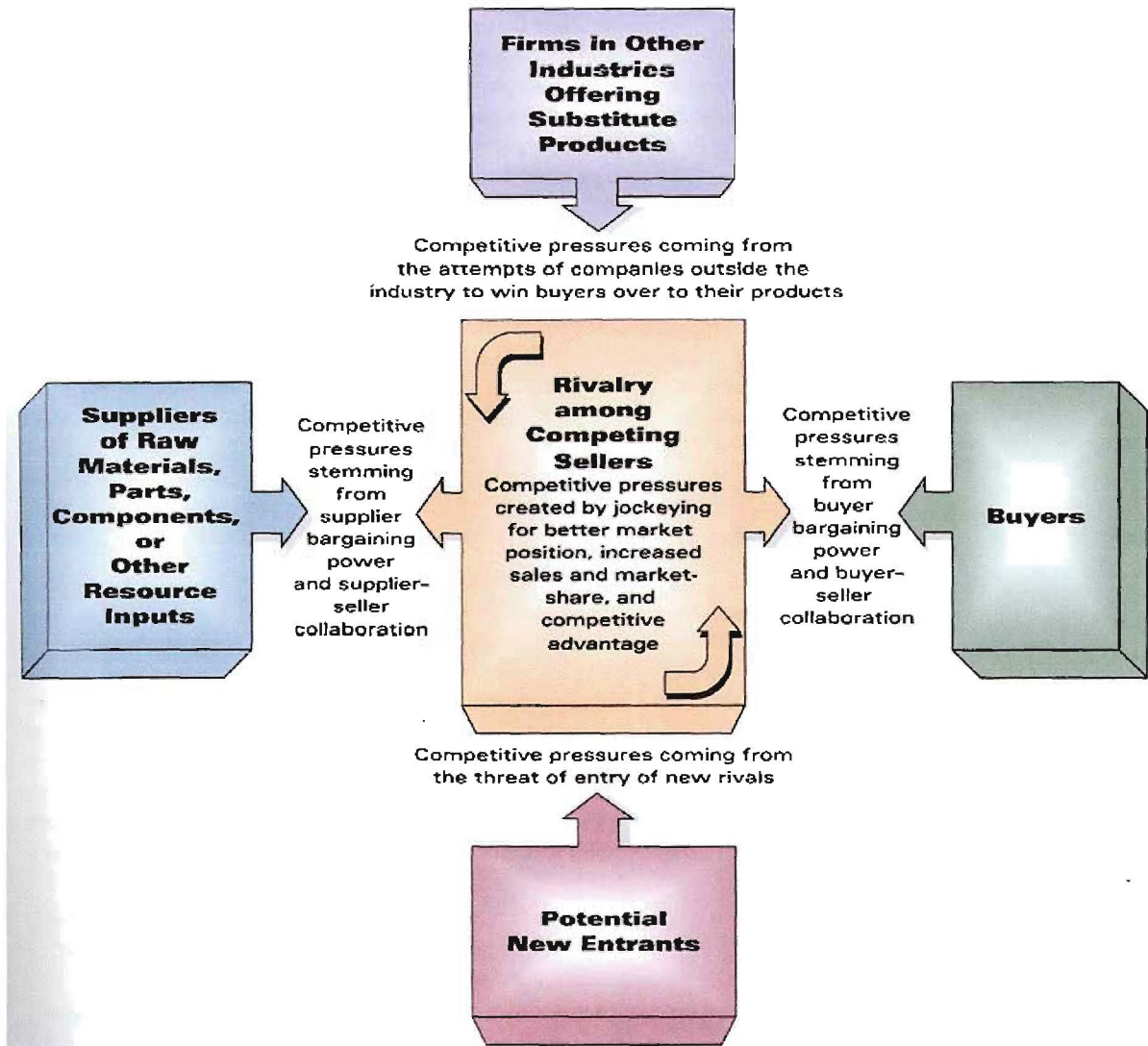
- Emerging new internet capabilities and applications;
- Increasing globalisation;
- Changes in an industry's long-term growth rate;
- Changes in who buys the product and how they use it;
- Product innovation;
- Technological change and manufacturing process innovation;
- Marketing innovation;
- Entry or exit of major firms;
- Diffusion of ethnical know-how across more companies and more countries;
- Changes in cost and efficiency;
- Growing buyer preferences for differentiated products instead of a commodity product;
- Reductions in uncertainty and business risk;
- Regulatory influences and government policy changes;
- Changing societal concerns, attitudes and lifestyles.

Once the driving forces of the industry have been identified, the focus shifts to the competition within the industry. Porter's five-forces model is used as the process to determine how strong the competition is.

2.4.4 Competitor analysis

Porters' five-forces model of competition (as referred to by Thompson *et al.* 2007:55) can be used to determine what kinds of competitive forces the industry members are facing.

Figure 2.12: Porter's five-forces model of competition



Source: Thompson *et al.* (2007:55)

- How high are the entry barriers?
 - High capital investment to enter;
 - Expertise in a certain technology or manufacturing process, a core competence, or proprietary technology, which could cost a considerable amount or take a long time to develop;
 - An established brand name and customer loyalty, both of which take time to develop;
 - Distribution channels all tied up;
 - Competitors with significant market share and market power;
 - Competitors with low costs, including significant economies of scale.

- Do buyers and/or suppliers have more bargaining power?
 - If high, the industry has low profitability and product is viewed as a commodity, rivalry among competitors is fierce and innovation is relatively low;
 - If low, the industry is profitable, products and competitors are differentiated, competition is controlled and innovation may be fairly rapid.

It is important to note that only knowing your competitors and the degree of competition in the industry is not sufficient to determine where Moriana Muti should position itself in context. The process now flows into an analysis of the industry members and their subsequent power within the industry.

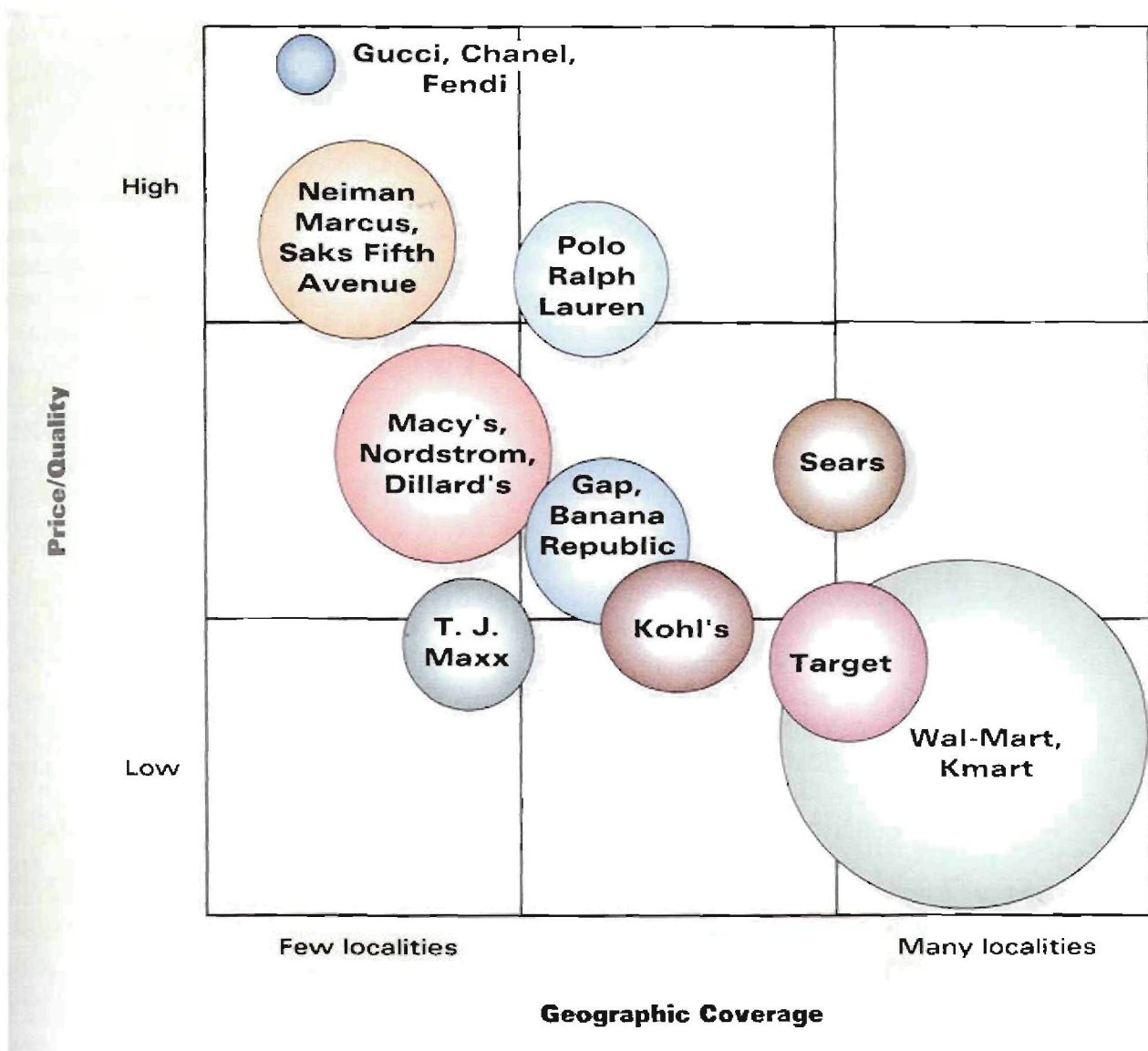
2.4.5 Strategic positioning

Is the industry concentrated (some industry power) or fragmented?

