



TITLE

**A COMPETITIVE STRATEGY FOR KAGISO KHULANI SUPERVISION
FOOD SERVICES**

By

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MASTERS IN BUSINESS ADMINISTRATION

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CONFIDENTIALITY CLAUSE

29 September 2003

To Whom It May Concern:

Due to the strategic importance of this research it would be appreciated if the contents remain confidential and not be circulated for a period of five years

Yours sincerely

096314

A handwritten signature in black ink, appearing to read 'Y. Gravett'.

Yolande Gravett

DECLARATION

This research has not been previously submitted for any degree and is not being currently submitted in candidature for any degree.

Signed:

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29 September 2003

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Thank you to Professor Elza Thomson for her advice and guidance at the last minute.

Thank you to my husband, Andrew for his unfailing support and motivation.

ABSTRACT

The purpose of this study is to establish the most appropriate competitive strategy for Kagiso Khulani Supervision Food Services, a division of the Compass Group SA in KwaZulu Natal. This dissertation is in the form of a case study, with an electronic survey used as an instrument to gather information on the competitive environment facing the Compass Group SA.

A literature review of strategic management principles has been conducted. Emphasis has been placed on the evaluation of the internal and external environment, and the generation of strategies to deliver competitive advantage. The survey conducted is used to gain an understanding of the external position of the firm. Evaluation of the internal environment has been against the model suggested by Campbell, Stonehouse and Houston, 2002, in "The Strategy Circle".

To conclude the study recommendations are made based on the evaluation, answering the question "What is the most appropriate competitive strategy to be adopted by Kagiso Khulani Supervision Food Services in Kwa Zulu Natal, to retain existing business and be awarded new contracts."

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1 Chapter One – Introduction

1.1 Introduction

The market available to foodservice providers in Southern Africa is extensive, with approximately 50% of the total market contracted to a recognised foodservice company. The "market" can be described as any captive grouping of people that require the services of a caterer. This ranges from hospitals to educational facilities, prisons, factories and various corporate environments.

The development of professional industrial catering organisations has evolved over the past three decades, which qualifies it as a fairly new profession when compared to areas such as the mining and manufacturing sectors. The Compass Group SA was born in the early 1980's, and Fedics Food Services in 1971. These are the two largest companies who between them hold the majority of the contracted market. Other much smaller competitors include Royal Foods, Mandate, Sidexho, Hospitality and Unique.

Considering this background to the foodservice industry, the purpose of this paper is to determine a competitive strategy for the Compass Group SA, and more specifically Kagiso Khulani Supervision Food Services.

1.2 Motivation

The Industrial Catering market has become increasingly competitive over the past five years. The nature of this competition has manifested itself in price-cutting between the various companies to win and retain business. Price-cutting is not a sustainable competitive advantage, and long-term is extremely detrimental to the industry. There are two ways in which to cut prices - the price of food, and the salaries of the staff involved in the industry. This lends itself to cutting corners in the preparation and serving of food, which has endless ramifications in terms of both Health and Safety standards. Customers are short-changed, and a general mistrust in the industry is promulgated.

Also, wages in the Industrial Catering Industry are poor. The result is a low skills level, low morale, low motivation and a perception that the catering industry is for non-professionals. Instead of a developing industry, these factors contribute to stagnation or decline, and a poor industry reputation.

The motivation behind this study flows from the above. Do customers want the cheapest price? Where do service excellence and food quality rank? Do businesses in the Industrial Catering Industry, specifically the Compass Group SA in KwaZulu Natal actually understand what formulas will win and sustain their business? Generally, the sales strategy to date in the Compass Group SA has been to offer the best price and quality. Most other catering companies are also of the opinion they offer the best price and quality. The result is an eroding of operating margins for the industry as a whole, which can only have the long-term effect of stunting growth and development.

The motivation of this study can therefore be summarised as quest to understand the customer, and the development of a formula providing sustainable competitive advantage.

1.3 Value of the Project

The value of this study flows from what is recorded above. There is a clear opportunity for competitive advantage to be created by means of a focussed strategy. For the past few years the company has concentrated on internal processes and organisational culture, which are equally important to the overall success of the business, but to a certain extent have perhaps neglected external strategies. Employees of the company have always proclaimed that they are superior to the competition, but in reality the differentiation between the major players in the industry is unclear. The value of this study therefore, would be to gain an understanding of the market position and requirements, as well as the company strengths and core competences, to be used in the development of an externally competitive strategy.

1.4 Problem Statement

" What is the most appropriate competitive strategy to be adopted by Kagiso Khulani Supervision Food Services, a division of the Compass Group SA, in KwaZulu Natal, to retain existing business and be awarded new contracts?"

Although this problem statement appears to be fairly simple at the outset, the underlying factors relating to competitiveness in the catering industry are complicated and sometimes difficult to objectively define.

As mentioned in the section above, the Compass Group SA in the past few years has concentrated on fine-tuning internal processes. This has generated enormous value financially, and has also positioned the organisation for future growth. However, losing touch with the external environment could have dire consequences, including losing business to the various competitors. Continual analysis of both the internal and external environment is essential in the formulation and adjustment of competitive strategies.

1.5 Objectives of the Study

The purpose of this study flows easily from the problem statement. The ultimate goal of this study is to design an appropriate competitive strategy or strategies for the Compass Group SA in KwaZulu Natal. This can be broken down into further questions that need investigating. These can be listed as follows:

- How will the market make their decision on which food service company to align themselves with?
- What is the attitude of clients towards the existing food service providers?
- Is the market ready to make decisions based on a quality product, rather than just price?
- Is the economic condition of KwaZulu Natal, also a factor that is taken into when an organisation decides which caterer to use, if any at all?
- Do the various sectors of the business have different requirements from caterers? (Sectors include hospitals, schools, retail, factories and corporate environments)
- Does the market perceive a difference between the various catering companies?

- Are there unexplored opportunities from the perspective of the market place that can be developed into a competitive advantage?

1.6 Research Methodology

The research design selected for this paper is the case study method. A brief electronic survey is included in this case study as a means of gathering information on the company from an external point of view.

A case study is an "in-depth, contextual analysis of a few events or conditions" (Cooper and Schindler, 2001, p140). Detail and information gathered on the company provides valuable insight for problem solving, evaluation and strategy recommendation. The design therefore is qualitative, exploratory and descriptive in nature. A descriptive study describes the "phenomena or characteristics associated with a subject population" (Cooper and Schindler, 2001, p 146). This is precisely the objective of the study - to understand the motivation and perceptions of the market when deciding on which caterer to use, the intention being to develop a strategy to cater for these requirements.

In addition, this study is not experimental, but ex post facto. The researcher had no control over the variables, nor was able to manipulate them. The intention is to merely report the status quo, evaluate and make recommendations for the Compass Group SA to develop an appropriate competitive strategy.

Furthermore, the study is cross sectional and not longitudinal. It is merely a "snapshot" of the status quo at that point in time. Market forces are dynamic and therefore any competitive strategies would have to be periodically reviewed. For the purpose of this study, a longitudinal research design is beyond the allocated budget and time constraints.

The research methodology was "communicational" as opposed to observational. Communication with the respondents was by means of an email or fax survey. Surveys are described as one of the most cost-effective methods of undergoing market research. However, Cooper and Schindler list the response rate of mail

surveys as low as 20%. The actual response rate was 31%, which is an acceptable return.

The survey included both opened ended and closed questions. Open-ended questions were be used in an attempt to elicit information from the respondents where current food service providers are not providing for the needs of the market. A combination of rating scales is used and purposefully the survey is not too long and laborious to have discouraged participation.

A total number of 160 survey forms were issued to customers, or potential customers listed on the Compass Group SA's Sales database, on a random basis. Fifty surveys were returned, which amounts to a response rate of 31%. A stratified random sampling method was used, with the strata divided into the sub-populations of Business and Industry, Healthcare, Education and Government. Only one response was received from the Government strata, and therefore was not analysed. Cooper and Schindler list the advantages of a stratified random sample as an increase in the sample's statistical efficiency as well allowing adequate data for analysing the various sub-populations.

The overall design of this case study encompasses the use of the survey to determine information regarding the external position of the firm. An examination of the internal environment of the organisation is made, and compared against a strategic model. This forms the basis of the strategic evaluation, with concluding recommendations.

1.7 Limitations

The following limitations apply to this study:

- This is a cross-sectional study, and therefore the value has a limited time frame.
- The dynamics of the economy in KwaZulu Natal are not static. As per normal corporate strategy guidelines, competitive strategies must be revised with a change in the external environment.
- The study is limited to KwaZulu Natal and therefore the results could not be inferred on other geographical areas.

1.8 Structure of the Study

This study is divided into five very distinct sections. This first section (Chapter 1) is an introduction to the topic with an explanation into the research methodology employed. The next section (Chapter2) is a review of literature, concentrating on the strategic management process. The next section (Chapter 3), reports the company status quo, followed by Chapter 4 where an evaluation of the company situation is made against the strategic model developed in Chapter 2. The last chapter highlights strengths of the company, and makes recommendations for areas of improvement.

2 Chapter Two - Strategic Concepts in Delivering Competitive Advantage

2.1 Introduction

The Strategic Management process can be simply described as the desire for organisations to identify why and how businesses can achieve superior performance. "Strategic planning is a broad overall review by the people at the top to see where the company stands and what major steps it must take to prosper in the coming years". (www.argentiassociates.com) Most strategy textbooks give a similar breakdown of the strategic management process being the following:

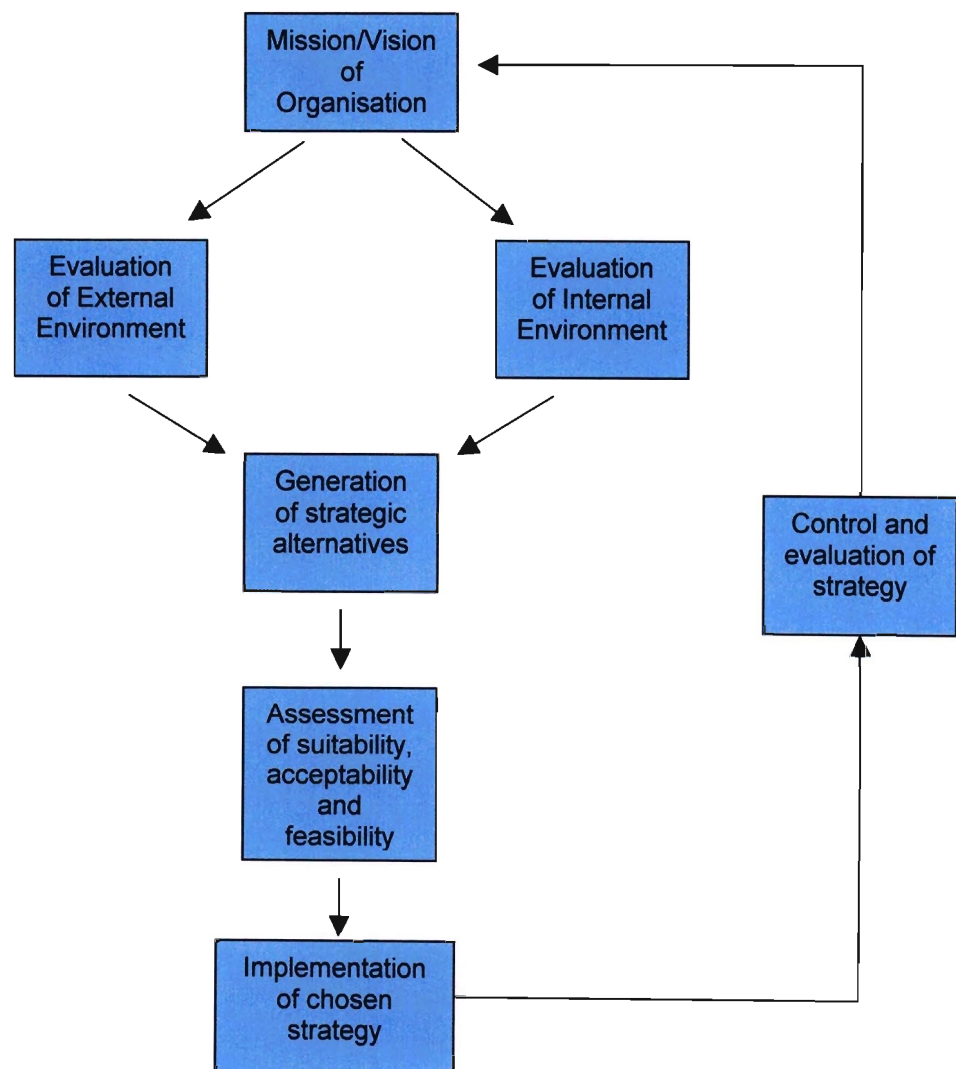


Figure 2-1 Basic Strategic Management Process (Generic)

The critical element of any strategic plan is long-term superior performance through competitive advantage. The theory on how to obtain competitive advantage encompasses various schools of thought. Campbell, Stonehouse and Houston, 2002 summarise the development of strategic management very aptly between the following trends - the prescriptive approach, an emergent approach, a knowledge-based strategy, resource approach, competitive positioning approach and a collaborative strategy:

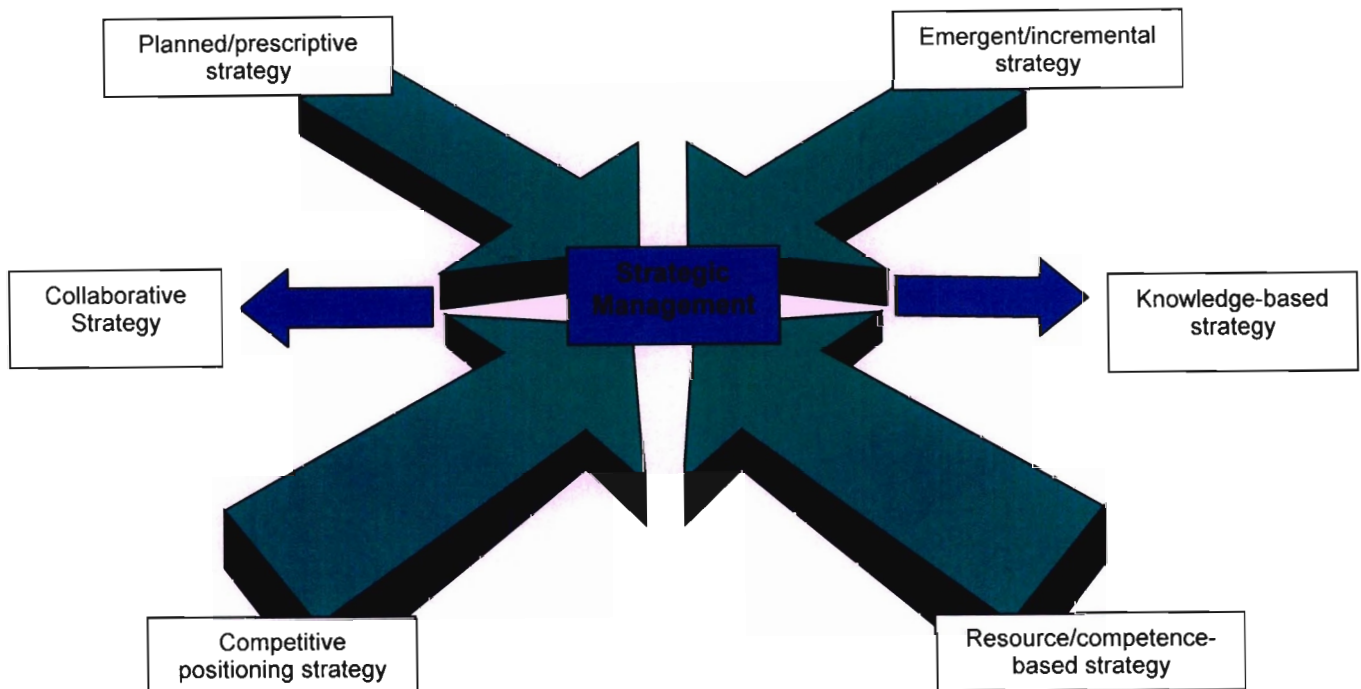


Figure 2-2 The Development of Strategic Management (Adapted from Campbell, Stonehouse and Houston, 2002 p293)

Early strategists such as Argenti (1965, 1974), and Ansoff (1965) are of the opinion that strategy is deliberately planned. It seeks to achieve a fit between the environment in which it operates and the organisational strategy. Porter (1980, 1985) was of the opinion that competitive advantage was based on the competitive positioning of the organisation within its environment. The five forces' framework, the three generic competitive strategies and the value chain demonstrate Porter's theories. His work has made a wide impact in academic circles and is widely referred to; however, the limitation of application in a stable environment is recognised.