- Are there few businesses in the industry accounting for a large portion of total industry sales – concentrated?
- A fragmented industry is one in which no one firm has more than a fraction of a percentage in share.

In addition to the information required above, Thompson *et al.* (2007:81) believes the best technique for revealing the market positions of industry competitors is the strategic group mapping.

Figure 2.13: A strategic group map application



Source: Thompson *et al.* (2007:81)

The procedure for constructing a strategic group map is straightforward, as noted by Thompson *et al.* (2007:82):

- Identify the competitive characteristics that differentiate firms in the industry. Typical variables are price/quality range (high, medium, low); geographic coverage (local, regional, national, global); degree of vertical integration (none, partial, full); product-line breadth (wide, narrow), use of distribution channels (one, some, all); and degree of service offered (no-frills, limited, full);
- Plot the firms on a two-variable map using pairs of these differentiating characteristics.
- Assign firms that fall within more or less the same strategy space to the same strategic group;
- Draw circles around each strategic group, making each circle proportional to the size of the group's share of total industry sales revenues.

At this point in the process the questions have been posed regarding where the organisation is and where the organisation wishes to be or should be. These two questions assist in identifying the GAP that needs to be closed. The process has also identified critical factors that should be analysed and compared but are not limited to these mentioned.

Now is a good time to determine what will be required of the organisation to be successful in the intended industry, the keys to future success or key success factors.

2.4.6 Key success factors

What does an organisation have to do well in this industry in order to succeed? Common types of industry key success factors are compiled by Thompson (2007:88) and are categorised in the following main factors:

- Technology-related;
- Manufacturing-related;
- Distribution-related;
- Marketing-related;
- Skills and capability-related.

Although the organisation has an idea of what the key success factors are that are required, it is important to determine whether all the energy and capital will be a worthwhile investment. In other words: is the industry attractive enough to invest in to obtain a sufficient return on investment?

2.4.7 Un(attractiveness) of the industry

How attractive the industry is, can be determined by assessing critical factors, as indicated by Thompson *et al.* (2007:51):

- What attributes or characteristics the industry displays and how these affect the buying behaviour of the customers;
- The growth rate of the industry;
- The relative profitability of the industry;
- The operating environment;
- The size of the potential market;
- The degree of technological innovation in the operating environment;
- The intensity and degree of competition in the industry;
- Entry barriers to the industry;
- What regulations and policies govern the industry?

Once the analysis points out that there is a definitive advantage to enter the industry, there is a positive outlook regarding return on investment and all other associated factors, the how to do it is the next question posed together with yard sticks that need to be imposed to measure the progress and success of the steps.

2.4.8 Identification of strategic action plans

All the afore-mentioned elements are the strategic building blocks. They are all drawn together and linked in order to identify the strategy and possible strategic action plans (Kotze 2007:10). A competitive strategy concerns the specifics of management's game plan for competing successfully and securing a competitive advantage over rivals for the next three years. All the concerns are tested, evaluated and verified against considerations such as the enterprise resources, competence and culture. Those issues that emerge with the greatest probability for successful implementation are accepted.

How to go about implementing these actions needs to be formally documented in action plans and continuously followed up to ensure commitment to identified completion dates. Strategic issues that should be addressed are also captured in the action plans. The balanced scorecard is the basis for the management control systems. The balanced scorecard links the company's long-term strategy with its short-term actions. The objectives identified on the scorecard which must be achieved in order to reach the organisational goals are broken down in a few key performance areas (KPA).

A KPA is an individual management result that holds high value for the organisation in terms of its strategic plan, as well as in terms of the demands placed upon the organisation by the key success factors of the industry it operates in. The successful outcomes of the KPA's are what will bring the ultimate results in support of the strategic and operational objectives. It is therefore important that the KPA's are defined in terms of outcomes and not in terms of tasks or inputs.

Each KPA is measured by one or more key performance indicators (KPI) which are yardsticks of performance. Broad participation in the development of the KPI's is important to ensure they are the right measures and that they are done correctly. These measurements should be done frequently.

Finally the budget is set up according to the strategy. The budget is a reflection in capital terms of what the strategy is and what management can expect to invest in monetary terms for the strategy to be a success.

2.5 Conclusion

The terms *strategic planning*, *operational planning*, *budget compilation* and *management control* are all links in the chain of building a sustainable successful company. Strategic planning involves choosing the right strategic direction and actions for the company, given its own resource strengths and weaknesses and what the environment and industry offers the company. Operational planning involves making actionable plans for the next year in pursuit of those strategic objectives. Budgeting is the financial interpretation of those plans. Control systems provide the company with measures to ensure that the company stays on track towards achieving the goals and provides early warning when adjustments to the actions or plans are necessary.

This process of formulating strategy will be conducted on Moriana Muti, trading in the traditional and herbal medicines industry.

3. CHAPTER 3 – FORMULATING STRATEGY FOR MORIANA MUTI

3.1 ORGANISATIONAL PROFILE

3.1.1 General internal analysis

Moriana Muti was originally founded in Mafikeng in 1976. Since the early days the founders believed that the success of the business would depend largely on the variety of medicinal products that could be offered to the public. They also believed that to be successful the business would need to specialise in traditional and herbal medicines, excluding the black magic side of traditional healing. This model suited consumers that were seeking traditional healing solutions for their ailments without being intimidated and frightened of the black magic witch doctor practices.

The current strategy of Moriana Muti is a broad differentiated low-cost provider. This strategy has never been changed since the date of inception in 1976. No written strategic plan exists to be referenced. Moriana Muti is in a very interesting field of medicines with a wide spectrum of applications.

Their corporate culture was analysed and it was evident that their herbalists enjoy the challenges of identifying and treating ailments. They experience a deep satisfaction of seeing patients healthy after treatments. Moriana Muti is customer focused but with an attitude to ensure the lowest cost for the product or service rendered. A challenging and innovative climate is evident, with each herbalist committed to find the right products and service for the patient's ailments.

The company is in the process of implementing an integrated IT system with all the retail, distribution and wholesale outlets. The IT system will also link all distribution points with the medical aid service providers. The management information system is insufficient and not used regularly, which leads to ineffective analysis and forecasting.

3.1.2 Products and Services

3.1.2.1 Core product

- Health and Vitality

3.1.2.2 Real Product

- Herbs – nondurable, convenience products consisting of 730 herbs such as matunga, serekulu and Skenama. Some of the herbs are mixed for specific requirements such as gout and diabetes.
- Patent medicines – nondurable, speciality products consisting of 30 patents produced by Marshalls Chemicals and 5 patents produced by Stametta.
- Fats – nondurable speciality products consisting of 70 fats such as bubezi, mamba and sandewane, produced by Muti medicines.
- Powders – nondurable, shopping product consisting of 30 powders produced by Arula products.
- Oils – nondurable, speciality product consisting of 25 oils produced by Arula products.
- Clothing – durable, speciality product consisting of material, gala, mahia etc produced by Pretoria Textiles and Makkie.

3.1.2.3 Services

- Examinations / check ups are performed on customers such as blood pressure.
- Advice is given to customers regarding specific ailments they have and what courses of treatment they could undergo or alternative treatment that they should consult.

3.1.3 Markets

3.1.3.1 Industry

- Health care industry

3.1.3.2 Segment

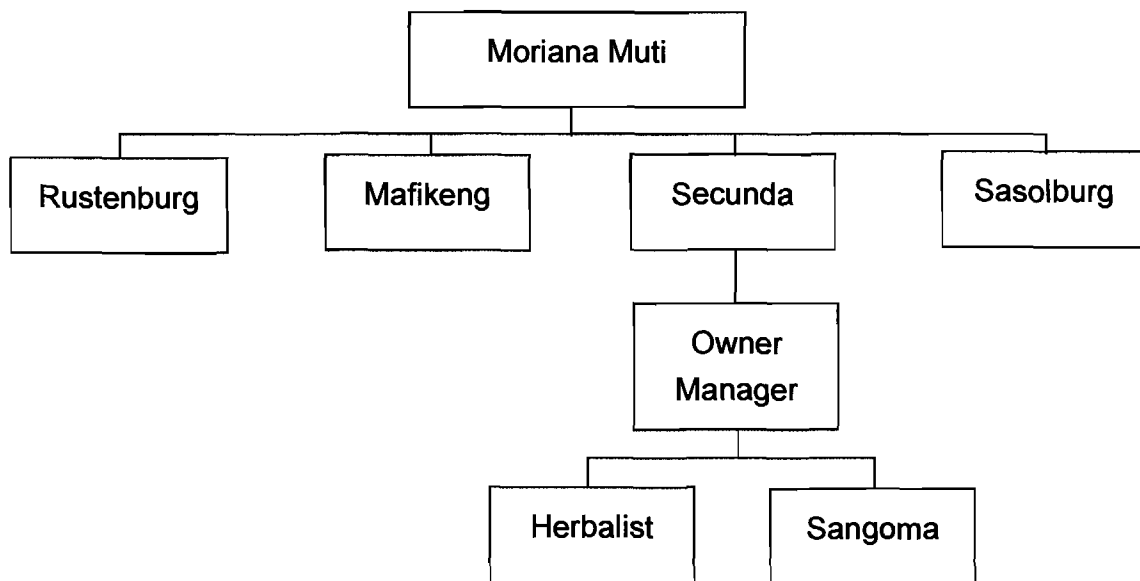
- Segment 1
 - Urban residence,
 - High density area,
 - Married, divorced, separated and single,
 - Male and female,
 - All ages,
 - Black ethnic group,
 - Educated as well as no education,
 - Black ethnic traditional herbal users,
 - Black culture educated,
 - Products purchased daily,
 - Products used daily

- Segment 2
 - Urban residence,
 - High density area,
 - Married, divorced, separated and single,
 - Male and female,
 - All ages,
 - European ethnic group,
 - Educated as well as no education,
 - Black ethnic traditional herbal users,
 - Black culture educated,
 - Products purchased daily,
 - Products used daily

- Segment 3
 - Rural residence,
 - Low density area,
 - Married, divorced, separated and single,
 - Male and female,
 - All ages,
 - Indian ethnic group,
 - Educated as well as no education,
 - Black ethnic traditional herbal users,
 - Black culture educated,
 - Products purchased daily,
 - Products used daily

3.1.4 Organisational structure

Figure 3.1: Organisational structure of Moriana Muti



Source: Brain storming session (2007)

3.1.5 Culture

The most visible characteristic of the culture is that the people want to work at Moriana Muti. They have pride and ownership of their work and carry out their duties with ease. Commitment is evident which can be seen through the serving of customers after normal hours and during lunch and tea breaks without being forced to do so. The environment is slightly controlling in the areas of stock taking and cash management but self management is evident in other areas.

3.1.6 Financial resources

Moriana Muti is privately owned by two partners who have alternative jobs and disposable incomes. This was the major source of owners equity used to start the business. ABSA bank has agreed to a corporate loan, with an overdraft facility on the close corporation's account. A pharmaceutical company has shown interest in acquiring shares in Moriana Muti.

Moriana Muti is generating a profit of 46 per cent after tax. There are no bank loans and therefore no interest payments. This is a healthy financial position and the organisation can reinvest in expanding capacity and distribution networks.

3.1.7 Market share

The traditional and herbal medicines market over the past five years relates to over 45 per cent of the population in South Africa. The competitors and subsequent market share are shown in table 3.2.

Table 3.1: Market share of Moriana Muti and six main competitors

Organisation	Market share
Moriana Muti	4%
Western Pharmacies	9%
Traditional healers (Sangoma, Nyanga)	47%
Wholesalers (Arula, Begum)	8%
Cash and Carry (Jumbo, Macro)	13%
Retailers (Buy rite)	1%
Spaza shops (Bula)	18%
	100%

Source: Abraham (2006)

Expanding Moriana Muti into identified strategic areas has the potential to procure an additional 8 per cent of the market share accumulating to approximately 2 per cent of the population in South Africa.

3.1.8 SWOT analysis

3.1.8.1 Strengths

- Low-cost inputs and transformation process;
- Individual customer service focus;
- Core competencies in traditional and herbal medicinal products and uses;
- Pure traditional medicine outlet;
- Patient charts depicting patient history in electronic format and easily accessible;
- Located at taxi ranks;
- Existing experience of 20 years;
- Variety of products in every category;
- Own patent medicines.

3.1.8.2 Weaknesses

- Located far away from townships;
- Limited capital available for advertising;
- Some products same supplier as competitor;
- Language barrier;
- No clear strategic direction;
- Bad labour relations.

3.1.8.3 Opportunities

- Prices are market-related;
- Pharmaceutical companies interested in traditional medicines;
- Medical schemes allocation to traditional healing;
- General dealers in townships;
- Spaza shops in townships;
- White population segment growth.

3.1.8.4 Threats

- Western medicines;
- Urbanisation of black ethnic groups;
- Westernisation of black ethnic groups;
- Lotto and cell phones reduce spending;
- Fauna and flora regulations;
- Cost of compliance to regulations and policies.

3.1.9 TOWS matrix

Table 3.2: TOWS matrix of Moriana Muti

	Strengths	Weaknesses
	1. Low-cost inputs and transformation Process	1. Located far away from townships
	2. Individual service focus	2. Limited capital available for advertising
	3. Core competencies in traditional and herbal medicinal products and uses. Pure traditional medicine outlet	3. Some products same supplier as competitor
	4. Patient charts depicting patient history in electronic format and easily accessible	4. Language barrier
	5. Located at taxi ranks	5. No clear strategic direction
	6. Existing experience of 20 years	6. Bad labour relations
	7. Variety of products in every category	
	8. Own patent medicines	
Opportunities	SO Strategies	WO Strategies
1. Price market-related	1. Benchmark with competitors and determine customer feedback regarding pricing. Utilise low-cost inputs to bring down prices	1. Market research to acquire retail outlets closer to taxi ranks and pedestrian traffic
2. Pharmaceutical companies interested in traditional medicines	2. Use existing experience of 20 years and develop a campaign to sell to pharmaceutical companies	2. Sole distributor rights in areas of trade with suppliers
3. Medical schemes allocation	3. Package variety of products and sell to general dealers and spaza shops in townships	3. Appoint multilingual herbalists in specific areas to cope with language issues
4. General dealers in townships	4. Use individual service and technology to advertise professionalism and show competence in traditional and herbal medicinal products among the white population segments	4. Set up an in-depth, detailed strategy for Moriana Muti, use specialists to support
5. Spaza shops in townships		
6. White population segment growth		
Threats	ST Strategies	WT Strategies
1. Western medicines	1. Approach pharmaceutical companies with offers in trading intellectual property regarding traditional and herbal products	1. BEE business deals for black owner /manager candidates
2. Urbanisation of black ethnic groups	2. Ensure correct use of technology and systems to analyse patients' history and to recommend appropriate treatment	2. Cultivate products that are scarce and expensive or on the endangered list in greenhouses
3. Westernisation of black ethnic groups		
4. Lotto and cell phones reduce spending		
5. Fauna and flora regulations		
6. Cost of compliance with regulations		

Source: Abraham (2006)

3.1.10 Core competence

The four criteria that distinguish capabilities from core competencies are related to competitive advantage and Moriana Muti performance. Valuable capabilities are those that create value for Moriana Muti and assist it in delivering customer value by exploiting opportunities or neutralizing threats in its external environment. Rare capabilities are those possessed by almost no current or potential competitor. Costly-to-imitate capabilities are those that other firms cannot develop easily, quickly or inexpensively. And no substitutable capabilities are those that do not have strategic equivalents.

Table 3.3: Core competence matrix for Moriana Muti

Capability	Criteria for Core Competence (A capability that meets all 4 criteria is a core)				Competitive Consequences	Performance Implications
	Is the capability valuable?	Is the capability rare?	Is the capability costly to imitate?	Is the capability no-substitutable?		
More than 20 years' experience in traditional and herbal medicines in 90 per cent of the black ethnic groups	Yes	No	Yes	Yes	Sustainable competitive advantage	Average to above average returns
Herbalists are fluent in 6 of the 11 ethnic languages in South Africa	Yes	No	Yes	No	Sustainable competitive advantage	Average returns
Herbalists are knowledgeable of 9 ethnic groups' cultures and traditions	Yes	Yes	Yes	Yes	Sustainable competitive advantage	Above average returns
Individual service and technology support	Yes	No	No	No	Competitive parity	Average returns
Knowledgeable to mix traditional and herbal products for a wide variety of ailments	Yes	Yes	Yes	Yes	Sustainable competitive advantage	Above average returns

Source: Abraham (2006)

3.1.11 Strategic position and action analysis (SPACE)

Table 3.4: Strategic position and action analysis (SPACE) for Moriana Muti

Strategic Dimensions and Scoring

Factors Determining Financial Strength (FS)

Indicate a score for each of the following criteria

Return on Investment	5
Leverage	2
Liquidity	4
Capital Required Versus Capital Available	5
Cash Flow	3
Risk Involvement in Business	6
Inventory Turnover	4
Economies of Scale and Experience	2
Other:	
Average	<u><u>3.9</u></u>

Factors Determining Environmental Stability (ES)

Indicate a score for each of the following criteria.