Mintzberg and Walters (1985), Lindblom (1959), and Mintzberg et al (1995) suggest an emergent approach to strategic planning. This takes cognisance of the gap between the planned strategy and the actual strategy that is realised. The planned approach to strategy is accepted, however, their opinion implies that plans must be flexible in order to allow change when circumstances dictate.

Strategists of the 1990s such as Prahalad and Hamal (1990, 1994), Heene and Sanchez (1997), and Kay (1993), suggest a more "inside out" approach to strategy. Competitive advantage depends on the ability of the business to build core competencies or distinctive capabilities that cannot be replicated by competitors. Competitive advantage is internally developed, however a criticism is that the organisation loses sight of the environment, customers and competitors.

A recent view of strategy is that a holistic view should be adopted that encompasses elements of all of these referred theories - both an "outside in" and an "inside out" approach. A learning or knowledge-based approach to strategy embraces all facets of the organisation such as resources, capabilities and core competencies, and interactions with the environment (customers, competitors, suppliers, legislation, technology etc). Nonaka (1991), Nonaka et al (2000), Pemberton and Stonehouse (1999) and Stonehouse et al (2001) suggest this approach. The process of organisational learning and knowledge creation will encourage the development of competitive advantage. Campbell, Stonehouse and Houston, 2002 have devised a "Strategy Circle" that encompasses this holistic approach to strategy development. It is demonstrated as follows:

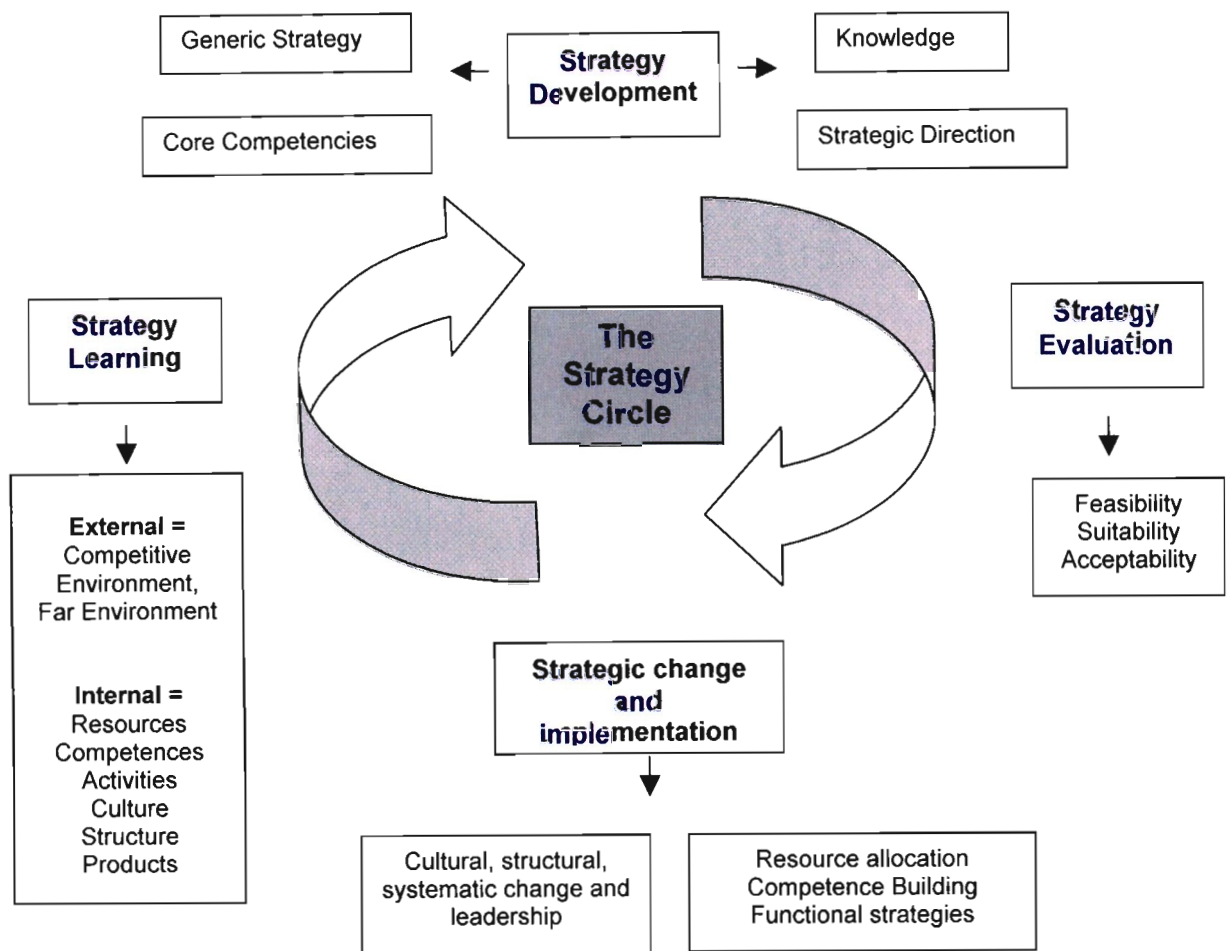


Figure 2-3 The Strategy Circle (Adapted from Campbell, Stonehouse and Houston, 2002 p19)

The purpose of this study relates to the development of a competitive strategy that can be adopted by the Compass Group SA in KZN to retain existing contracts and win new business. The literature referred to above can all, in parts, be applied to this process, however, for the most part, the point of reference will be the above "Strategy Circle" These strategic concepts will now be discussed in more detail, and later in the document applied to the research findings.

2.2 The Planned Vs Emergent Approach to Strategy Development

The theory on how strategy is actually made in an organisation has been much debated. Confusion has arisen between theorists who define strategy as a "pattern of

decisions" and those who view strategy as "a pattern of actions". (De Wit and Meyer, 1999 p97). According to De Wit and Meyer, 1999, Mintzburg and Waters, 1985, have distinguished these two approaches to strategy by referring to them as the *intended strategy* (planned) and the *realised strategy* (emergent). "Where realised strategies were fully intended, Mintzburg and Waters speak of deliberate strategy. However, they argue that realised strategies can also come about despite, or in the absence of, intentions, which they label *emergent strategy*" (De Wit and Meyer, 1999 p97). The differences between a planned or emergent approach to strategy are summarised as follows:

	Planning Perspective	Incrementalism Perspective
Nature of Strategy	Intentionally designed	Gradually shaped
Nature of strategy formation	Figuring out	Finding out
Formation process	First think, then act	Thinking and acting intertwined
Focus on strategy as a	Pattern of decisions (plan)	Pattern of actions (behaviour)
Decision making	Hierarchical	Political
Decision making focus	Optimal resource allocation & co-ordination	Experimentation and parallel initiatives
View of future developments	Forecast and anticipate	Partially unknown and unpredictable
Posture towards the future	Make commitments, prepare for the future	Postpone commitments, remain flexible
Implementation focused on	Programming (organisational efficiency)	Learning (organisational development)
Strategic change	Implemented top-down	Requires broad cultural and cognitive shifts

Table 2-1 Planning vs incrementalism perspective (Adapted from De Wit and Meyer, 1999 p105)

Criticism of the formal planning approach says the focus is unduly on measurable and quantitative factors. The importance of organisational behaviour in terms of culture, learning and attitude is not realised to its full potential. However, without objective setting, an organisation would be without a long-term direction, and could suffer strategic drift. Chakravarthy and Lorange, *Managing the Strategy Process: A*

Framework for a Multibusiness Firm, (De Wit and Meyer, 1999) go further than only proposing a structured strategic plan. Their view is that a strategic plan should also interact with the learning system, incentives system, staffing system; and with the monitoring and control - a highly structured and comprehensive approach to strategic planning. The view of the author of this dissertation is that both planned and emergent methods of strategy generation can be applied dependent on the situation of the organisation.

2.3 Evaluation of the External Environment

Taking into account the above, an analysis of the environment in the strategic process is appropriate. Evaluation of the external environment refers to both the far environment and the competitive positioning of the firm. The most common tool to evaluate the general environment is a PEST analysis, which includes an evaluation of the broad political, economic, socio-cultural and technological factors that will have an affect on all organisations within the industry. A PEST analysis is a basic strategic tool, and is only mentioned briefly in this case study. Of more emphasis in this study is the competitive positioning of the organisation, which is discussed hereafter.

2.3.1 Porter - The Competitive Positioning Approach

Porter is considered the most important theorist in the positioning approach to strategic competitive advantage. His works are widely known and publicised, and it is accepted that Porter's theories do have a place in the development of strategy, although there are limitations.

"Porter argues that two central questions underlie the choice of competitive strategy. First, strategists must select a competitive domain with attractive characteristics and then must position the firm *vis-à-vis* the five competitive forces encountered. These five forces impinging on the form's profit potential are the 'entry of new competitors, the threat of substitutes, the bargaining power of suppliers, and the rivalry among the existing competitors'. Long run above average performance results from selecting one of the three defensible positions available to the strategist: *cost leadership*, *differentiation* or *focus*. According to Porter, these three options, or *generic strategies*,

are the only feasible ways of achieving a sustainable competitive advantage. A firm that does not make a clear choice between one of these strategies is 'stuck in the middle' and will suffer below average performance" (De Wit and Meyer 1999 p206).

Porter is criticised in the following areas:

- Industries deemed "unattractive" in his model of industry attractiveness do have organisations that deliver superior performance.
- Positioning as a manner of formulating competitive strategies is too static. The external environment is turbulent and therefore organisations must be flexible in their strategy to achieve sustainable advantage.

Porter's model of Industry Attractiveness is demonstrated as follows:

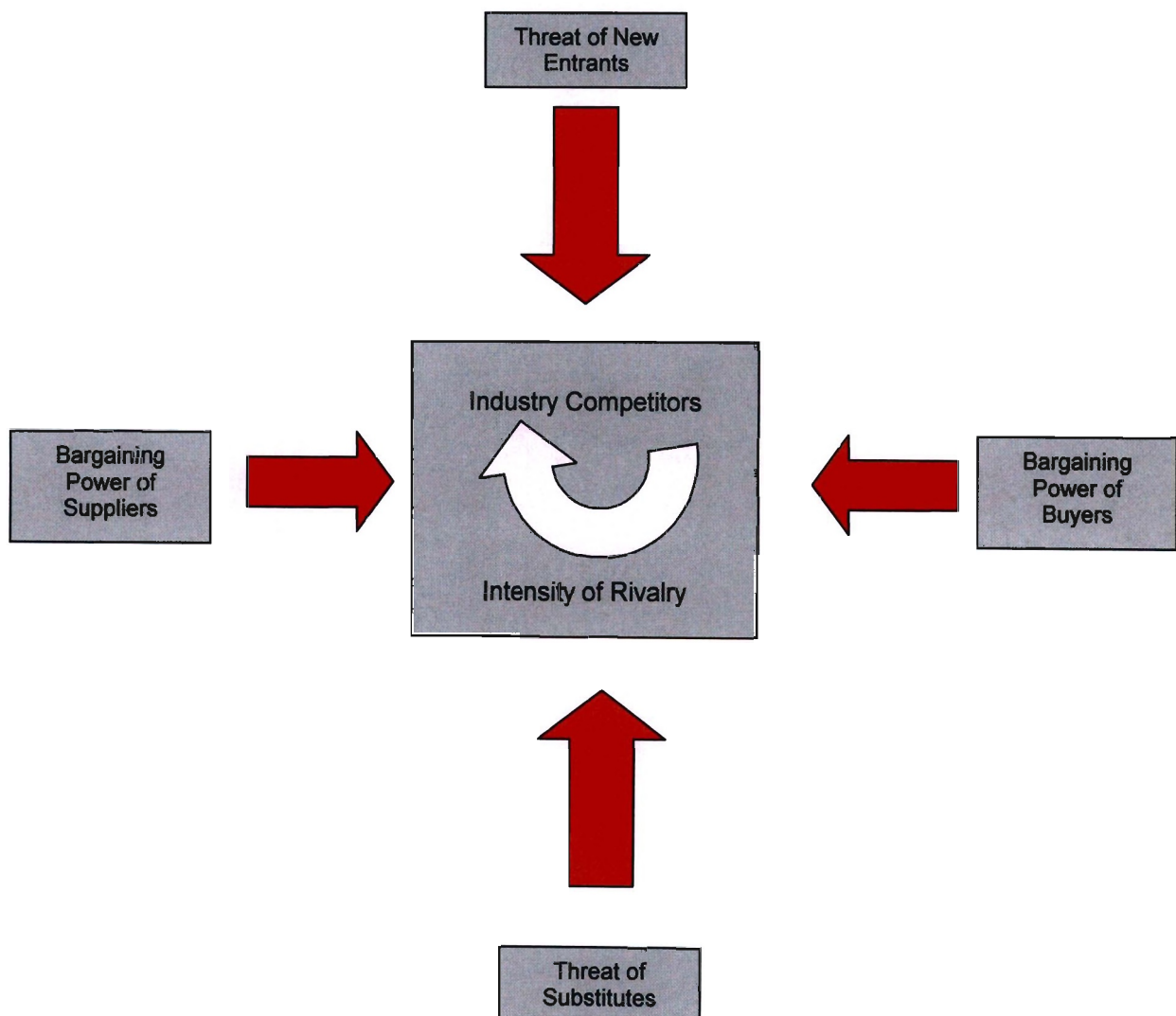


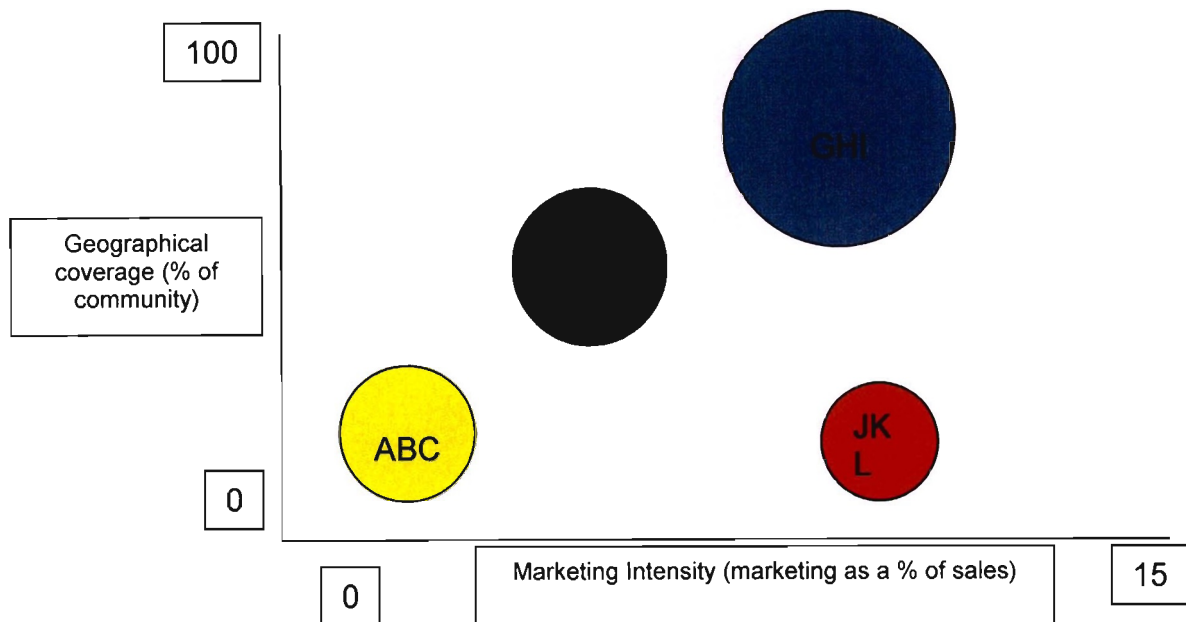
Figure 2-4 Porters Five Forces Model (Adapted from De Wit and Meyer, 1999 p207)

2.3.2 Strategic Group Map

In addition to Porter's competitive positioning approach, a strategic group map is another way in which the competitive position of an organisation can be analysed. A strategic group consists of rival firms that have a similar position in the market and a similar approach to competitiveness. "Dividing industry members into strategic groups allows industry analysts to better understand the pattern of competition in complex industries and to pin-point a firm's closet competitors" (Thompson and Strickland, 2003 p100). The competitive characteristics differentiating firms in an industry, such as price/quality range, geographic coverage, and degree of vertical integration and use of distribution channel are all characteristics used when constructing a strategic group map. Firms are plotted on a two variable map using pairs of these differentiating characteristics. The position of the firm is plotted on the map according to the proportional size of the organisation's specific share of total industry sales revenues.