Technological Changes	4
Rate of Inflation	3
Demand Variability	2
Price Range of Competing products	2
Barriers to Entry into Market	3
Competitive Pressure / Rivalry	5
Price Elasticity of Demand	5
Pressure from Substitute Products	2
Other	
Average – 6	<u><u>-2.8</u></u>

Source: Abraham (2006)

Factors Determining Industry Strength (IS)

Indicate a score for each of the following criteria

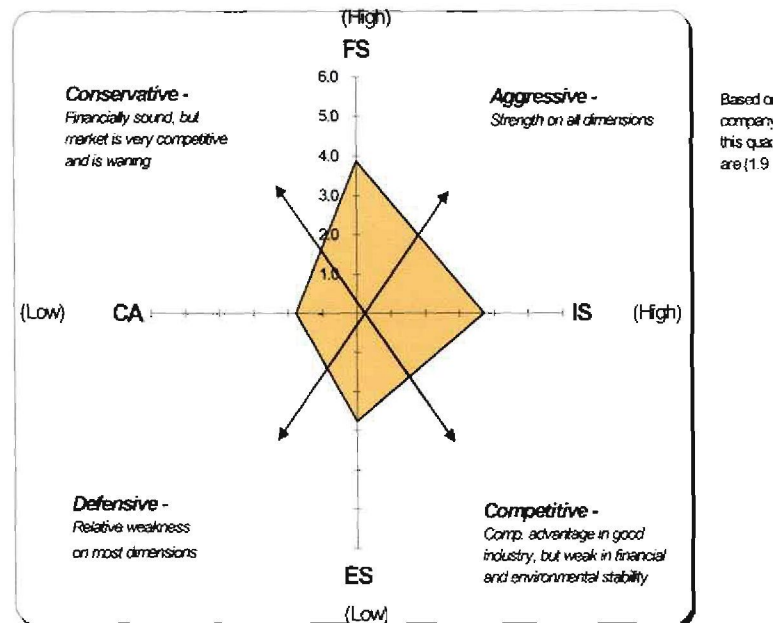
Growth Potential	6
Profit Potential	5
Technological Know-How	2
Resource Utilization	4
Capital Intensity	2
Ease of Entry into Market	4
Productivity, Capacity Utilization	3
Other:	
Average	<u><u>3.7</u></u>

Factors Determining Competitive Advantage (CA)

Indicate a score for each of the following criteria

Market Share	1
Product Quality	6
Product Life Cycle	4
Product Replacement Cycle	4
Customer loyalty	6
Competition's Capacity Utilization	5
Technological Know-How	5
Vertical Integration	2
Other:	
Average - 6	<u><u>-1.8</u></u>

Figure 3.2: Strategic position and action analysis (SPACE) for Moriana Muti



Source: Abraham (2006)

3.1.12 Moriana Muti competitive strength (CS) matrix

Table 3.5: Moriana Muti competitive strength matrix

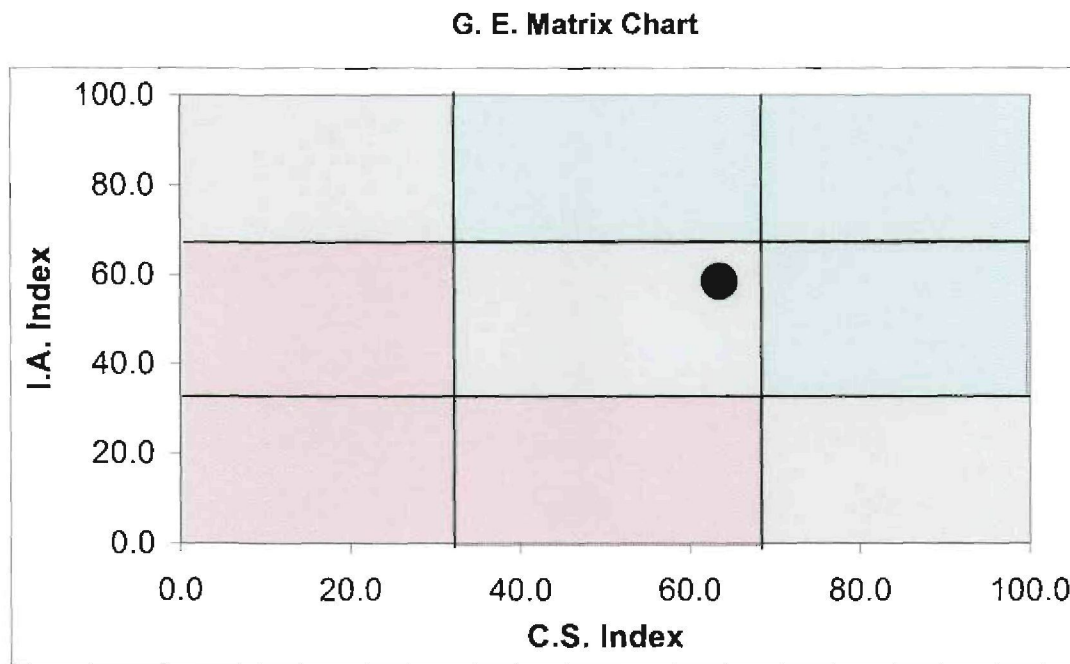
Success Factors	Weight	Rating	Product
Quality / product performance	10	0.9	9.0
Reputation / Image	10	0.5	5.0
A talented workforce	15	0.7	10.5
Financial resources	5	0.4	2.0
Relative cost position / overall low costs	20	0.8	16.0
Strong network of distributors / dealers nationally	25	0.7	17.5
Patent protection	5	0.3	1.5
Strong direct sales capabilities through company-owned retail outlets	10	0.2	2.0
	100		63.5

This index indicates that this company is average in terms of competitiveness.

Source: Abraham (2006)

3.1.13 Moriana Muti General Electric matrix

Figure 3.3: Moriana Muti General Electric Matrix



Source: Abraham (2006)

3.2 PURPOSE OBJECTIVE

3.2.1 Vision statement

Promoting health and vitality with passion, by being the preferred traditional and herbal medicines supplier to all people in South Africa.

3.2.2 Mission statement

Our mission is to grow rapidly and profitably through innovation in the traditional and herbal health industry by harnessing value-based management. In pursuing this mission, we will be the consumers' first choice for traditional and herbal medicines at an affordable price. We will become the company most known for changing, acknowledging and incorporating traditional and herbal medicines into the mainstream South African health care industry.

3.2.3 Values

3.2.3.1 Operational excellence

Operational excellence is a strategic approach that focuses on improving production and delivery mechanisms.

- Information Systems – Moriana Muti used an updated information system, to allow their operations to run more effectively and add value to the overall efficiency of operations.
- Production Efficiency - The operation that is set up for efficiency will streamline the production process, thus adding value to the Moriana Muti bottom line. Extensive and ongoing use of continuous quality improvement, statistical process control and automation will ensure production efficiency.
- Re-engineering using the Simplification, Automation, Integration and leadership (S.A.I.L.) analysis :
 - Simplification - Reducing no value-added activities could reduce the cycle time of an operation without requiring any increased use of information systems, personnel or other company resources.
 - Automation - The integration of increased work-force empowerment and better use of information and automation systems will improve the operation and reduce labour. This step integrates functions within a single core process.
 - Integration - Multiple core processes within Moriana Muti are integrated to include extended enterprises, e.g. SCM (supply-chain management) and CRM (customer-relationship management) systems, where appropriate.
 - Leadership - To what degree do leaders implement the strategic plan at the operational level? This includes the "more is better" approach with regard to implementation of work teams, employee empowerment, downward delegation and the promotion of collaboration, learning and change.

3.2.3.2 Customer intimacy

- Customer service
- Customer satisfaction
- Customer loyalty
- Employee capability
- Employee satisfaction
- Employee loyalty
- Employee productivity

3.2.3.3 Value-based management

- Management skills
- Making Managers into Owners
- Managerial Performance

3.2.4 Objectives

3.2.4.1 Financial

Table 3.6: Financial objectives of Moriana Muti

	2008	2009	2010
Revenues	13.8%	15.0%	17.0%
Net Income After Taxes (NIAT)	10.0%	13.0%	15.0%
Return on assets	15%	15%	17%
Return on equity	20%	22%	25%

Source: Brain storming session (2007)

3.2.4.2 Strategic

- Expand current business into the national market
- Challenge competitors for market share
- Register with Medical aid providers
- Consolidate traditional healers in the rural areas

3.3 EXTERNAL ENVIRONMENTAL ANALYSIS

3.3.1 Evaluation of the external environment

3.3.1.1 Impact of Environmental trends

Using the Environmental analysis tool, as described by Abraham (2006), trends can be identified in the external environment that will impact Moriana Muti. These trends are then gauged on a scale to determine the impact severity on the organisation. Using this tool narrows down the focus areas that should be addressed in order of priority, given the availability of time, money and resources.

Neutral depicts that the trend will not have any positive or negative impact on the organisation or that the analyst with the information available to him is not sure that the trend would have an impact on the organisation. The positive impact score indicates that the trend will yield positive results for the organisation; this is also applicable to the negative assessment score. These positives and negatives manifest themselves in either capital form, opportunities, market share or growth. The high, medium and low scores indicate the degree to which the trend will have a positive or negative impact, e.g. black ethnic population groups possess more of the capital in South Africa – 75 per cent, was scored as a positive high. This indicates that from the previous analysis regarding capital wealth distribution in 1994, there has been an increase in distribution to black ethnic groups from 19 per cent to 75 per cent. In real terms this will have a profound impact on growth rates, additional market share and increase in capital spending towards the organisation.

The information is then used to determine which driving forces and key success factors are important to Moriana Muti to ensure success in the industry.