The value to be derived from a strategic group map relates to the analysis of industry driving forces and competitive pressures, and whether these pressures adversely affect some organisations. Should this be the case, the intention would be to shift to a group that is more favourably situated. "Another consideration is whether the profit potential of different strategic groups varies due to the strengths and weaknesses of each group's market position." (Thompson and Strickland, 2003 p101).

To summarise, "a strategic group map helps to identify who the most direct competitors are, on what basis competitive rivalry is likely to take place within strategic groups, and how this is different from rivalry within other groups" (Johnson and Scholes, 1999 p127). A graphical demonstration of a strategic group map is as follows:



Key: ABC to JKL: Separate organisations in a specific industry

Figure 2-5 Strategic Group Map (Adapted from Johnson and Scholes, 1999 p130)

2.3.3 Generic Competitive Strategies

Positioning according to the Porter's Five Forces Model suggests whether a firm's profitability is above or below the industry average. Porter's theory is that the fundamental basis of sustainable competitive advantage and therefore above average performance in the long run, depends on two basic types of advantage - low cost or differentiation. Both these advantages stem from the ability of the firm to cope with the five forces better than competitors. Combined with the scope of the firm's activities, a focus strategy is the third generic strategy and can be separated into both a cost and differentiation variant.

Criticism is noted from Richard Rumelt, 1991 (*The Evaluation of Business Strategy*), where he separates the definition of "generic" strategy and "competitive" strategy, using the example of the chain supermarket as a successful generic strategy. A potential entrant into the retail chain supermarket arena must go beyond this generic strategy to find a way in which to successfully compete. A competitive strategy

focuses on the differences among firms rather than the common mission. Rumelt states that competitive advantage can be traced to the following:

- Superior resources
- Super skills
- Superior position

However, Porter's generic competitive strategies are still widely accepted and referred to. They are graphically demonstrated as follows:

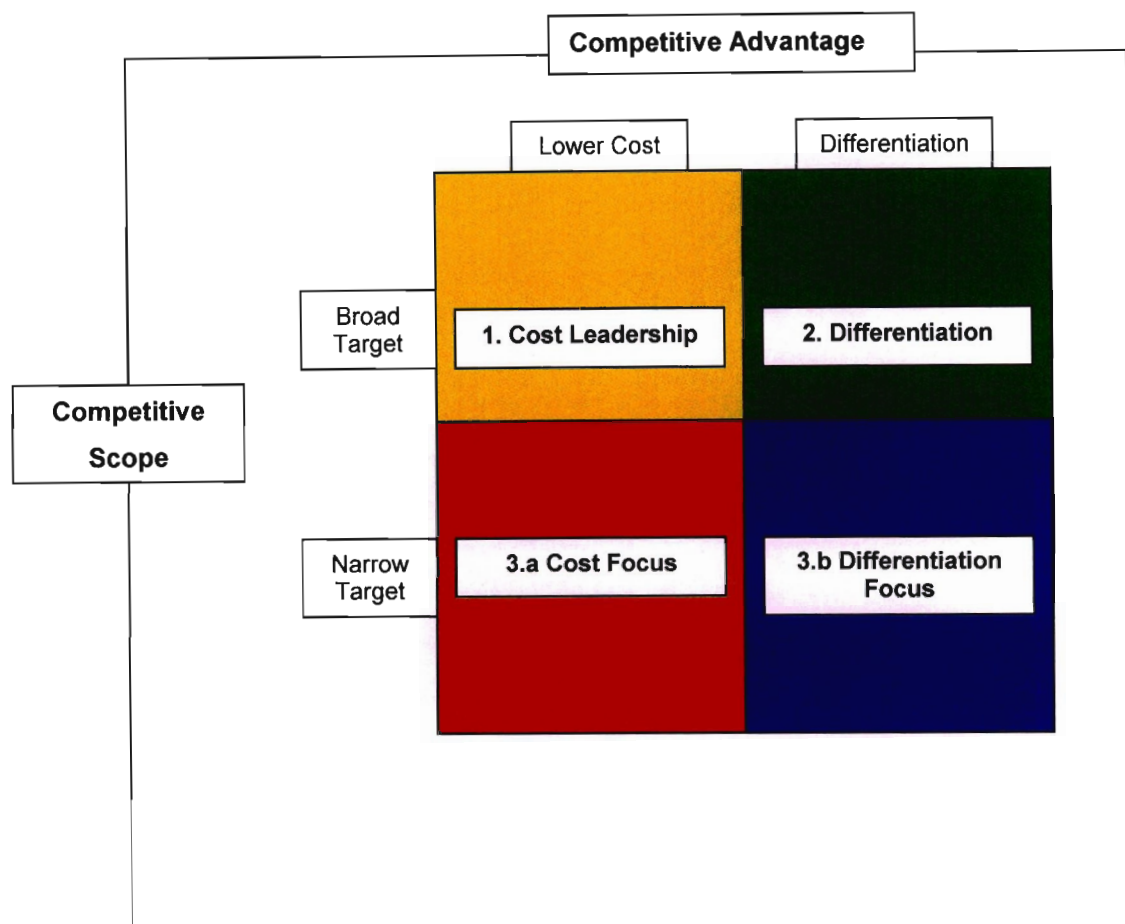


Figure 2-6 Porter's Three Generic Strategies (Adapted from De Wit and Meyer, 1999 p213)

Porter theorises that if a firm is to obtain a competitive advantage, it requires the firm to make a choice about the type of competitive advantage it seeks to obtain. A criticism from De Wit and Meyer, 1999 p213, of this principle is as follows, "Being all things to all people is a recipe for strategic mediocrity and below average performance, because it often means that a firm has no competitive advantage at all."

2.3.4 Value Chain Analysis

In addition to the generic competitive strategies, Porter suggested that each individual part of the organisation contribute to the overall value the organisation delivers, thus contributing to the competitive advantage. This concept of Value Chain Analysis was used in accounting analysis some years before Michael Porter suggested it could be applied to strategic analysis. According to Porter, the primary activities of the organisation are Inbound Logistics, Operations, Outbound logistics, Marketing and Sales and Service. These areas are responsible for the competitive advantage the firm delivers. The support activities of the organisation include Procurement, Technology Development, Human Resources and the Infrastructure, and also contribute to the value delivered. Competing organisations in the same industry will have similar value chains, but the value (and therefore competitive advantage) each delivers will vary. Porter's Value Chain is demonstrated as follows:

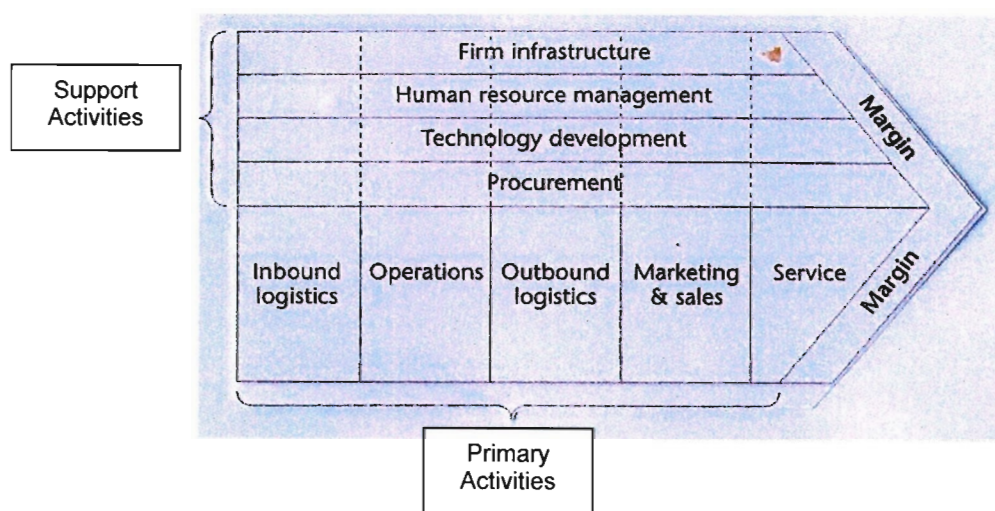


Figure 2-7 The Value Chain (Adapted from Lynch, 2000 p591)

To quantify the value activity provides is difficult; the main benefit of the Value Chain is to make broad comparisons between competitors. An analysis of the value-adding activities helps to identify where most value is added and where there are blockages. A criticism of the Value Chain is that it is designed to explore the existing linkages and value-added areas of the business, and does not look outside the existing structure where the real, or additional, competitive advantage may lie. It can also be used to evaluate the extent to which activities of the value chain support the strategy of the

organisation. Although Porter does generally adopt an "outside in" approach in his theories, there are elements of the value chain that coincide with the resource-based approach to developing competitive advantage.

So far, this chapter has concentrated on the traditional methods of environmental analysis, however, the complementary view of a resource-based approach must also be considered.

2.3.5 The Resource-Based Approach to Environmental Analysis

The Resource-Based approach lists the following limitations in traditional frameworks:

- "They do not sufficiently integrate the external and internal analysis (Sanchez and Heene, 1997)
- They presume that businesses are naturally competitive and not collaborative
- They emphasise product markets and not resource markets
- They do not recognise organisations may alter their own competitive environment by competence leveraging
- They do not recognise that organisations currently outside an organisations industry may pose a competitive threat if they possess similar core competences and distinctive capabilities
- Similarly, they do not recognise that the leveraging of existing competences and the building of new ones might enable the organisation to compete outside their current industry" (Campbell, Stonehouse and Houston, 2002 p144)

The resource-based framework is divided into five inter-related areas: - the organisation, its industry, product markets, resource markets and other industries. This is demonstrated below:

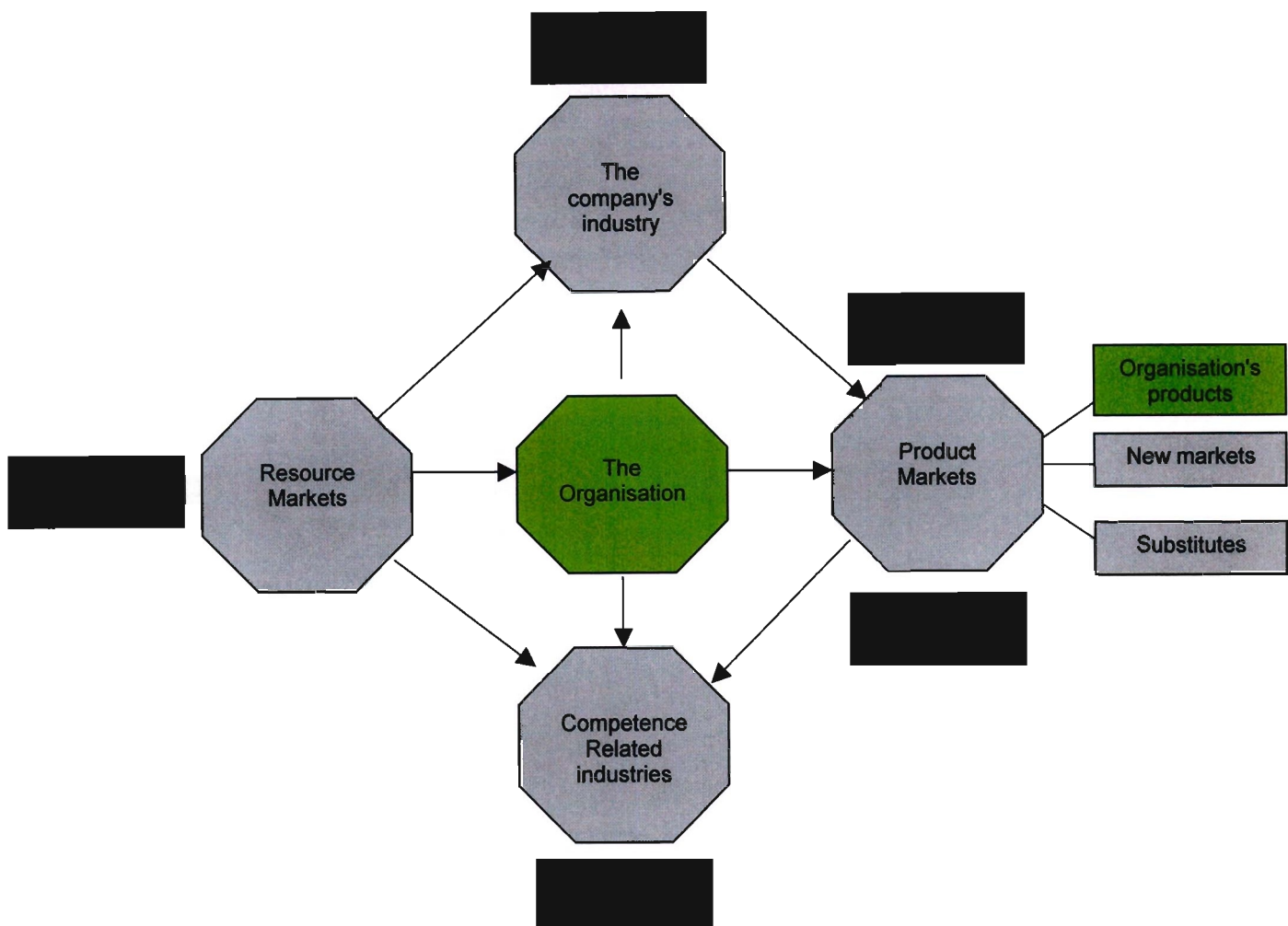


Figure 2-8 The resource-based model of strategy (Adapted from Campbell, Stonehouse and Houston, 2002 p145)

The resource-based model enables the organisation to assess competition within its own industry and market. It allows the organisation to assess the threat from competence related industries, as well as analyse the opportunity in other markets where its core competences might apply. This framework is more complicated than the Five Forces model, but allows a more balanced overall outlook to an external analysis.

2.4 Evaluation of the Internal Environment

In addition to an external analysis of the environment, the strategy development process also includes an internal analysis of the organisation. Internal analysis refers to an analysis of the resources, competences, products, structure, activities and culture of the organisation. Resources include the broad categories of human, financial, physical and intangible (know how, brands, patents). For the purposes of this dissertation, Human Resources will be discussed, but emphasis placed on core competencies and the culture of the organisation, leveraged to deliver competitive advantage.

The development of core-competences as a means to gaining competitive advantage is gaining popularity. Hamal and Prahalad are leaders in this theory, discussed below.

2.4.1 The Resource-Based Approach to Competitive Advantage

The resource-based theory to competitive advantage is complementary to Porter's positional theory. Hamal and Prahalad, Kay, Heene and Sanchez all provide alternative theories to Porter. The concepts included in this view are clearly defined by Campbell, Stonehouse and Houston, 2002 p35:

"Competence - An attribute or collection of attributes possessed by all or most of the companies in an industry. Without such attributes a business cannot enter or survive in an industry. Competences develop from resources and embody skills, technology, or know-how.