Table 3.7: Environmental analysis: impact of environmental trends on Moriana Muti

Environmental Analysis: Impact of Environment Trends

Category	Statement of Trend	Severity of impact on Company						
		Negative				Positive		
		H	M	L	Neutral	L	M	H
Economic	Black ethnic population groups are possessing more of the capital in South Africa – 75 per cent							x
	Larger number of Black ethnic population groups have access to transportation, housing, electronics etc.		x					
Regulatory / Legislative	Acceptance of traditional healing into the health regulation							x
	Deregulation of the SMMEs and decreased taxation and herbal medicinal services							x
Demographic	Movement of European ethnic groups to traditional and herbal medicinal services					x		
	Older aged population groups are more involved in the use of traditional and herbal medicines the younger generations are more westernised		x					
Attitude / Lifestyle	Younger generation more westernised				x			
	The trend of black ethnic groups towards more European products, lifestyles and culture	x						
Socio - Cultural	Devastation of natural medicinal resources through over-harvesting	x						
Political / Legal	High crime rate, fraud etc of government officials		x					
	Muti murders	x						
Technological	Greenhouses to cultivate medicinal products							x
	Improved manufacturing techniques					x		

Source: Abraham (2006)

3.3.1.2 *Industry snapshot*

The total industry or segment sales are not clear and quantifiable, since the industry members consist of the majority of informal businesses, which makes analysing records difficult. From the analysis conducted in the demarcated areas, it could be conservatively estimated that the sales figure was in excess of R3,8 billion. An analysis of profit margins in Spaza shops, general dealers, traditional healers and a host of additional informal traders and wholesalers in the demarcated study area revealed a profit margin of 20 per cent. For the past three years these traders and alike have managed a growth rate of 9 per cent.

The traditional and herbal medicines industry is in an emerging life cycle stage with some vertical integration backwards in the form of cultivars. The degree of technological innovation is poor, given a range from none to slightly using technology in certain areas of their business value chain, cell phones being the prominent technology used.

The traditional and herbal industry is able to achieve scale economies, i.e. to lower unit manufacturing, purchasing and distribution costs as volume increases. The traditional and herbal industry is a fragmented industry in which no competitor holds more than 1 per cent market share nationally. Although the market share for the study areas indicates a larger market share for the members, it was taken into account that these industry members were analysed in a specific area, and if compared nationally, is assumed to be much lower.

3.3.1.3 Industry driving forces

- Economic growth - Substantial foreign donations and funding are being made available to alleviate poverty and disease and improving health care infrastructure.
- Regulatory environment – It is improving to eliminate counterfeit and poor quality pharmaceuticals from the market. Additionally, the new South African government is pro-traditional and herbal medicinal health care,
- Government insurance schemes are attempting to increase accessibility to health care. The high acute disease prevalence rates are driving the market for primary healthcare and diagnostic products.

3.3.2 Industry Attractiveness

The attractiveness of a particular industry was calculated by weighting the factors (allocating 100 points among the factors) and rating the factors from Moriana Muti's point of view (between 0 and 1.0, 1.0 being highest). The weights will be multiplied by the ratings in the last column and the last column totalled to give an I.A. index (%).

Table 3.8: Industry attractiveness matrix

Factors	Weight	Rating	Product
Market size and projected growth rate	15	0.900	13.5
Intensity of competition	25	0.300	7.5
Emerging opportunities	15	0.700	10.5
Emerging threats	5	0.400	2.0
Resource requirements	10	0.500	5
Seasonal and cyclical influences	5	0.400	2
Societal, political, regulatory and environmental factors	10	0.600	6
Industry profitability	15	0.800	12
	100	Industry Attractiveness (I.A.) Index	58.5

This index indicates that this industry is 'middle of the road' in terms of attractiveness.

Source: Abraham C.S. (2006)

3.3.3 Industry value analysis

The following specifies the extent to which the value shifts are taking place in the industry. Which value discipline Moriana Muti's industry seems to be shifting towards, is rated from 1 to 5 (1=industry shifting towards, 5=industry shifting away from):

- Operational Excellence 2
- Product Leadership 2
- Customer Intimacy 3
- Value-based Management 3

3.3.3.1 Signs evident regarding the occurrence of shifting values in the industry

- There are higher than usual margins in a particular product and product line?
- There is higher than usual sales growth in a particular product and product line
- A higher than expected market valuation in certain companies or among newcomers to the industry is not occurring
- There is rising brand equity for companies in the industry

3.3.3.2 Signs of shifting value in the industry

- The extent to which the following activities are taking place in Moriana Muti industry's traditional value chain using technology or other enabling mechanisms - Ranking 1 = No, 5 = To a large extent:
 - Disintermediation 2
 - Transmigration 1

Table 3.9: Relative scores for each value discipline

Relative Scores for Each Value Discipline

A score is indicated for Moriana Mutl cc, competitors and industry on the following value disciplines, from 1 to 10 (1=worst and 10=best).

Operational Excellence		Moriana Mutl cc	Western Pharmacies	Traditional healers (Sangoma, Nyanga etc)	Wholesalers (Arula, Begum etc)	Cash & Carry (Jumbo, Macro etc)	Retailers (Buy rite etc)	Industry
Information Systems		4	6	1	4	5	4	7
Production Efficiency		4	7	1	2	2	2	8
Re-Engineering using S.A.I.L.:								
- Simplification		6	7	1	2	6	6	8
- Automation		3	5	1	2	2	2	5
- Integration		5	7	2	4	4	4	6
- Leadership		8	4	1	2	3	2	5
SCORE		30	38	7	16	22	20	39

Product Leadership		Moriana Mutl cc	Western Pharmacies	Traditional healers (Sangoma, Nyanga etc)	Wholesalers (Arula, Begum etc)	Cash & Carry (Jumbo, Macro etc)	Retailers (Buy rite etc)	Industry
R&D Capability (Innovation)		4	9	3	2	2	2	6
Product Development		4	6	2	4	4	4	5
Marketing and Sales		3	3	1	3	3	3	7
Distribution		4	7	1	6	6	6	6
Brand Equity Management		5	6	1	6	6	6	7
Value Chain Integration		7	7	1	3	3	3	6
SCORE		27	38	9	24	24	24	37

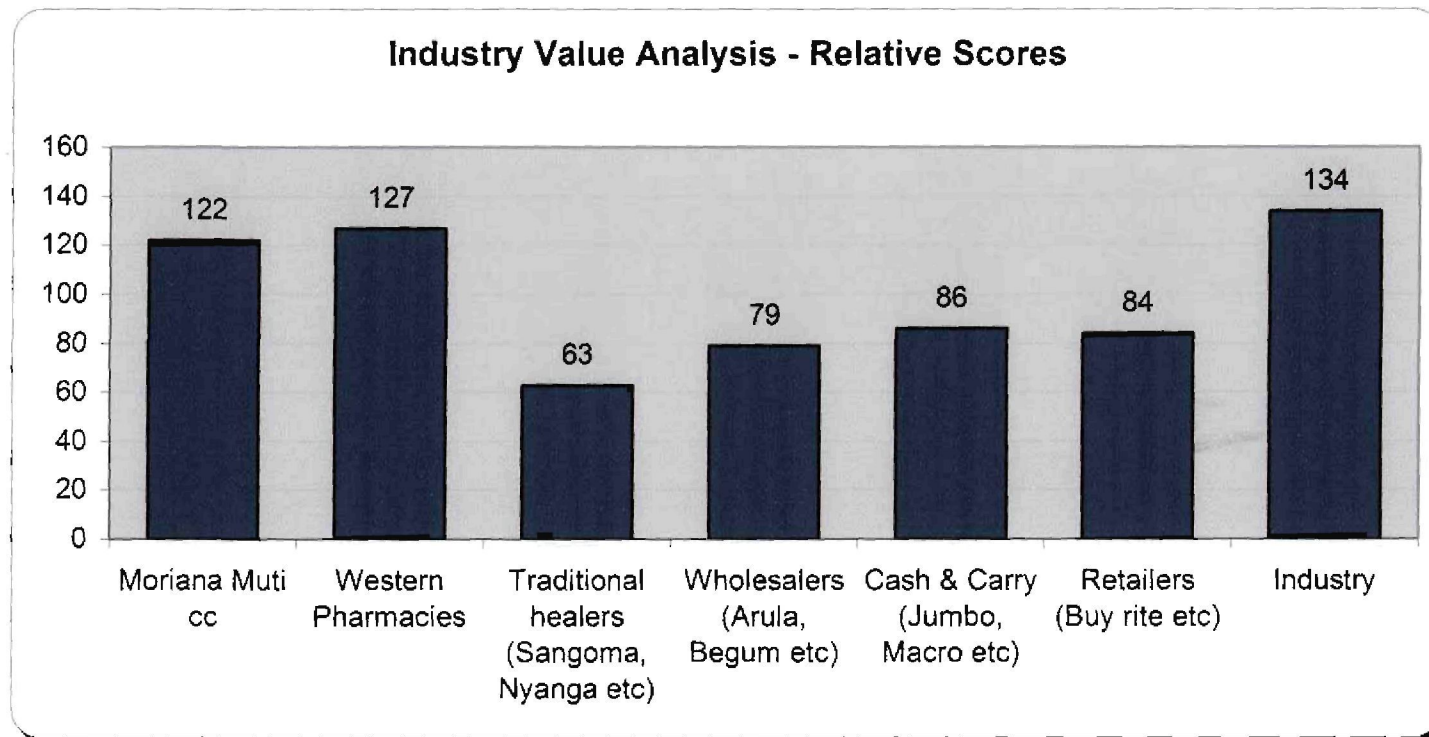
Customer Intimacy		Moriana Mutl cc	Western Pharmacies	Traditional healers (Sangoma, Nyanga etc)	Wholesalers (Arula, Begum etc)	Cash & Carry (Jumbo, Macro etc)	Retailers (Buy rite etc)	Industry
Customer Service		6	6	3	5	5	5	7
Customer Satisfaction		7	6	3	4	3	4	6
Customer Loyalty		7	5	7	3	3	3	5
Employee Capability		6	5	7	3	3	3	6
Employee Satisfaction		6	6	4	3	4	4	5
Employee Loyalty		6	4	8	5	6	5	3
Employee Productivity		7	7	5	6	6	6	6
SCORE		45	39	37	29	30	30	38

Value-Based Management		Moriana Mutl cc	Western Pharmacies	Traditional healers (Sangoma, Nyanga etc)	Wholesalers (Arula, Begum etc)	Cash & Carry (Jumbo, Macro etc)	Retailers (Buy rite etc)	Industry
Management Skills		7	5	2	3	3	3	8
Making Managers Into Owners		6	4	1	2	2	2	7
Managerial Performance		7	5	7	5	5	5	5
SCORE		20	14	10	10	10	10	20

TOTAL SCORE	122	127	63	79	86	84	134
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Source: Abraham (2006)

Figure 3.4: Industry value analysis – relative scores graph



Source: Abraham (2006)

3.4 COMPETITION / COMPETITOR ANALYSIS

3.4.1 Competitor analysis

There is pure competition in the industry. No one major player exists in the industry; there are numerous competitors – formal and informal. The basis of competition in the industry is a focus on a low-cost broad differentiation strategy.