Core Competence - A core competence or distinctive capability is an attribute, or a collection of attributes, specific to a particular organisation, which enables it to produce above average industry performance. It arises from the way in which the organisation has employed its competences more effectively than its competitors. The result of a distinctive capability is an output that customers value more highly than those of competitors. It is based upon one or more superior organisational knowledge, information, skills, technology, structure, relationships, networks and reputation.

Resource - A resource is input employed in the activities of the business. Success rests in large part upon the efficiency by which the business converts its resources into outputs. Resources fall into four broad categories: human, financial, physical, and intangible." (Campbell, Stonehouse and Houston, 2002 p35).

Resources, competences and core competences interact to deliver Competitive Advantage. This is graphically displayed as follows:

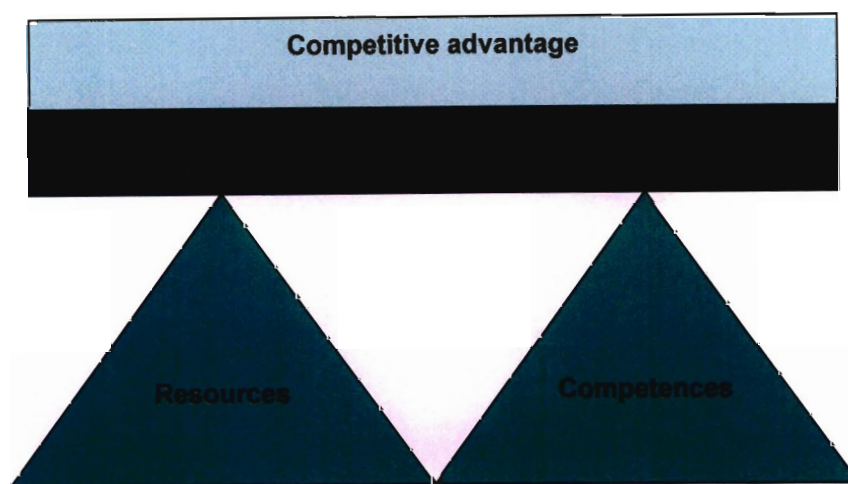


Figure 2-9 The twin sources of core competences (Adapted from Campbell, Stonehouse, Houston, 2002 p36)

Hamel and Prahalad, *The Core Competence of the Corporation*, 1990, describe the diversified corporation as a large tree. The trunk and major limbs are the core products. The smaller branches are business units, the leaves, flowers and fruit are the end products. The root system that provides nourishment, sustenance, and stability, is the *core competence*. This core competence is the collective learning of the organisation - the knowledge on how to co-ordinate diverse production skills. Hamal and Prahalad say, "Unlike physical assets, competencies do not deteriorate as they are applied and shared. They grow." However, they add that competencies do need to be nurtured and protected, and that knowledge fades if it is not applied.

Hamal and Prahalad identify that there are three main areas that distinguish core competencies:

- **Customer Value:** competencies must make a real impact on how the customer perceives the organisation and its products and services.
- **Competitor Differentiation:** This must be competitively unique. If the whole industry has the skill, then it is not core unless the organisation's skills in the area are really special.
- **Extendable:** Core skills need to be capable of providing the basis of products or services that go beyond those that are currently available. The skill needs to be removed from the particular product group in which it currently rests. The organisation needs to imagine how it might be exploited in the whole area of its operations. (Lynch 2000 p286).

A criticism leveraged against Hamal and Prahalad's theory of core competencies is that a strong brand, exclusive patent or superior geographical location can also generate competitive advantage. However, the theory behind core competences delivering a competitive advantage is sound, and as with any situation, more than one theory could apply.

In addition to understanding exactly what the core-competence of the organisation is, an internal analysis of an organisation includes a thorough investigation of the available resources. Human Resources is discussed hereafter.

2.4.2 Analysing Human Resources

As mentioned, an important part of an internal analysis of the organisation is a study of the human resource component. This is especially important for a service company as discussed in this document. The success or failure of a strategy will depend on the way in which the strategy was implemented, the manner in which was decided on, and also the way in which it was communicated to the organisation. A key tool to understand the human resource of the organisation is a resource audit. A typical resource audit will contain the following checklist:

- Recruitment and selection procedures and their effectiveness
- The quality and effectiveness of training and development
- The level of employee motivation and morale

- Level of skill and capability
- The quality of industrial relations between management and employee
- Internal and external networks that have developed
- The effectiveness of existing human resource policies and control procedures
- The organisational structure and position of employees within that structure
- Employee costs including "add-ons" (provident, medical aid, workmen's compensation)
- Number of employees

(Adapted from Campbell, Stonehouse and Houston, 2002 p50).

There are areas in the study of human resources that are subjective and difficult to measure. For instance, how is employee morale and motivation measured, or monitored? Job satisfaction might be able to be tested by means of a survey, and the health of industrial relations could possibly be measured through days lost in strike action. Overall, the management of human resources is not an exact science, but is however, an integral part in building competitive advantage.

The culture of the organisational culture is closely linked to the way human resources are managed, and how strategies are implemented. This is discussed below.

2.4.3 Organisational Culture delivering Competitive advantage

As mentioned, organisational Culture is also important in delivering sustainable competitive advantage. Organisational culture is defined as the set of beliefs, values and learned ways that influence organisational behaviour. Culture influences both performance and the manner in which strategy is developed and implemented. Factors influencing culture include history, ownership, size, leadership and technology related to the company. The culture (or personality) of the organisation needs to be understood in order to analyse the strategic position, and to make effective implementation. Culture can have an influence on:

- Employee motivation
- The attractiveness of the organisation as an employer and hence the rate of staff turnover

- Employee morale and goodwill
- Productivity and efficiency
- The quality of work
- The nature of the employee and industrial relations
- The attitude of employees in the workplace
- Innovation and creativity

(Adapted from Campbell, Stonehouse and Houston, 2002 p55)

The Cultural Web of an organisation, developed by Gerry Johnson, 1992, *Managing Strategic Change: Strategy, culture and action*, (Lynch, 2000 p316), is a useful way of analysing the elements that make up the culture of the organisation, and is demonstrated as follows:

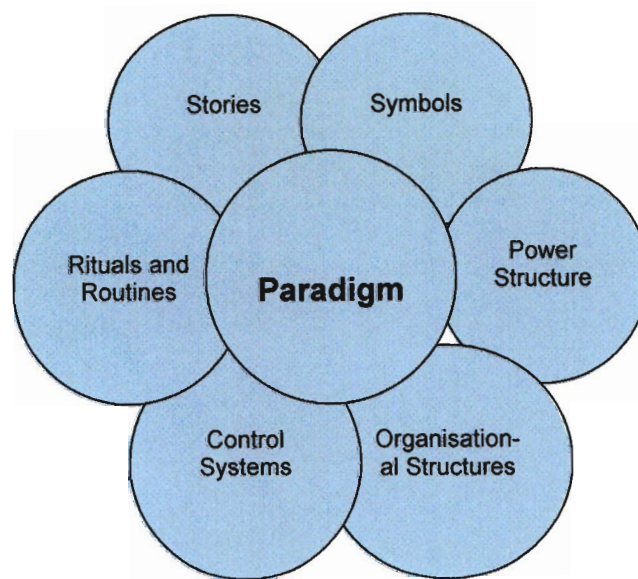


Figure 2-10 The Cultural Web (Johnson and Scholes, 1999 p74)

The type of culture prevalent in an organisation has a strategic implication. Handy, 1993 (Campbell, Stonehouse and Houston, 2002 p58) describe four culture types:

- **Power Culture:** dominated by a powerful individual or group, with strategic decisions made by this central group. The ability of the organisation to change with the environment is difficult because of this strong central personality. This culture type is typical of small entrepreneurial and owner- managed companies.

- **Role Culture:** found in long established organisations in a stable environment. Decision- making is slow, hierarchical, and dependent on established systems and procedures. The management task in this type of organisation is to management procedure - common in the civil service, banks and insurance companies.
- **Task Culture:** found in organisations engaged in one -off, high value tasks. Activities are based around multi-disciplinary teams containing diverse expertise to complete a project. Change is easily managed in this type of organisation, which is typically an engineering or construction type company.
- **Person Culture:** these exist primarily for the benefit of members of the organisation and therefore are rarely found in normal commercial enterprises. Members of the organisation work for the benefit of themselves and the other members. These organisations are usually professional societies, trade unions or co-operatives.

The link between the type of culture and system of strategic development will lead to a degree of cultural "fit". The type of culture should be examined against the following three criteria:

- Fit with prescriptive or emergent strategy routes
- Delivery of competitive advantage
- Ability to cope with strategic change

	Prescriptive or Emergent strategy	Delivery of competitive advantage	Ability to cope with strategic change
Power Culture	Prescriptive	Enhanced but individuals may miss competitive moves	Depends on individual or group centre
Role Culture	Prescriptive	Solid, slow, substantive	Slow, will resist change
Task Culture	Emergent	Good where flexibility is important	Accepted and welcomed
Personal Culture	Possibly emergent	Depends on individual	Depends on individual

Table 2-2 Strategic Implications on Cultural Types (Adapted from Lynch, 2000 p319)

To conclude, if the culture of the organisation does not fit with the direction in which the company wants to move, two possibilities exist. Firstly, the strategy could be a

failure resulting in poor performance. Secondly, an emergent strategy could override the intended strategy, forcing a re-evaluation of organisational goals.

2.4.4 Knowledge delivering Competitive Advantage

Most organisations develop considerable knowledge over time about their markets, brands, customers and supply chain. In a sense, this knowledge is a resource that can be drawn upon when making strategic analyses. Stonehouse and Pemberton 1999, (Campbell, Stonehouse and Houston, 2002 p157) define organisational knowledge as a "shared collection of principles, facts, skills and rules which inform organisational decision-making behaviour and actions". An organisation possessing superior knowledge to its competitors can deliver core competences, which in turn delivers, competitive advantage.

Intellectual Capital is closely linked to knowledge and is also an area that is growing in recognition. Lynch 2000, refers to the definition made by the Swedish insurance company, Skandia, defining the intellectual capital of its operations:

"Future earnings capacity from a deeper, broader and more human perspective than that described in [its financial reports]. It comprises employees as well as customers, business relations, organisational structures and the power of renewal in organisations. Visualising and interpreting these contexts can provide better insight into future development at an earlier stage" (Lynch, 2000 p479).

Knowledge is divided between explicit and tacit. Tacit knowledge is often fuzzy, complex and unrecorded. Explicit knowledge occurs when tacit knowledge is analysed and defined more precisely. Examples of tacit and explicit knowledge is listed as follows:

Tacit Knowledge	Explicit knowledge
<ul style="list-style-type: none"> ▪ Practical and unwritten procedures for unblocking production stoppages ▪ Informal networks and procedures for sales order processing ▪ Multifunctional team working on new projects that rely on informal contacts ▪ Experience of what has worked in practice in branding development over a number of years ▪ Specific company treatments of some detailed aspects of management accounting 	<ul style="list-style-type: none"> ▪ Costing procedures codified in company accounting manual ▪ New product development through formal company review procedures ▪ Company patents and legal contracts ▪ A company's written history of its past events and experiences, successes and failures - often very limited ▪ Training schemes and apprenticeship programmes that develop and teach best practice

Table 2-3 Examples of organisational tacit and explicit knowledge (Adapted from Lynch, 2000 p481)

Sanchez 1996 (Campbell, Stonehouse and Houston, 2002 p 158), suggests an alternate categorisation of knowledge: - know how [practical knowledge], know why [theoretical knowledge] and know what [strategic knowledge]. Most definitions of knowledge differ slightly, however, the common ground is knowledge plays a unique role in building and maintaining core competences, and therefore competitive advantage.

2.5 Marrying the Internal and External in a SWOT Analysis

Both the internal and external analysis discussed above can be combined in a SWOT analysis to deliver an overall picture of the strategic situation of an organisation. Johnson and Scholes, 2000 p190, state, "A SWOT analysis summarises the key issues from an analysis of the environment and the strategic capability of an organisation. The aim is to identify the extent to which the current strategy of an organisation and its more specific strengths and weaknesses are relevant to and capable of, dealing with the changes taking place in the business environment. It can also be used to assess whether there are opportunities to exploit further the unique resources or core competences of the organisation."

Instead of the general SWOT format where the strength, weaknesses, opportunities and threats are listed on a quadrant, Johnson and Scholes have developed the SWOT into a more quantitative format. Key issues in the environment, and strengths and weaknesses are plotted on a matrix. Scores are allocated as an aid to providing clarity, to enable managers to assess environmental changes that are most critical and how strengths and weaknesses will be affected.

2.6 Strategy Selection and Evaluation

The selection and evaluation of strategies follows on from the generation of strategic alternatives. To maintain competitive advantage it is important the strategies selected adhere to the principles of acceptability, suitability and feasibility. Johnson and Scholes provide a succinct framework for the evaluation and selection of strategies, and this section refers to their work.

2.6.1 Suitability

A strategic option is suitable if it enables an organisation to achieve its objectives. Johnson and Scholes say this process consists of two stages - firstly, the establishment of the rationale/logic of the option, and secondly, the establishment of the merit of the option when compared to a number of choices.

The rationale of a strategy can be tested by means of a life cycle analysis that assesses whether a strategy is appropriate given the stage of the product life cycle. The purpose of the matrix is to establish the appropriateness of particular strategies in relation to the two dimensions of competitive position and the stage of industry maturity. "The position within the life cycle is determined according to the principles of market growth rate, growth potential, breadth of product lines, number of competitors, spread of market share between the competitors, customer loyalty, entry barriers and technology" (Johnson and Scholes, 1999 p365). The lifecycle portfolio matrix is graphically demonstrated as follows:

"What is the most appropriate competitive strategy to be adopted by Kagiso Khulani Supervision Food Services, in Kwa Zulu Natal, to retain existing business and be awarded new contracts?" (Y Gravett 201508376).

Competitive Position

Stages of Industry Maturity				
	Embryonic	Growth	Mature	Ageing
Dominant	Fast grow Start up	Fast grow Attain cost leadership Renew Defend position	Defend position Attain cost leadership Renew Fast grow	Defend position Focus Renew Grow with industry
Strong	Start up Differentiate Fast grow	Fast grow Catch up Attain cost leadership Differentiate	Attain cost leadership Renew, focus Differentiate Grow with industry	Find niche Hold niche Hang in Grow with industry Harvest
Favourable	Start up Differentiate Focus Fast grow	Differentiate, focus Catch up Grow with industry	Harvest, hang in Find niche, hold niche Renew, turnaround Differentiate, focus Grow with industry	Retrench Turnaround
Tenable	Start up Grow with industry Focus	Harvest, catch up Hold niche, hang in Find niche Turnaround Focus Grow with industry	Harvest Turnaround Find niche Retrench	Divest Retrench
Weak	Find niche Catch up Grow with industry	Turnaround Retrench	Withdraw Divest	Withdraw

Table 2-4 The life cycle/portfolio matrix (Adapted from Johnson and Scholes, 1999 p357)

The Positioning of an organisation is a further test of suitability. Positioning relates to the generic strategies of cost and differentiation. To assess whether current and future positioning is viable one has to establish if demand is likely to grow or decline in the future, and if the organisation will still be suitably positioned.

Other tests of suitability include a value chain analysis, portfolio analysis and a business profile analysis. The linkages and synergy between aspects of the value chain are important in delivering strategic advantage. A portfolio analysis conducted by the Boston Consulting Group Matrix makes sense of the long-term rationale of various portfolios within the organisation. Finally, a business profile analysis measures an organisation's strategy against the PIMS database, which is used as a benchmarking tool.

The second aspect of Suitability allows for the relative merits of various strategies to be measured against each other. Methods of screening the options include ranking, decision trees and scenario planning. Less suitable strategies can be weeded out when pitted against each other.

2.6.2 Acceptability

The next criteria used when evaluating the merits of a strategy is acceptability. Acceptability relates to the expected performance of the strategy in terms of risk and reward. Various accounting methods to analyse return include ROI (return on investment), DCF (discounted cash flow), and a payback period. Analysis of risk includes a breakeven analysis and a sensitivity analysis.

2.6.3 Feasibility

The feasibility of a strategy relates to whether an organisation has the resources and competences to deliver the selected strategy. There is an overlap with acceptability in that a breakeven analysis and a funds flow analysis could be used. A funds flow analysis is used to forecast whether cash resources are sufficient to implement the selected strategy. An analysis of the core competences and competences is required to ensure that a competitive advantage can be maintained going forward.

To conclude, when selecting a strategy, it must be tested for suitability, feasibility and acceptability. Core competences must be preserved to continue delivering competitive advantage, the strategy must be supportive of the organisational goal, and the required resources must be available.

2.7 Sustaining Competitive advantage

So far, the development of strategic options and the methods of strategy selection have been discussed. For the purposes of this dissertation, the strategic steps of implementation and control fall out of the scope of this paper and therefore will not be discussed. More importantly, is the maintenance of competitive advantage, discussed in the next paragraph.

The two main sources of competitive advantage, namely, advantage through position, and advantage through resources and capabilities have been discussed so far. The creation and maintenance of advantage is a continuous cycle. Businesses are endowed with a mixed bag of resources, with some assets and capabilities better than competitors, others not. A position of competitive superiority is continually subjected to erosion by changes in the environment and moves by competitors. A strategic organisation has two choices - place impediments in the way of competitors to protect current advantage, and to keep investing in new assets and capabilities to renew competitive advantage. Day and Reibstein, 1997 (Wharton) have developed the Competitive Advantage Cycle:

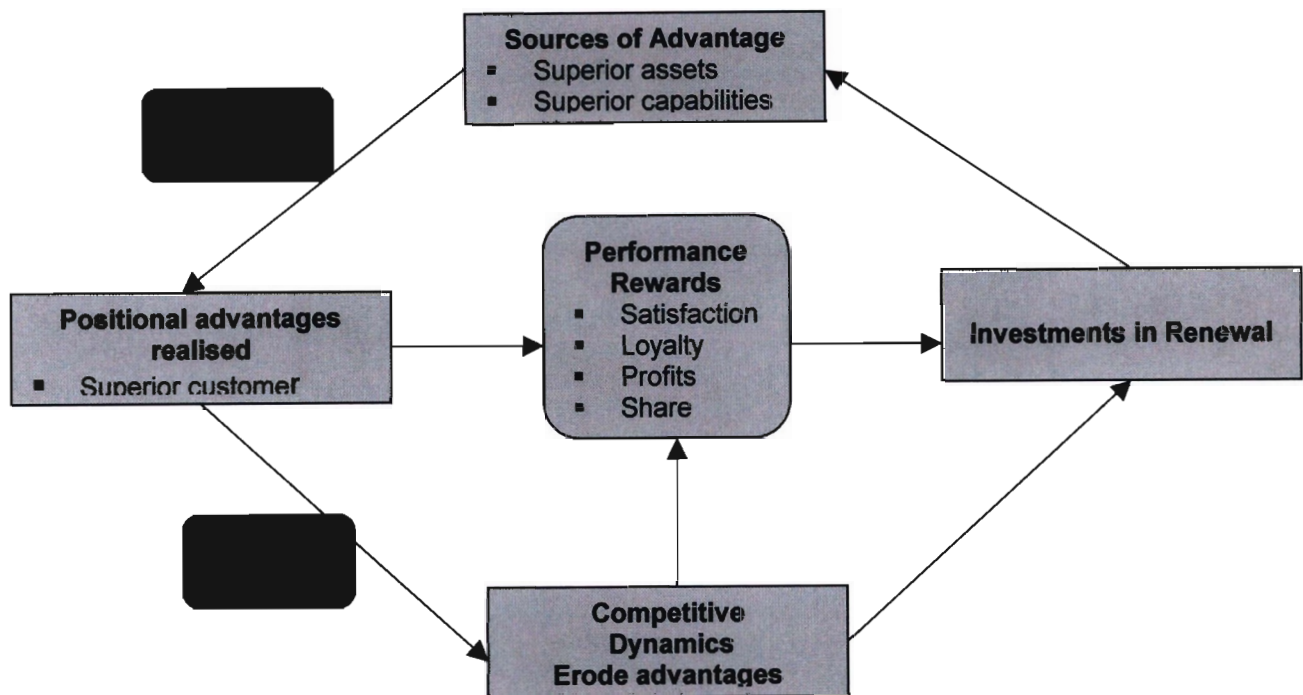


Figure 2-11 Competitive Advantage Cycle (Adapted from Day and Reibstein, 1997 p53)

Finally, the creation and sustenance of advantages is a long-term process requiring continual investment and management energy and foresight. The first step would be for organisations to understand where their competitive advantage originates, and second, how it could be eroded. Understanding those two aspects, and then making the required investment will continually renew competitive advantage.

2.8 Conclusion

The theme throughout this literature review relates to the main goal of the strategic management process being to produce a sustainable competitive advantage. Theories on how to achieve competitive advantage vary. The 'competitive positioning' view is based mostly on Porter's works and include an analysis of the five forces model, the three generic competitive strategies and the value chain.

The resource-based view is lead by Prahalad and Hamel, and Rumelt, and is based on the premise that competitive advantage results from the development and exploitation of core competences. The knowledge- based view suggests competitive advantage is created through knowledge and organisational learning. These two views, knowledge-based and resource-based are classified as an "inside out" type of strategic development, as opposed to Porter's "outside in" approach to strategic development.

The difference between planned and emergent strategies has also been discussed, the planned approach being more traditional, and the emergent approach more recent. The emergent approach ties in with the organisational learning and core competence approach to building a sustainable competitive advantage.

The strategic model presented for reference in this literature review in the "Strategy Circle" by Campbell, Stonehouse and Houston, 2002. This model does include the traditional positioning approach to strategic development, but places more emphasis on learning, knowledge and core competences. This forms the basis of evaluation against this case study.

3 Chapter Three - Company Situation

3.1 Introduction

This case analysis firstly gives a broad overview and brief history of the organisation. The discussion then starts with the support elements of the Value Chain listed as Human Resources, Procurement and the Infrastructure of the organisation. Due to the nature of the business, Marketing has been included as a support activity. The chapter ends with a discussion on the primary activity of the organisation, namely, Operations.

3.2 Compass Group SA - Overview

In 1984, the merging of Matrix Management Services and the Industrial and Commercial Cafeterias, which was founded in 1954, formed Supervision Food Services. The newly formed Supervision Food Services was a wholly owned subsidiary of the Tongaat Hulett Group. In October 1994, Tongaat Hulett sold eighty percent of its stake in Supervision Food Services to a consortium consisting of Kagiso Trust Investment Company, Khulani Holdings, First Corp Capital Investors and Senior Management. Supervision became "Kagiso Khulani Supervision Food Services". The Tongaat Hulett Group retained a twenty- percent share, demonstrating their ongoing commitment to the future of the new company.

In 1997 Tongaat Hulett sold their remaining twenty percent stake in the business. At this point Compass PLC, a leading international catering company merged with KKS. This was a commitment to bringing world-class service and technology while still maintaining advancement of black economic empowerment.

3.3 Shareholders

The shareholding structure of the Compass Group SA consists of both local and international partners. These are listed as follows.

Management (5.27%)

Management owns a small block of shares, which were procured to ensure continuity and stability for the long-term success of the company.

Kagiso Trust Investment Co (15.03%)

KTI is an investment company, which through dividends generates funds that are donated to disadvantaged communities through development projects administered by the Kagiso Trust. The major beneficiaries are educational institutions, healthcare, housing and general rural development

Khulani Holdings Limited (15.03%)

Khulani Holdings Limited is an investment company whose subsidiaries are joint ventures between themselves and other companies focussed on the retail and services sector. Khulani Catering Services was formed in 1988 and provides catering services in numerous institutions within the KZN government.

Compass Group PLC (64.67%)

Compass Group PLC is the world's leading food service organisation, operating in 96 countries across the globe from the United States, Latin America, Asia, Africa, and Europe to Australasia. The group employs over 375000 people worldwide with an annual turnover of £10.6 billion. The latest Fortune 500 pole positions the Compass Group PLC as the largest foodservice company in the world, ahead of McDonalds. The company was established in 1941 and has since grown organically, and through acquisitions.

3.4 Mission Statement of the Compass Group SA

The mission statement of the Compass Group is portrayed in the phrase, "Great People, Great Service, Great Results". From this vision statement flows the company strategy:

- Preferred Employer
- Operational Excellence
- Customer and Client satisfaction
- Financial Performance
- Market leadership

great people
great service
great results



From the strategy, flow the core values of the organisation:

- Can do
- Teamwork
- Diversity

"What is the most appropriate competitive strategy to be adopted by Kagiso Khulani Supervision Food Services, in Kwa Zulu Natal, to retain existing business and be awarded new contracts?" (Y Gravett 201508376).

- Quality
- Success

From the core values, flow the key performance indicators:

- | | |
|-------------------------|-------------------------------|
| ▪ Employee satisfaction | ▪ Like for like sales growth |
| ▪ Labour turnover | ▪ Like for like profit growth |
| ▪ Customer satisfaction | ▪ Operating margin growth |
| ▪ Client satisfaction | ▪ PBITDA Reinvestment |
| ▪ Contract retention | ▪ Working capital usage |
| ▪ New contract gains | ▪ Return on capital employed |

This is arranged on the company scorecard labelled "Our Challenge" for 2003/2004, pictured below:

Our Challenge – 2003/4			
VISION STRATEGY	Great People	Great Service	Great Results
	<i>Becoming The Preferred Employer</i>	<i>Delivering Operational Excellence Customer & Client Satisfaction</i>	<i>Leading to Financial Performance Market Leadership</i>
CHALLENGE 2003	<ol style="list-style-type: none"> 1. Cascade the vision & values to front-line teams 2. Attract, develop & retain great people 3. Measure employee satisfaction 4. Manage appraisals, personal development & succession plans 	<ol style="list-style-type: none"> 5. Increase retail and brand focus within airports, rail, motorways, ferries and contract catering 6. Establish your own Unique Selling Propositions (USPs) 7. Measure customer & client satisfaction 8. Increase contract retention from 95% to 97% 	<ol style="list-style-type: none"> 9. Ensure no increase on overheads 10. Increase & sustain purchasing discounts with 100% compliance 11. Place greater focus on working capital usage 12. Achieve at least 5% profit margin in every country & move the margin forward where we already exceed this 13. Reduce unit operating costs & maintain quality
VALUES	& valuing: • Can - do • Teamwork • Diversity • Quality • Success		
KPI's	Measured by: • Labour turnover • Employee Satisfaction	• Contract Retention • Client Satisfaction • Customer Satisfaction	• New Contract Gains • Like for Like Sales & Profit Growth • Operating Margin Growth • PBITDA Reinvestment • Working Capital Usage • Return On Capital Employed

Figure 3-1 "Our Future" Compass Group PLC

The company strategy is cascaded down to Catering Manager level using a "Balanced Scorecard". The company vision and strategy is converted into key performance areas, key performance indicators, and targets that are measurable. This will be discussed further on in this chapter.

3.5 Compass Group SA Internal Structure

The Compass Group SA is divided into the following operating divisions, Select Service Partner, House of Bonne Quisine, Procurement Services, Eurest Support Services, and lastly, Kagiso Khulani Supervision Services, of which this study is about. Each division is headed up by a Chief Operating Officer, with support services a shared resource. Kagiso Khulani Supervision Food Services has further sectorised their business into the key business units – Business and Industry, Education and Healthcare.

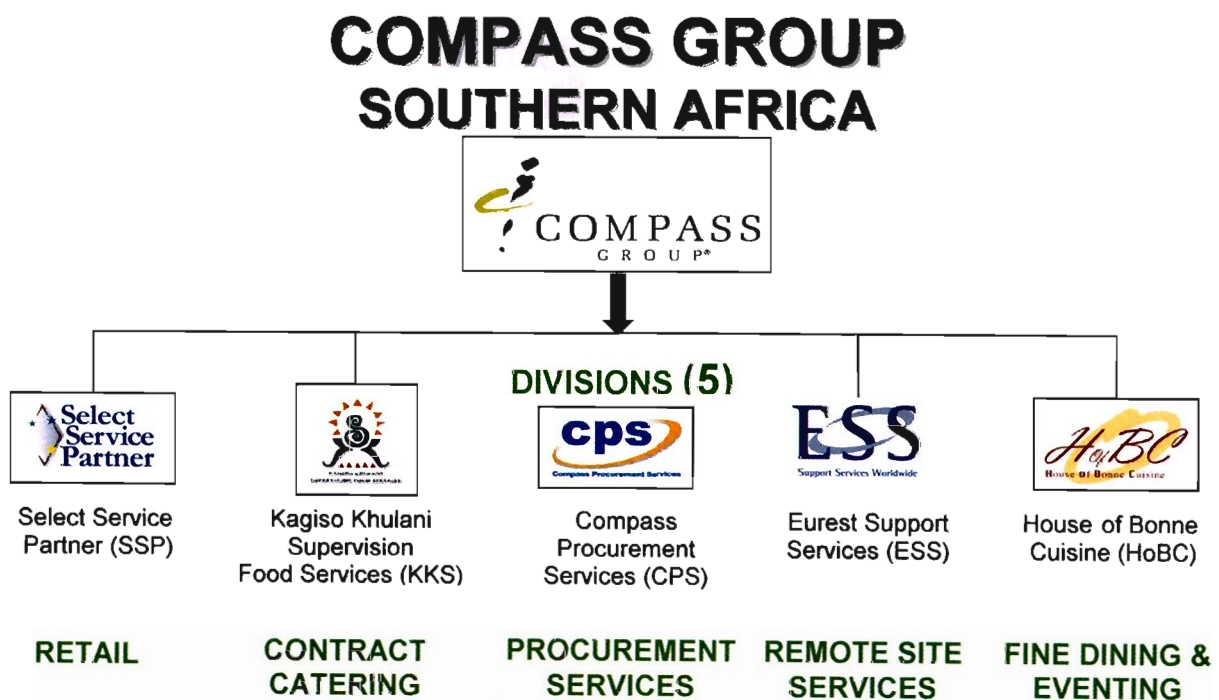


Figure 3-2 Internal Structure of the Compass Group SA

3.6 Financial Results

As visible from the results listed below, the period 2000 to 2001 was a time of particular hardship for the company. Profit before interest and tax was negligible, but with a 2% increase in margin from 2001 to 2002. Turnover has showed good growth year on year at 22%, 19%, and slowing down to 4% in 2003. The improvement in profitability in 2002 is proof of the success of the re-engineering of the supply chain. The indication for the current financial year is the budget target will be met. The target for the year 2004/2005 is a margin of 5%, and based on the recent trend, should be achievable.

Compass SA Results	Turnover (R m's)	PBIT (R m's)	Margin (%)
1999 (18 Months)	885626	15.1	2
2000	734 698	2.7	0
2001	892 634	2.9	0
2002	1 064 900	16.2	2
2003 (Budget)	1 107 782	36.7	3

Table 3-1 Compass SA Five-Year Results

The poor financial result of 2000/2001 was not the only indication of an unhealthy organisation. There was no fit between organisational culture and strategic intent, and staff morale and motivation was low. The gap between planned strategy, emergent strategy, and the culture of the organisation had to be bridged in order for the organisation to grow and move forward. The way in which strategy was implemented had to be changed to fit the culture of the organisation. A formal change management process has been the answer to the above, discussed below.

3.7 Change Management

From 1998 to date the Compass Group SA has been beset with change. From an entrepreneurial wildcard to the mature and steady industry leader of today, the company grew quickly and had to adapt to changing times. The "New South Africa" also brought on a new company with new shareholders and new ways of operating. Change happened quickly, but not always effectively, not always with support of the employees of the company, and not always followed through. Margins floundered, and the culture and the organisation became weak and inefficient.