Refer to table 3.1 page 41. Wholesalers such as Arula and Begum are expanding to gain market share. The initiatives are not rigorously implemented and an idea could be formed that these initiatives are not well thought through. Retailers such as Buy Rite are making a concerted bid for market share but lack the experience, understanding and knowledge of traditional and herbal medicinal products and services. Nyanga and Sangoma practices in rural areas are small but wide spread, gaining market share through their geographic positioning. This trend will grow substantially through de-regulation and government policy.

3.4.2 Critical success factors

The critical success factors for the industry can be summarised as follows:

Table 3.10: Critical success factors

Success Factors	Weight (sum = 100)
Strong network of distributors/dealers nationally	30
A talented workforce	15
Overall low costs	25
Patent protection	10
Strong direct sales capabilities through company owned retail outlets	20
Total	100

Source: Abraham (2006)

3.4.3 Competitor analysis for critical success factors

Companies scored on a scale of 1 to 10 for relative strength for each factor (10 indicates greatest or highest level)

Table 3.11: Critical success factors for competitor

Factor	Moriana Muti	Western Pharmacies	Traditional healers (Sangoma, Nyanga)	Wholesalers (Arula, Begum)	Cash and Carry (Jumbo, Macro)	Retailers (Buy rite)
Strong network of distributors/dealers nationally	3	6	1	3	8	4
A talented work-force	9	4	10	7	4	4
Overall low costs	5	4	3	7	10	6
Patent protection	7	2	1	8	2	1
Strong direct sales capabilities through company-owned retail outlets	7	3	1	8	2	2

Source: Abraham (2006)

3.4.4 Additional competitor data

Table 3.12: Additional competitor Data

	Western Pharmacies	Traditional healers (Sangoma, Nyanga etc)	Wholesalers (Arula, Begum etc)	Cash & Carry (Jumbo, Macro etc)	Retailers (Buy rite etc)
Name up to 2 things each competitor does better than Moriana Muti cc	1. They have a stronger capital base for advertising	1. They are situated in the prime convenient locations	1. They have a stronger capital base for advertising	1. Customer guarantees and warranties	1. short delivery time capability
	2. They are more accessible to the European population group	2. Access to attractive supplies of skilled labour	2. A well-known and well-respected brand name	2. Ability to achieve scale economies	2. Ability to achieve scale economies
Name up to 2 things that Moriana Muti cc does better than each competitor	1. More accessible to the Black population group	1. Ability to secure favourable display space on retail shelves	1. Courteous, personalized customer service	1. Courteous, personalized customer service	1. Courteous, personalized customer service
	2. Breadth of product line and product selection	2. Presentation and cleanliness is of a higher standard	2. Accurate filling of customer/patient specific health information	2. Accurate filling of customer / patient specific health information	2. Accurate filing of customer/patient specific health information

Source: Abraham (2006)

Table 3.12: Additional Competitor Data continue

Strategic Factor	Moriana Muti cc	Western Pharmacies	Traditional healers (Sangoma, Nyanga etc)	Wholesalers (Arula, Begum etc)	Cash & Carry (Jumbo, Macro etc)	Retailers (Buy rite etc)
Competitive Advantage	Personalised customer service from qualified traditional healers. Be the preferred supplier of traditional and herbal medicines through knowledge of traditional values, culture and medicines	Generic health products easily produced	Cultural traditional healers	Years of experience in traditional and herbal healing practices	low cost	low cost
Strategic Intent	Grow at the same rate as the industry and challenge the wholesalers to gain market share. Increase market share by acquiring strategic partners in the traditional healers area	Continuously creeping up to the market leaders and acquiring more market share as their knowledge increases	Maintain their market share, their intent is to survive	Challenge cash and carry and spaza shops for additional market share	Maintain their market share in the urban area's	Challenge cash and carry and wholesalers for market share
Geographic Scope	Compete locally in 4 geographic areas i.e. Rustenburg, Secunda, Sasolburg, Mafikeng	Compete nationally	Compete very locally within a 4 km radius	Compete locally in main cities i.e. Pretoria, Johannesburg, Bloemfontein etc	Compete locally in main cities i.e. Pretoria, Johannesburg, Bloemfontein etc	Compete locally in main cities and large towns i.e. Pretoria, Johannesburg, Bloemfontein, Secunda, Rustenburg, Vereeniging etc
Positioning	Positioned at the middle and low end of the market. Priced relatively low for the value offered. Moriana Muti will remain at these levels	Positioned at the high and middle end of the market. Priced relatively high for the value offered. The western pharmacies will remain at these levels	Positioned at the low end of the market. Priced relatively low for the value offered. The traditional healers will remain at these levels	Positioned at the middle and low end of the market. Priced relatively low for the value offered. Moriana Muti will remain at these levels	Positioned at the low end of the market. Priced relatively low for the value offered. The traditional healers will remain at these levels	Positioned at the low end of the market. Priced relatively low for the value offered. The traditional healers will remain at these levels
Generic Strategy	Low-cost broad differentiation strategy	Best cost-focused differentiation strategy	Focused low-cost strategy	Low-cost broad differentiation strategy	Focused low-cost strategy	Low-cost broad differentiation strategy

Source: Abraham (2006)

3.4.5 Porter's five-forces analysis

Using Porter's five-forces analysis, the following competitor information was determined:

3.4.5.1 Rivals / Competitors

The main Competitors of Moriana Muti include:

- Western Pharmacies;
- Traditional healers (Sangoma, Nyanga);
- Wholesalers (Arula, Begum);
- Cash and Carry (Jumbo, Macro);
- Retailers (Buy rite).

3.4.5.2 Buyers / Customers

- Black ethnic population group;
- Asian ethnic population group;
- European ethnic population group.

3.4.5.3 Suppliers

- Rural diggers;
- Patent manufacturers;
- Indian and Chinese medicinal producers.

3.4.5.4 Substitutes

- Westernised medicines;
- Cell phones, clothing and food;
- Lottery and transportation.

3.4.5.5 Potential entrants

- Western pharmacies and health shops (-);
- The pool of entry candidates is small (-);
- Entry barriers are low and can readily be hurdled by the entry candidates (+);
- Existing industry members are looking to expand their market reach (+);
- Newcomers can expect to earn attractive profits (+);
- Buyer demand is growing slowly (-);
- Industry members are unable to strongly contest the entry of newcomers (+).

3.4.5.6 Intensity of rivalry

- There are many rivals, with any one company's action having little direct impact on rivals' business (-);
- The number of rivals are increasing (+);
- The products of rivals are commodities and poorly differentiated (+);
- Buyer costs to switch brands are low (+);
- Buyer demand is growing rapidly (-);
- Competing sellers are active in making fresh moves to improve their market standing and business performance (+).

3.4.5.7 Bargaining power of buyers

- Buyer switching costs to competing brands are high (-);
- Large volume purchases by buyers are important to sellers (+);
- Buyers purchase the item infrequently or in small quantities (-).

3.4.5.8 Bargaining power of suppliers

- The item being supplied is a commodity that is readily available from many suppliers at the going market price and even lower (-) ;
- Seller switching costs to alternative suppliers are low (-);
- There is a surge in the availability of suppliers (-);
- Suppliers and to self-manufacture their own requirements (-);
- Opportunities (-);
- Needed inputs are in short supply (+);
- Members and perhaps become a powerful rival (+).