A large number of improvement plans were initiated within the organisation, but initiatives tended to peter out and never truly yielded the full benefit originally intended. In fact, some initiatives often risked becoming detrimental to the organisation. The need for a structured change management system was realised, and the Change Co-ordination Team (CCT) was formed September 2002. "The primary objective of change management is to lead, co-ordinate, integrate and drive portfolios of projects that bring about strategic improvement in the organisation." (John Smithyman, CCT)

"The CCT was originally tasked with assessing the impact and relevance of new initiatives, with consideration to existing ones, continuously prioritising and co-ordinating the contributions of functional disciplines to the respective initiative outcomes, while ensuring that all resulting projects were aligned to the strategic intent of the organisation. Aspects to be considered would include project progress, obstacles, opportunities and benefits through sound Change Management and Project Management principles." (John Smithyman, CCT)

From a list of possible change projects, four were allocated a priority status by the CCT. To a greater or lesser degree, all of these projects have a direct channel to achieving organisational goals. These are as follows:

WorkSmart

"The main objective is to implement sustainable compliance to an effective, standardised, systematic approach to administration of contracts and management of

information with empowered employees as business managers, in support of Compass SA Vision and Values.

This effectively means that employees need to be skilled in business management with acceptance of responsibility and accountability. In addition, generic solutions with effectiveness measurement criteria have to be agreed and implemented. The above needs to be implemented without any negative impact on the organisational culture, whilst meeting Compass Group SA Vision and Values.

The scope of this project is to deal with two key aspects - the development of people to become business managers and the re-design and standardisation of systems and procedures, which in turn will aid people towards becoming business managers." (Ivan Bonner, WorkSmart)

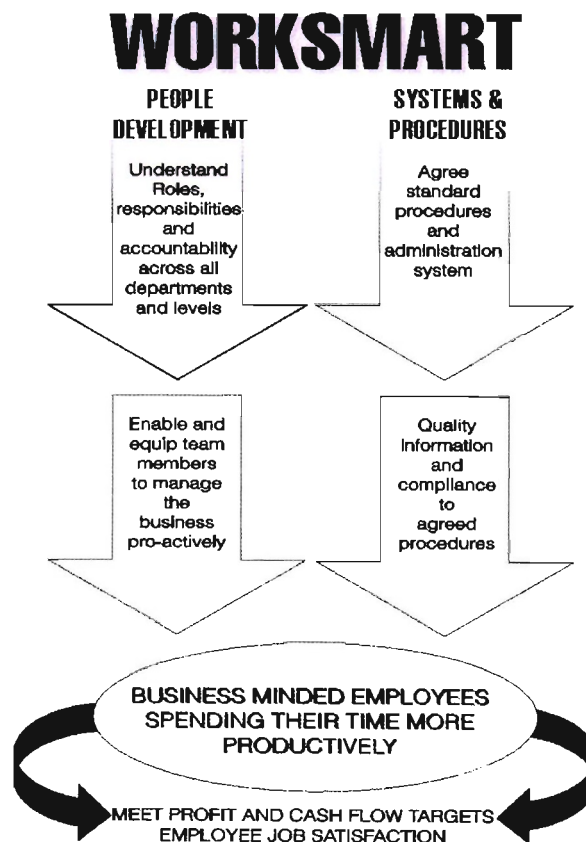


Figure 3-3 WorkSmart Concept

Product standardisation – to systematically rationalise and standardise the range of products entering the organisation from suppliers to maximise the potential benefits from the supply chain and help operational standards

Sales and contract opening process – to overcome the lack of teamwork in selling and opening contracts and obtain agreement on the most effective way of doing this.

Culture alignment – to align the organisational culture with desired cultural identity continuously to support the Compass vision and values. (John Smithyman, CCT)

The Culture alignment project has progressed since its inception in Oct 2001, and will be discussed in more detail in point 3.7.6. The value of the Change Coordination Team cannot be disputed. As quoted above, a benefit of the CCT is that a working strategic intent document will be operation. New tactics, new focus, new ideas will be matched to the overall strategy of the company, and tested for feasibility, acceptability and suitability. Accepted projects will be followed through to completion and adjusted along the way if necessary. With the introduction of the Change Co-ordination Team the organisation has become better positioned to introduce effective strategic management.

3.8 Human Resource Management

A service company such as the Compass Group SA is dependent on human capital, and this requires Human Resource policies, procedures and practices to be efficient and effective in delivering organisational goals. An underlying theme within the organisation is "Recruit for talent and train for excellence". Staff development and performance management are areas that are becoming increasingly important in the quest to deliver strategic intent. These are discussed hereafter.

3.8.1 Learning and Development

The vision of the Training Department is to "create and support an environment where learning for all members of the Compass Group SA is encouraged to ensure we have *Great People*, who provide *Great Service*, delivering *Great Results*" (Learning and Development, Compass Group 2002/2003). "The Training and Development service which will ensure talented individuals have the necessary skills to perform optimally within the scope of immediate role responsibilities. Also to ensure that all individuals are supported and developed to their fullest potential" (Compass Group SA, Human Resources Business Plan 2000 –2003).

The mission of the Training department is to facilitate the achievement of the business objectives through the development of people, recognising that:

- Individual employees and not the organisation have the primary responsibility for their personal growth
- The most powerful learning takes place on the job and not in the classroom
- Improved performance hinges not on the relationship of the trainer and class participant, but on the member and his team leader. (Learning and Development, Compass Group 2002/2003).

The Compass Group SA has a very clear strategy in that the training is conducted for both management, and staff who deal with customers on a daily basis. This can be categorised as a bottom-up approach to development. In addition to the to the normal job related training, the company also conducts Adult Basic Education and Training and a Mentoring program for previously disadvantaged staff who have been earmarked for management development. Management training includes key areas such as conflict management and negotiation skills, and is mostly designed to improve the competency level of the management staff, and therefore the delivery of organisational goals. All courses are tied in with the company strategy of Preferred Employer, Operational Excellence, Client and Customer Satisfaction, Market Leadership and Financial Performance. The following table summarises the job categories and the training courses earmarked to achieve organisational goals.

"What is the most appropriate competitive strategy to be adopted by Kagiso Khulani Supervision Food Services, in Kwa Zulu Natal, to retain existing business and be awarded new contracts?" (Y Gravett 201508376).

	Sector Managing Director	Operations Director	Area Managers	Food Service Managers	Kitchen staff
Customer Satisfaction	<ul style="list-style-type: none"> Formal induction 	<ul style="list-style-type: none"> Formal induction 	<ul style="list-style-type: none"> Formal induction 	<ul style="list-style-type: none"> Formal induction 	
Market Leadership	<ul style="list-style-type: none"> Scott Work negotiation skills 	<ul style="list-style-type: none"> Scott Work negotiation skills Strategic account management 	<ul style="list-style-type: none"> Brand training Strategic account management 	<ul style="list-style-type: none"> Brand training Strategic account management 	<ul style="list-style-type: none"> Basic Business awareness
Preferred employer	<ul style="list-style-type: none"> Performance management Feedback skills Cultural diversity HIV/Aids awareness Vision and values 	<ul style="list-style-type: none"> Facilitation skills Feedback skills Performance management skills Starquest interviewing skills Cultural Diversity HIV/Aids awareness Vision and values 	<ul style="list-style-type: none"> Formal induction Disciplinary enquiries Managing poor performance LRA BCOEA Performance management skills Starquest interviewing skills Cultural Diversity HIV/Aids awareness Vision and values 	<ul style="list-style-type: none"> Formal Induction Chat Pack Training NQ orientation Cultural diversity HIV/Aids Awareness Vision and values 	<ul style="list-style-type: none"> NQ Based Training FPSP1 Cook - Convenience Food FPSP2 Cook - Fast foods FPSP3 Assistant Chef FPSP1 - Food service assistant Certificate in Professional Cookery (Learnership) Vision and values
Operational excellence		<ul style="list-style-type: none"> Retail skills management 	<ul style="list-style-type: none"> Retail skills 	<ul style="list-style-type: none"> Retail skills 	<ul style="list-style-type: none"> Service that sells
Financial Performance		<ul style="list-style-type: none"> Strategic Financial skills 		<ul style="list-style-type: none"> Fast Track Managing contract performance 	<ul style="list-style-type: none"> Basic Business awareness

Table 3-2 Training and Development Plan 2002/2003 for Kagiso Khulani Supervision Food Services (Compass Group SA 2002/2003)

3.8.2 Investors in People Standard UK

In addition to the formal Training and Development activities discussed above, the Compass Group SA has been nominated to pilot the UK Investors in People Standard, by the Department of Labour. Investors in People (UK), is a standard for people development that sets out how "good" organisations manage and develop their

people. The program was launched in the UK in 1991 and currently has 24000 organisations recognised as "Investors in People".

"A key element of the Skills Strategy (of the Department of Labour) is the development and implementation of a national standard for enterprise-based people development. The Minister of Labour has signalled that this part of the Strategy is vital as a benchmark to assess the real commitment of companies and government departments to the development of their staff. It is envisaged that the implementation of such a standard will contribute to the development of a culture of high quality life-long learning in our country. The notion of life-long learning recognises that individuals should have opportunities for self-improvement at any stage of their lives, be they employed, unemployed or seeking a first job." (Keynote Address, Adrienne Bird, Dept of Labour, Oct 2001)

The standard is based on the following four principles - commitment, planning, action and evaluation. These are supported by twelve indicators, or criteria, against which organisations are measured through independent, external assessment. The first assessment yielded an achievement of four of the twelve indicators, the next assessment due in October 2003.

The motivation behind the Compass Group SA participating in a pilot project of this nature is to "improve performance through the effective management and development of people" (Training and Development Manager, Compass SA, email communication Dec 2002). Andre Du Chenne, Compass SA CEO, lists the following three motivating criteria for adopting the Standard:

- It will give us a unique selling point
- It will set us apart from our competitors
- Help us live our vision and values

3.8.3 Development Passport

Supporting the values intended by Investors in People, a Development "Passport" was introduced for all Compass Group SA employees in July 2003. As with a passport issued by a country to a citizen, the motivation behind this concept is to keep track of

all developmental movements per employee. Each employee is responsible for the upkeep of the "Passport", and it can be taken with him or her if his or her services are terminated. The concept of "return on investment" from Training is becoming more important; as is the measurement of the value the organisation will receive in return for any training conducted. The Passport also serves as a reminder to employees of the value they have personally gained through developmental exercises.

3.8.4 Performance Management

Performance management is closely linked to the "Balanced Scorecard" system referred to previously. Key performance areas are set annually for each employee from Catering Manager level upwards. These KPA's flow from the strategy of the organisation, and are also tied into the organisational vision and values. Key performance indicators are listed, and all indicated targets set are measurable. Six monthly performance reviews are conducted, with an annual appraisal. Appraisals are conducted on a 360° peer review system, as well on an individual evaluation by supervisor.

The main objectives of the Performance Management system is described as:

- To objectively measure and evaluate individual performance
- Agree individual and company objectives for the following year
- Improve career planning for executives
- Strengthen the corporate culture of staff through a shared management framework and appraisal processes

The appraisal process is used to underpin the Compass Group strategy and competency framework.

The overall assessment is conducted according to the following rating system

- E+ Distinguished/Outstanding
- E Excellent/Commendable
- C Competent/Effective
- C- Approaching Expectations/Nearly Competent
- U Unsatisfactory/Marginal/Unacceptable

"What is the most appropriate competitive strategy to be adopted by Kagiso Khulani Supervision Food Services, in Kwa Zulu Natal, to retain existing business and be awarded new contracts?" (Y Gravett 201508376).

A financial award is issued to employees who achieve an E or E+ rating. A generic "Balanced Scorecard" is demonstrated as follows:

Vision	Strategy	KPA	KPI	Target	Action
GREAT PEOPLE	Preferred Employer	Minimise Labour Turnover of Operations employees	Board Pack Report	= 2%	
		Retain high level of Staff Morale	Employee Satisfaction Index	= > 75%	
		Support Development of all people in my department, with particular consideration given to PDI employees	Example of action taken to support development	= > 75% of direct reports	
		Achieve awareness and Living of Vision and Values	Employee Satisfaction Index	= > 75%	
		Achieve Employment Equity Targets	Board Pack Report	2002/2003 target	
		Inspire Others to want to follow in the achievement of significant goals	360° Appraisal	= > 3 out of 4	
GREAT SERVICE	Operational Excellence	Minimise Contract Losses	Contract Retention Statistics	= < 95%	
		Successful implementation of Quality Management System	Compliance and Index reporting from OPEX	Q Pro = 85%	
		Maximise Purchases through DP	Buying Report	= 35%	
		Achieve and Maintain control over food selling prices	Food Selling Price growth per selling basket	= inflation	
	Customer & Client Satisfaction	Achieve and Maintain Client Satisfaction	Client Satisfaction Index	= > 85%	
		Achieve and Maintain Customer Satisfaction	Customer Satisfaction Index	= > 75%	
GREAT RESULTS	Financial Performance	Minimise "Red" Contract Losses	Board Report "Qualified Red Losses"	= < 20% of Total Losses	
		Achieve like for like Sales	Turnover budget		
		Maximise Like for Like Profit	Board Pack Income Statement	⇒	
		Achieve Operating Margin %	Board Pack Income Statement		
		Effectively manage working capital	Debtors days Stock days		
		Achieve PBIT Budget	Year End Final Results		
		Accurate Financial Report by a) meeting all deadlines	a) Financial reports and entries,	= > 95%	
	Market Leadership	Ensure Brand Penetration	Brand Sales Growth	= > 5% growth	

Figure 3-4 Balanced Scorecard of a Compass Group SA Employee

3.8.5 Employment Equity

Employment equity is also an area of managing human capital that receives special attention within the Compass Group SA. The goals of employment equity within the group are as follows:

- ❑ The elimination of unfair discrimination in any employment policy or practice.
- ❑ Implementation of affirmative action measures for people from designated groups.
- ❑ Promotion of equal opportunities.
- ❑ Achievement of equality in all our business imperatives.
- ❑ Eradication of racism and sexism.
- ❑ Capitalisation on diversity.
- ❑ Recognition and implementation of rights to employment of people with disabilities.

The Compass Group has recognised that transformation and the successful management of cultural diversity not only improves the commitment and loyalty of employees within the organisation, but also delivers a competitive advantage. The Compass Group workforce profile compares well to that of the Tourism and Hospitality Seta, as well as the National benchmarks for the African and Coloured designated groups. The goals for non-management employees have already been exceeded in all cases, however there is still work to be done in the transformation of the management grades.