3.4.5.9 Threat of substitutes

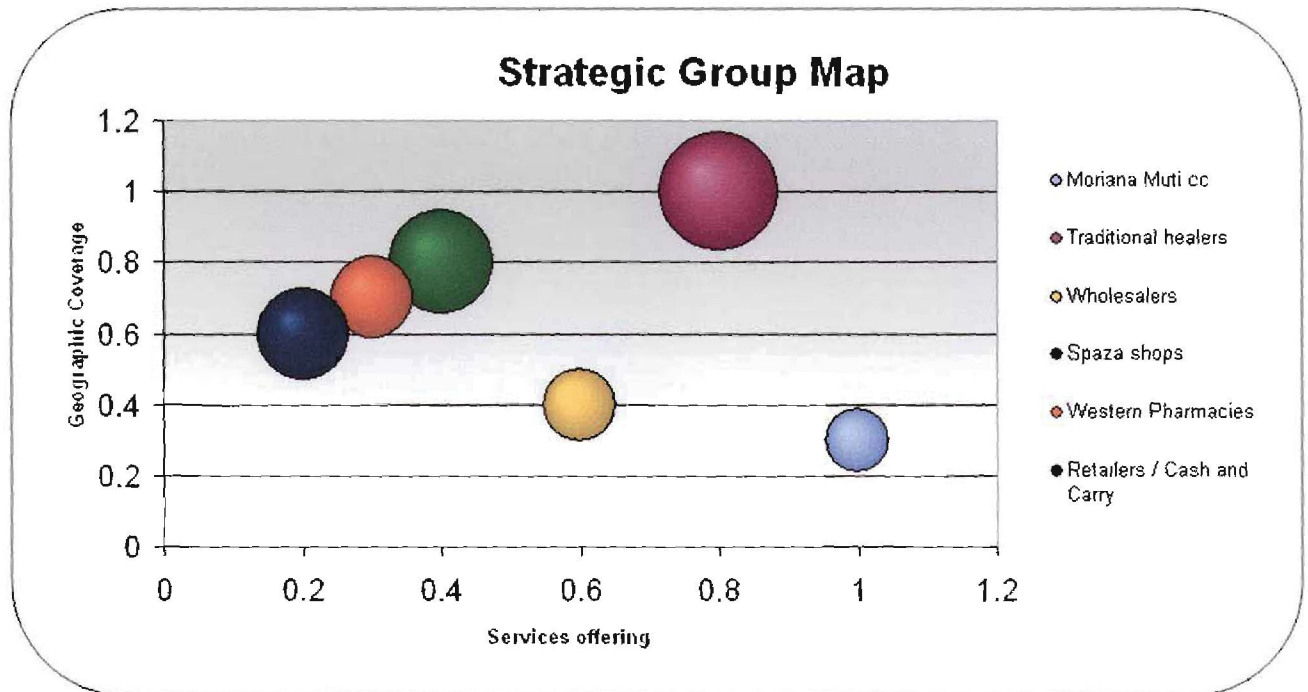
- Good substitutes are readily available (+);
- Substitutes are higher prices (-);
- End users have high costs in switching to substitutes (-);
- End users grow more comfortable with using substitutes (+);
- Substitutes have comparable or better performance features (+).

3.4.5.10 Barriers to entry

- The need to set up a distribution system;
- Knowledge of the traditional and herbal medicines, culture & traditions;
- Regulatory compliance is stringent..

3.4.6 Strategic group map

Figure 3.5: Strategic group map



Source: Abraham (2006)

Table 3.13: Strategic group map data

Strategic Group Map Data	Services offering	Geographic Coverage	Group Size
Moriana Muti cc	1	0.3	30
Traditional healers	0.8	1	100
Wholesalers	0.6	0.4	40
Spaza shops	0.4	0.8	80
Western Pharmacies	0.3	0.7	50
Retailers/Cash & Carry	0.2	0.6	60

Source: Abraham (2006)

3.5 Conclusions

All the afore-mentioned elements are the strategic building blocks for Moriana Muti. They are all drawn together and linked in order to identify the strategy for Moriana Muti and possible strategic action plans (Kotze 2007:10). A competitive strategy for Moriana Muti concerns the specifics of the organization management's game plan for competing successfully in the traditional and herbal medicines industry and securing a competitive advantage over rivals for the next three years.

The following chapter will endeavour to draw all the analysis results together in a logical order to indicate the actions required for Moriana Muti so as to become competitive in the future.

4. CHAPTER 4 - CONCLUSIONS AND RECOMMENDATIONS

4.1 FINDINGS

Moriana Muti, a privately owned company, has selected the Black ethnic rural group as the segment to target for its offering of traditional and herbal medicines. As can be seen in Chapter 3, the potential of targeting all the identified segments nationally will be very advantageous.

The most visible characteristic of the culture is that the people want to work at Moriana Muti. They have pride and ownership of their work and carry out their duties with ease. The environment is slightly controlling in the areas of stock-taking and cash management but self-management is evident in other areas.

Two core competencies of Moriana Muti are evident:

- Herbalists are knowledgeable of the 9 ethnic group's cultures and traditions;
- They are knowledgeable to mix traditional and herbal products for a wide variety of ailments.

The core competencies are vital for Moriana Muti's competitive advantage and to exploit the strengths of the company as well as the opportunities the environment offers.

The vision and mission statements link up with the values the company harnesses to reach its objectives. The statements are aligned with the strategies and visa versa. Leadership based on values is a strong drive for the company.

The company does not make optimal use of IT at their disposal and is reflected as a weakness in the SWOT analysis. Expanding the IT into all levels and aspects of the business will be to their advantage; especially to ensure that the strategies identified can be achieved successfully.

4.2 STRATEGIES

4.2.1 TOWS matrix strategies

Strategies have been identified using the TOWS matrix technique. Moriana Muti should take these strategies into account when finalising its action steps to accomplish its goal.

The strategies are as follows:

4.2.1.1 Strengths used to exploit opportunities strategies

- Benchmark with competitors and determine customer feedback regarding pricing;
- Utilise low-cost inputs to bring down prices;
- Use existing experience of 20 years and develop a campaign to sell to pharmaceutical companies;
- Package variety of products and sell to general dealers and spaza shops in townships;
- Use individual service and technology to advertise professionalism and show competence in traditional and herbal medicinal products among the white population segment.

4.2.1.2 Weaknesses mitigated by exploiting opportunities strategy

- Carry out market research to acquire retail outlets closer to taxi ranks and pedestrian traffic;
- Establish sole distributor rights in areas of trade with suppliers;
- Appoint multilingual herbalists in specific areas to cope with the multitude of languages;
- Set up an in-depth, detailed strategy for Moriana Muti.

4.2.1.3 Strengths to counter threats strategy

- Approach pharmaceutical companies with offers in trading intellectual property regarding traditional and herbal products;
- Ensure correct use of information technology and systems to analyse patient's history and to recommend appropriate treatment.

4.2.1.4 Mitigating strategies for weaknesses and threats

- BEE business deals for black owner / manager candidates;
- Cultivate products that are scarce and expensive or on the endangered list in greenhouses.

4.2.2 Key external strategic issues

- Advancement in westernised medicines at lower cost generics;
- Regulation legalising traditional healing, traditional and herbal medicines;
- Regulation legalising medical aid schemes to accommodate traditional and herbal medicines;
- Western pharmaceutical companies expanding into traditional and herbal medicines;
- Devastation of raw material due to over-harvesting and not using strip harvesting practices.

4.2.3 Key internal strategic issues

- Joint venture with westernised pharmaceutical companies;
- Expand into urban areas;
- Cultivate products that are scarce, expensive or on the endangered species list protected by fauna and flora;
- Patenting internally produced mixtures for specific ailments;
- Expanding distribution networks;
- Advertising campaign to improve brand position;
- Sole supplier for vendor products, centralising inventory management;
- Training program, improving technical and sales skills;
- Implementing technology network to link all outlets.

4.2.4 Industry attractiveness

The index indicates that this industry is 'middle of the road' in terms of attractiveness. Profits, market, growth and potential of the industry has not yet been fully assessed or exploited; hence it is difficult to assess the attractiveness. The given assessment of average is not a comprehensive reflection of the industry.

4.2.5 Competitive strength

The index indicates that this company is average in terms of competitiveness. This is a true reflection of Moriana Muti, and the subsequent strategies identified are in line with addressing these concerns as well as harnessing the core competencies to improve the company's competitive strength.

4.2.6 General Electric Matrix

Moriana Muti analysis was plotted in the grey shaded boxes indicating that a strategy should be developed on a case-by-case basis. As will be revealed later in the chapter, these strategies reflect a more specific focus, including exploiting untapped strengths and opportunities.

4.2.7 Strategic alternatives

Table 4.1: Strategic alternatives

Bundle 1	Bundle 2	Bundle 3
Joint Venture	Vertical integration	Franchising
Establish Joint ventures with pharmaceutical company's to take advantage of each companies competitive advantages	Cultivate raw products to be used in Moriana Muti, establish outlets for the distribution of these products	Selling the Moriana Muti concept as a franchise
Utilise laboratories of pharmaceutical companies for research and development of traditional and herbal medicines	Lease or acquired land to cultivate products that are scarce, protected, expensive, difficult to harvest	Educate franchisers in environmental practices
Utilise pharmaceutical companies' distribution channels to distribute traditional and herbal products	Manufacture, patent medicinal products under the Moriana Muti brand	
Pharmaceutical companies can utilise Moriana Muti skills and knowledge to train their employees in traditional and herbal medicines	Establish company owned outlets to distribute products and service nationally	
Utilise Moriana Muti distribution channels to reach rural area's for distribution of westernised medicines	Educate traditional healers in environmental practices	
Utilise pharmaceutical companies, financial strength to expand traditional and herbal medicines		

Source: Abraham (2006)

4.2.8 Criteria matrix for strategic alternatives

A score from 0 to +10 (10 being best) is indicated for the positively correlated criteria chosen (indicated by "P"). A score from -10 to 0 (0 being best) is indicated for the negatively correlated criteria chosen (indicated by "N").