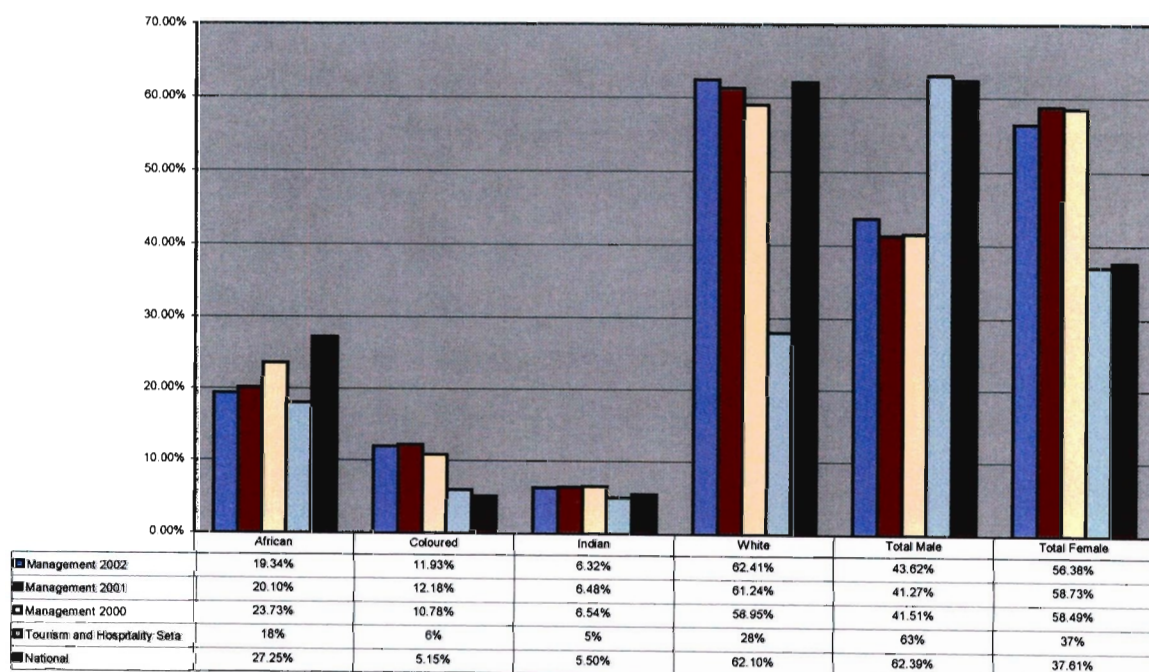


Figure 3-5 Management Profile - Compass Group Employment Equity review

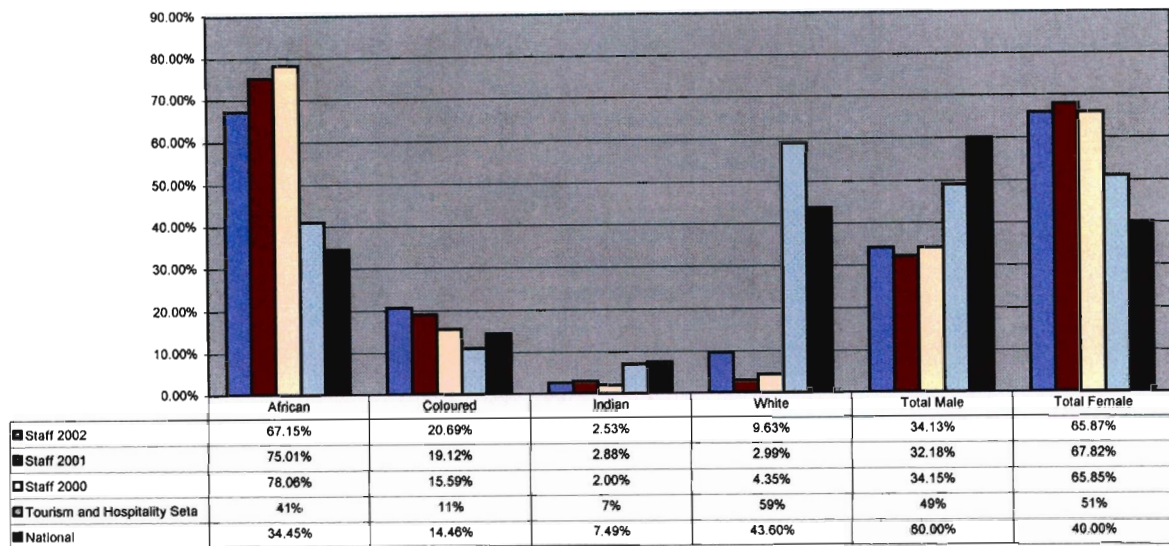


Figure 3-6 Staff Profile - Compass Group Employment Equity Review

As mentioned, work still needs to be done in terms of changing the profile of the top management of the company. The percentage of white males employed in 2001 increased by 2.8% in 2002. This area will be discussed in more detail in Chapter Five.

3.8.6 Organisational Culture

With the growth of the organisation from an entrepreneurial concern to a more mature and hierarchical structure, the culture of the organisation drifted from what was strategically desirable. Cracks had appeared in the organisation, apparent by declining margins, loss of business, and low employee morale. In October 2001 Compass SA retained the services of a consulting company, Tactical Business Support Services (Tactical), to investigate the status of the culture of the organisation. The findings of Tactical showed general dissatisfaction with the organisational culture that had developed over recent years. Employees perceived there to be a high element of power and autocratic management styles, whilst there was a desire for an achievement and support culture. Tactical recommended the adoption of change management practices, an alteration in the style of the leadership, and a move to a process driven organisation. Tactical also advised the need for a guiding vision, the need for a set of values that would be embraced by the majority of employees, and a review of business strategy.

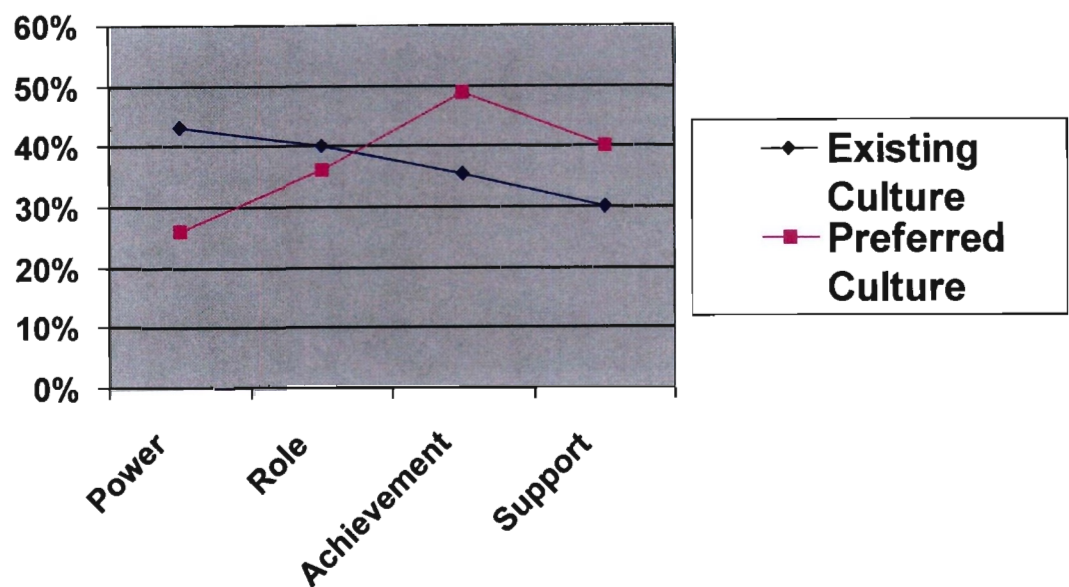


Figure 3-7 Analysis of Organisational Culture - Compass Group SA (Tactical, Don Lindsay Oct 01)

Concurrently, Compass Group PLC launched their new vision of "Great People, Great Service, and Great Results". They also had undertaken research on a desired set of values in a sample of countries and came up with values of can do, win through teamwork, embrace diversity, passion for quality and share success. These were uncannily similar to Compass SA's desired values, as diagnosed by Tactical.

The launch of the new vision and values was undertaken by means of intensive training sessions. Office staff were trained at Regional office level, and tasked with delivering the vision and values to the 650 catering sites around the country. For a period of ten months, training modules presented at contract level will unravel all aspects of the new vision and values. The last module, to be held towards the end of 2003, is a "celebration" of the journey from Good to Great. The Values are listed as follows:

Can-do'



We want people to thrive on the challenge of 'can-do'.

This means for all of us at Compass Group:

- We achieve great results through a positive 'can-do' attitude.
- We want to bring out the entrepreneur in everyone.
- We make the right things happen, at the right time.
- We are not afraid of change and thrive on taking calculated risks.

'Embrace Diversity'



We want people to embrace diversity.

This means for all of us at Compass Group:

- We appreciate that there are many different ways to achieve success.
- We recognise, value and respond to the differences that make each of our clients, customers and employees unique.
- We believe that we ALL have a voice and the power to make a difference.

'Share Success'



We want people to share the benefits of success.

This means for all of us at Compass Group:

- We recognise, reward and celebrate great performance, knowing that success breeds success.
- We provide support and opportunities for everyone to succeed.
- We encourage greater achievement, by communicating and learning from success (and failure).

'Passion for Quality'

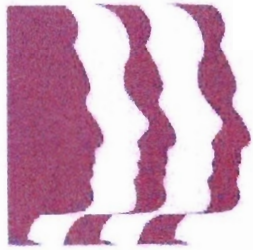


We want people to focus passionately on superior quality.

This means for all of us at Compass Group:

- We are passionate about delivering superior food quality and service that is right for the needs of our customers and clients.
- We take pride in setting the standards others try to follow.
- We achieve world-class relationships through consistent quality delivery.
- We recognise the power of measurement, knowing that 'if you can't measure it, you can't manage it.'

'Win through Teamwork'



We want people to win through great teamwork.

This means for all of us at Compass Group:

- We believe success is built on teams who care, about each other and the company.
- We build our success on lasting relationships with our partners, clients, customers and employees and our communities.
- We support each other by listening constantly, talking openly and sharing knowledge generously.

We believe great teamwork has no boundaries and is based on mutual respect (and not seniority, or titles).

Organisational culture is without doubt one of the areas that can destroy corporate strategy if there is no fit. For a strategy to be successfully implemented, the implementation process must best suit the prevailing culture. In addition to organisational culture receiving microscopic attention over the past two years, so has the supply chain of the organisation.

3.9 Supply Chain Management

The introduction of a distribution platform in September 2001 was one of the biggest changes made in the Compass Group SA. Traditionally, a Catering Manager would have interacted with numerous suppliers, and received many deliveries at site level. Deliveries would include all manner of food items, cleaning products, packaging, and occasionally equipment. Buyers in the geographical regions of KZN, Gauteng and Capetown negotiated separately with various wholesalers, across all categories of product required for the business.

Academically defined, the Distribution Platform has been a backward vertical integration strategy adopted by the company. "Vertical growth is development of a business into a different stage of the supply chain of which it is a part. Backward vertical development is movement towards a supplier of resources used by the business" (Campbell, Stonehouse and Houston, 2002 p212).

Before the introduction of the Distribution Platform, Catering Managers could buy their products from an extensive list of approved suppliers, normally all wholesalers. The number of approved suppliers was listed as 2500 in number; with the advent of the DP this has been reduced to 200. Manufacturers now supply their product directly into the platform; the operation thereof outsourced to a division of Irvin and Johnson (I & J), called Vector Logistics. Deliveries are made from the DP warehouse to the Catering contracts in multi-temperature vehicles. Forty percent of the basket of goods required by the units is now supplied in one single delivery. The supply chain pre DP could be graphically demonstrated as follows:

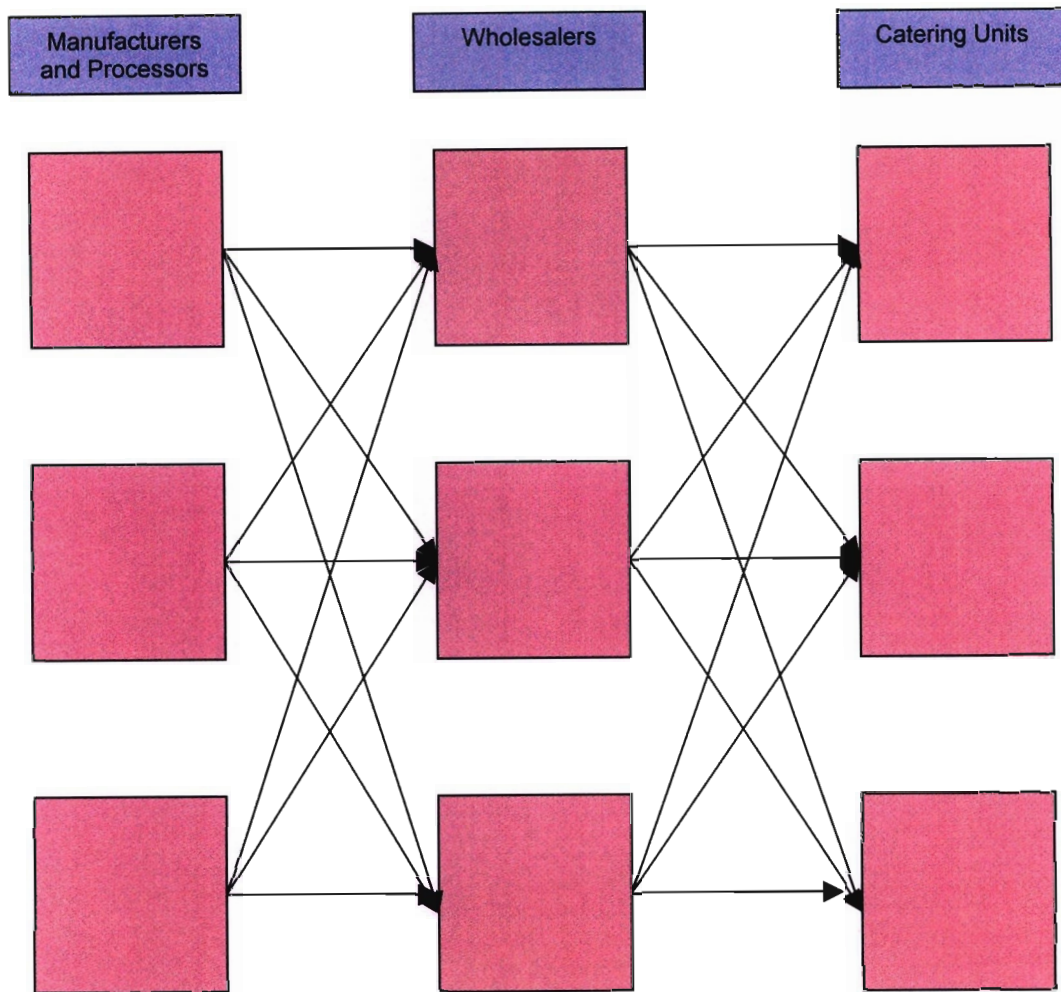


Figure 3-8 Food Supply Chain prior to the Distribution Channel

The objectives of the Distribution Platform are listed as follows:

- To reduce supplier numbers, products and deliveries to decrease input costs, and therefore the bottom line cost to company and clients.
- Facilitate systems technology and E Commerce - develop procedures and work-flows to reduce transactions, processing time and costs, whilst improving management information
- For Catering Management staff - rationalises ordering, delivering and administration time, allowing staff more time to focus on the actual food service to customers
- Minimise the risk to the organisation due to previous poor controls and supplier differences

The graphical representation of the new Supply Chain is as follows:

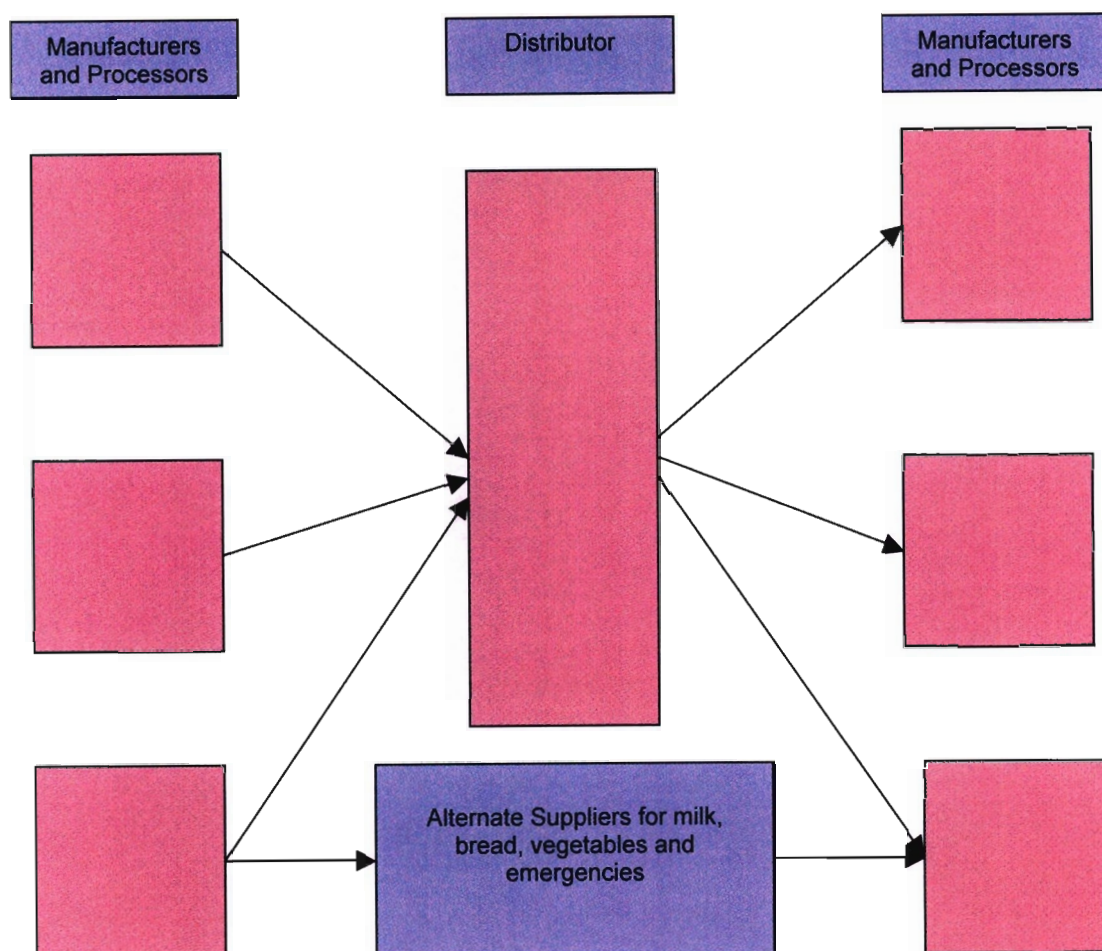


Figure 3-9 The Supply Chain after the establishment of the Distribution Platform

Other benefits of the Distribution Platforms are as follows:

- The translation of existing volumes into genuine buying power
- The reduction of food costs by the increased ability to control "inflation -related" price increases of products into the DP.
- Reduction of supplier servicing costs
- Facilitates the specialisation of buying in the procurement department

The main financial benefit of the Distribution Platform is the removal of the "middle man" in the Supply Chain. Compass SA was now negotiating directly with manufacturers, who were supplying directly into the distribution platform. The financial results listed in point 3.5, where bottom line contribution rose from R2.9 million to

R16.2 million between 2001 and 2002 is predominantly as a result of the vertical integration strategy. These results clearly demonstrate the success of the strategy.