Table 4.2: Criteria matrix for strategic alternatives

		Bundle 1	Bundle 2	Bundle 3
Criteria		Joint Venture	Vertical integration	Franchising
Adverse effect on competitors	P	6	4	6
Contribution to shareholder value	P	8	6	7
Growth in profits	P	5	6	6
Strength of value proposition	P	7	7	7
Extent of research and development progress	P	8	4	5
Access to traditional and herbal medicines	P	4	8	6
Extent to which culture must change	N	-7	-2	-5
Overall riskiness	N	-6	-4	-5
Extent to which individual customer focus will be impacted	N	-3	-7	-5
Extent to which customer loyalty will be impacted	N	-4	-8	-9
Extent to which traditional cultural heritage is impacted	N	-2	-8	-5
OVERALL SCORE		13	-2	0

Source: Abraham (2006)

As deduced from the criteria matrix and overall score, the joint venture bundle will be the most appropriate strategy to attain the goals and results that Moriana Muti aspires to achieve. The rationale for selecting bundle 1 is based on the overwhelming competitive advantages that will be gained by Moriana Muti over their competitors. These advantages of the joint venture outweigh and outnumber any of the other strategy bundles.

4.2.9 SPACE analysis

The Strategic Position and Action Analysis indicate that Moriana Muti is strong in all dimensions except being weak in financial and environmental stability. The quadrant also indicates that Moriana Muti has a competitive advantage in a good industry.

4.2.10 Environmental analysis

Most of the positive aspects outweigh the negative aspects. What is also evident is that, although the negative aspects are apparent, there are counter trends and activities that mitigate and reduce the negative impact on the industry, shifting the advantage more towards a positive industry, e.g. the black ethnic groups moving towards more westernised European traditions and lifestyles are dissipated by the need for general health care from natural resources at an affordable price.

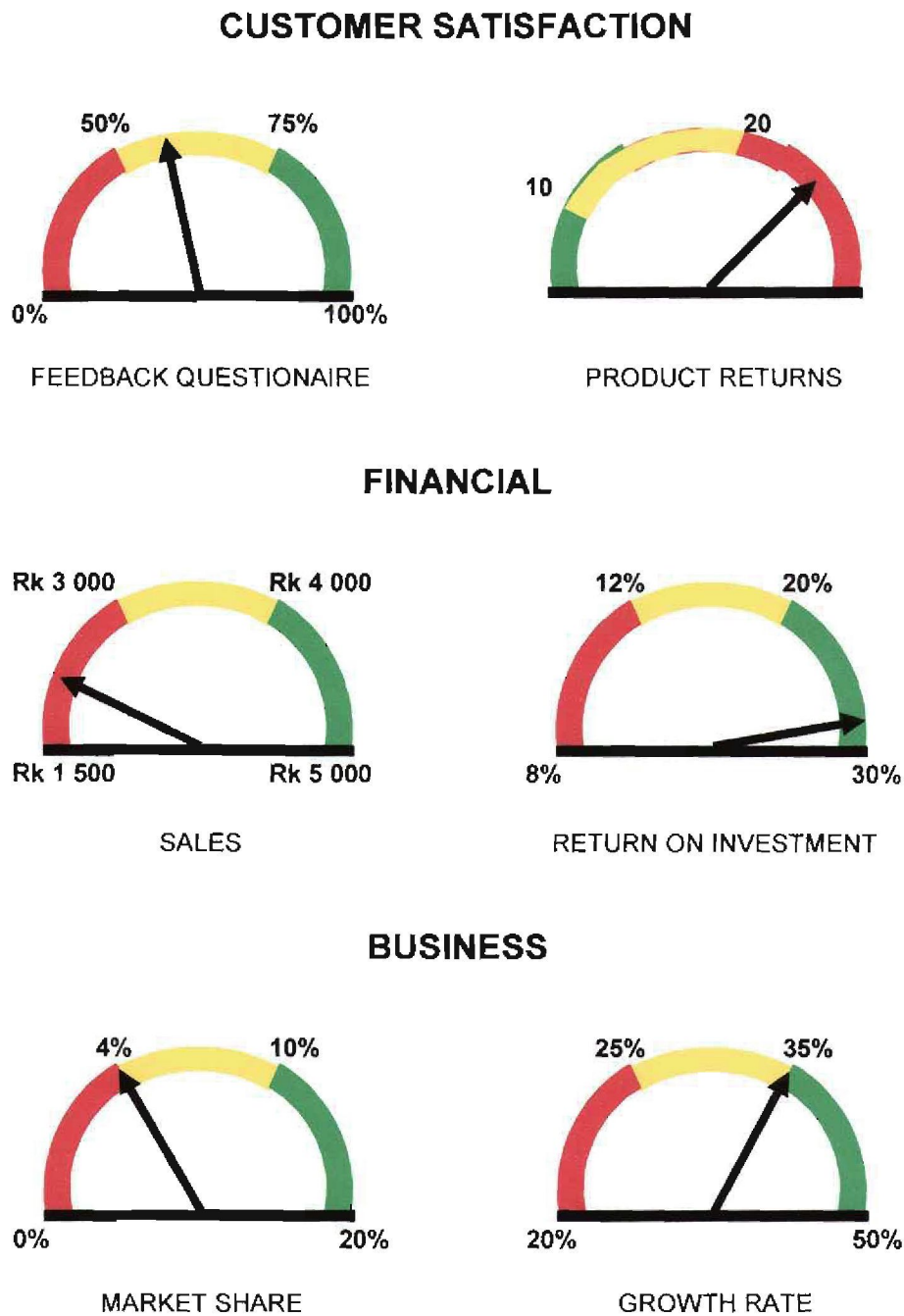
4.2.11 Industry value analysis

From the analysis it is evident that Moriana Muti has much to offer to customers regarding traditional and herbal medicinal products. Although Moriana Muti weighs on average very close to its competitors and the industry, the company scored higher than the industry and competitors regarding Customer Intimacy.

4.3 BALANCED SCORE CARD

The balanced score card for Moriana Muti is vital to keep track of the successful execution of the strategy imposed. Any deviation from the strategy will be picked up through the metrics proactively for any corrective actions to be taken.

Figure 4.1: Balanced score card



Source: Abraham (2006)

The strategic action list is important to ensure that all relevant actions that need to be carried out are captured formally with completion dates. It is to Moriana Muti's advantage to complete these actions within the period stipulated to ensure that the competitive advantage is maintained and that the advantages and success are reached as proposed.

Table 4.3: Strategy action list

STRATEGY

	Due Date	Barometer	Action
<u>JOINT VENTURE</u>			
Wyeth	Jan-08		Discuss proposal with Wyeth and set up a meeting with Shering Plough and Bechum to discuss a proposal
Shering Plough	Apr-08		
Bechum	Nov-08		
R&D	May-08		

VERTICAL INTEGRATION

Acquire land	Sep-09		Look at suitable climate area for cultivating products
Cultivate products	Oct-09		
Owner managed outlets	Jan-10		
Environmental training	Jan-10		

FRANCHISING

Contract	Jun-10		Identify 3rd party to draw up franchise contract
Financing	Aug-10		
Identify locations	Jan-11		
Identify franchisees	Mar-11		
Open 1st outlet	Sep-11		

Barometer

On track	
Focus energy	
In trouble	
On Hold	

Source: Abraham (2006)

4.4 CONCLUSION

Moriana Muti has a wide product range to offer their consumers. They are restricted in the manufacturing of patented products, since their infrastructure does not cater for research and development and their use of technology is very restricted.

The market growth is average but, given the conservative study and results, the potential of the market could translate in realizing a sizable profit margin. Growth in market share is inevitable, given the segment and target market, and given that the strategy is implemented.

Given their core competencies, access to financial capital and their culture, Moriana Muti is in a favourable position in an emerging industry to take advantage of the opportunities in the market and to capitalise on their strengths as identified in the SWOT and TOWS analyses.

Given the research assumptions and limited information available on the subject, the feedback received from traders in the traditional and herbal medicines correlate with the SPACE analysis, indicating that Moriana Muti does have a competitive advantage that should be exploited.

The current strategy Moriana Muti is following will not ensure growth and capturing market share. In an average attractive market the organization should be capitalising on its strategic competitive advantage, learning culture and transformational leadership to take the quantum leap forward.

The GAP has been established, thus the question of where Moriana Muti is positioned currently and where they need to be is known. The how to close this GAP and the initiatives involved must be formulated.

The recommended strategy Moriana Muti must follow is based on their current strategy, being a low-cost broad differentiation provider. Their culture is aligned to such a

strategy, more critically their human resources are committed and competent for such a strategy. The strategic direction and the strategic intent of a joint venture with the pharmaceutical companies will require certain skills and competence within Moriana Muti, which they will have to acquire to be successful. These skills are based on business management, research and development, marketing and the like.

The geographically located Moriana Muti outlets can now use the strategic plan for common direction and guidance to do their aligned operational planning. Further expansions and strategic initiatives within the following three years will also be based on these guidelines. Direction will also be given regarding the Organisational structure required to carry out the strategy. From a joint venture perspective, the specifics of a matrix organization structure should be drafted with the pharmaceutical companies.

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