Following on from the supply chain and procurement strategy of the organisation, the discussion turns to other support functions, namely Marketing. Due to the nature and functions of the Marketing Department, it is not defined as a primary activity according to the Value Chain, but as a support activity.

3.10 Marketing

The Marketing Department of Compass SA does not fulfil the role of Marketing in the "classical" sense, and is separate from the Sales function. Three staff members man the department, and their function as follows:

- Internal promotions to boost sales at contract level
- Implementation of Compass Brands
- Client communication in the form of the "Vision" magazine
- Internal communication by means of the "Chat" magazine, and "Pump up the Volume", aimed at increasing turnover at unit level

Internal promotions are arranged in a twelve-month calendar, with suppliers sponsoring various events. Contracts will order their "theme kit" from the Marketing department and individually advertise their chosen theme day and date to site employees. The benefit of theme days is that it provides deviation from the normal canteen or staff dining room meal, increasing sales and therefore profits.

Compass Brands include UpperCrust, Big Pan, StopGap, Caffé Ritazza and Hot Favourites. Licensing agreements are held with Nandos, Steers, Newscape and Piemans' Pantry. Brands have become an important part of the food offering to clients over the past few years. Customers have become more discerning and brand conscious, and clients are moving away from a subsidised meal for their staff. Brands are a way in which customers are willing to pay more for a high street offering. Sixty percent of the sites in the Gauteng region have a brand on site, indication of the value in brands.

"What is the most appropriate competitive strategy to be adopted by Kagiso Khulani Supervision Food Services, in Kwa Zulu Natal, to retain existing business and be awarded new contracts?" (Y Gravett 201508376).

A selection of brands included in the Compass SA stable is as follows:



Figure 3-10 Selection of Compass SA Brands

3.11 Operations

In terms of the Value Chain, "Operations" for KKS is the primary function of the organisation. Operations is where the interface is made with the direct customer - the person who will pay for a meal. Each operation is staffed with a site manager, termed Catering Food Service Manger. This site manager is responsible for the whole

operation from the ordering of supplies, receiving, food preparation, food sales, banking of monies received, as well as site staff management.

Operations in KKS is separated into three operating divisions - Healthcare, Business and Industry, and Education. This sectorisation of the business has allowed staff to specialise in the type of catering required. For instance, the type of service required in an upmarket hospital environment will be different from catering provided in a factory.

Although the Catering Manager is at the forefront of the operation, the support services do carry weight in the final service delivery. The following flowchart is a graphical representation of the circle of operation:

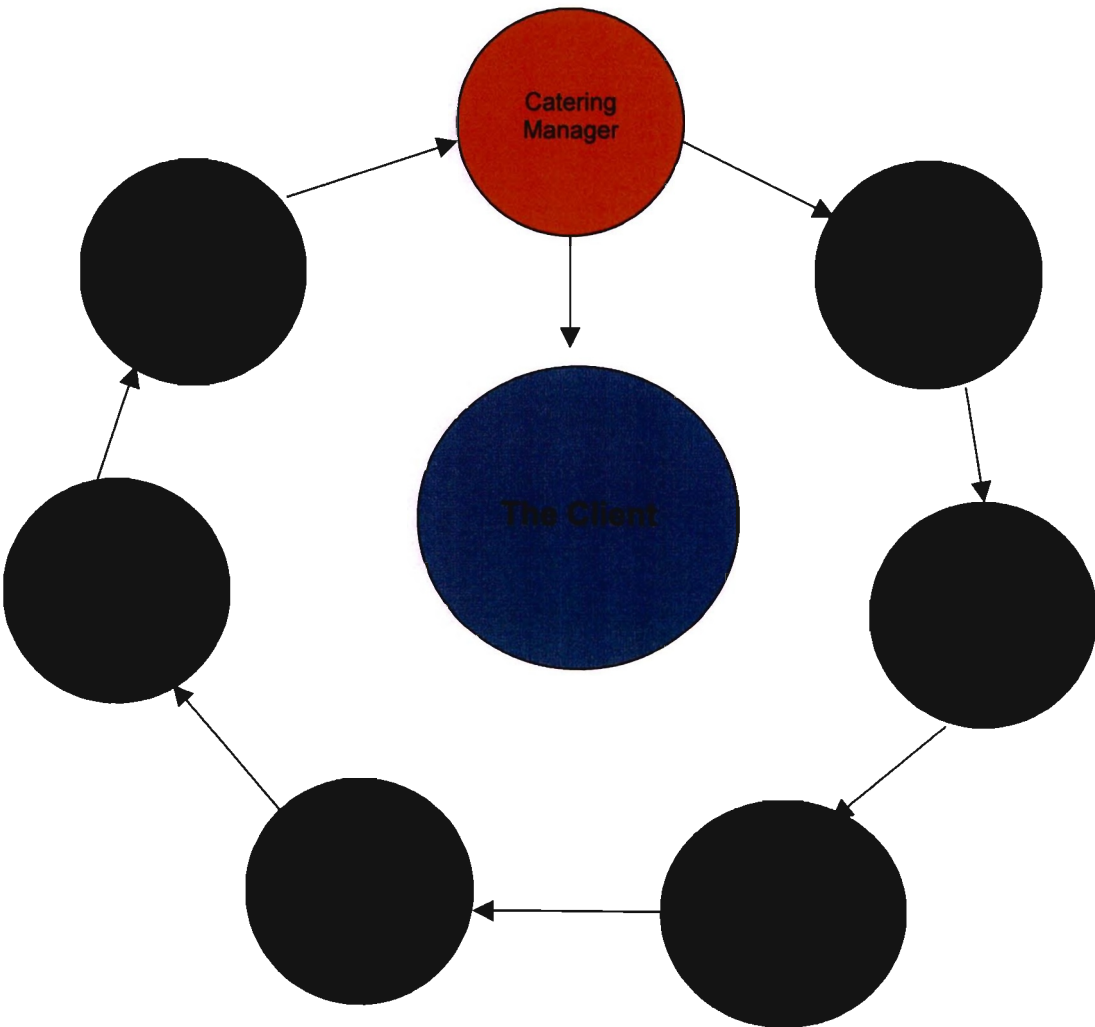


Figure 3-11 The Operations flowchart of Support

"What is the most appropriate competitive strategy to be adopted by Kagiso Khulani Supervision Food Services, in Kwa Zulu Natal, to retain existing business and be awarded new contracts?" (Y Gravett 201508376).

The function and/ or support of each of these departments for the Catering Manager and in turn the "client" is listed as follows:

Role	Support
Catering Manager	Catering Administration Hygiene and Safety Food purchase and preparation Staff supervision and training Customer Care Revenue collection
Area Management	Direct link between Catering Manager and Regional office Contract Risk Management Hygiene and Safety audits Contract re-negotiation Customer care and training
Contract Accounting	Production of monthly account Management accounting information Supplier payment and reconciliation
Procurement	Supplier negotiation Buying manual for contracts Product development and testing
Human Resources	Staff recruitment Personnel administration Industrial relations support Training co-ordination
Training	Craft skills training On-the -job training National Qualifications Management development training
Other Support	Kitchen Design Marketing for internal promotions and communication

Table 3-3 Support structure for the Catering Manager

Operations is no doubt the most important part of the organisation. The success of the business is dependent on the calibre of work produced at site level. The level of support given to the Catering Manager therefore plays an integral role in the Value Chain, and the delivery of competitive advantage.

4 Chapter Four - Evaluation of Company Situation

4.1 Introduction

The purpose of this chapter is to evaluate Kagiso Khulani Supervision Food Services by means of two different techniques. The first technique refers to the external survey conducted. The survey instrument was used to gather information on the company from an external perspective. The second technique refers to the evaluation of the company from an internal perspective against the "Strategy Circle" identified in Chapter Two.

4.2 Evaluation of the External Company Situation

As mentioned, the first technique used was a survey instrument. Out of 160 surveys issued, 50 were returned - a response rate of 31%. The surveys we separated into those who currently have their catering service outsourced, and those who remain in-house. This does add an interesting connotation to the overall result, to be discussed in Chapter Five.

The overall result is divided into four clusters as listed below. Business and Industry, Education and Healthcare will be individually evaluated.

	No of Responses	% of Total	% Outsourced	% In-house
Business and Industry	26	52	88	12
Healthcare	15	30	67	33
Education	8	16	50	50
Government	1	2	100	0
Total	50	100		

Table 4-1 Analysis of Overall Survey Result

4.2.1 Business and Industry

Business and Industry is the biggest cluster, comprising 52% of the overall response. Notably, it also has the highest rate of outsourcing of their Catering service. Each question on the survey is discussed as follows:

4.2.1.1 Macro factors influencing the employment of a Catering Company

The result from this question indicates that 60% of the sample evaluates the reputation of a company as the most important factor when choosing a Caterer. An interesting question for the Compass Group SA, is what creates a positive reputation? Is a reputation created through referrals, can it be manufactured through intelligent marketing, or is it an indication of the length of time the company has existed?

The next factor of importance when choosing a Caterer relates to the shareholding structure including previously disadvantaged members of the population. This is an indication of the change in perspective and outlook in South African society, a movement towards a multicultural and more just system.

Both the Size of the Company and International Shareholding received a fairly insignificant vote on the importance scale. This is demonstrated over the page.

4.2.1.2 Factors of Importance During the Sales Process

In terms of this question, the result did not reveal any bias towards any of the three listed options. Reference towards existing business scored the highest in terms of importance at 46%, whilst involvement of operations in the sales process was awarded the least score in terms of importance. This is demonstrated over the page.

BUSINESS & INDUSTRY

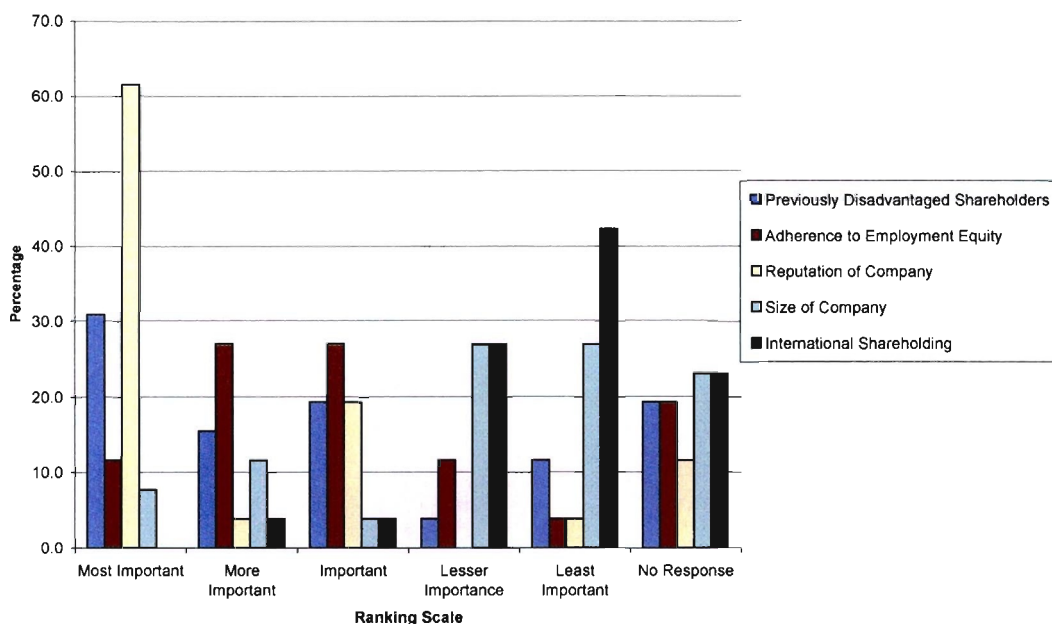


Figure 4-1 Macro Factors Influencing the Employment of a Catering Company

BUSINESS & INDUSTRY

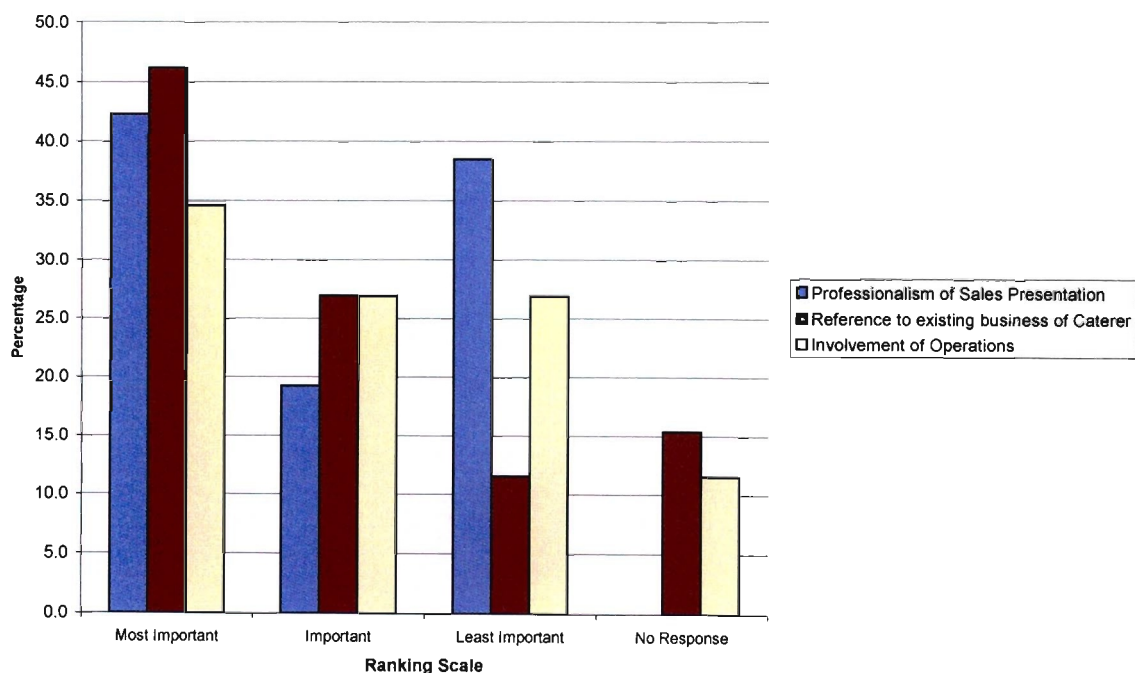


Figure 4-2 Factors of Importance During The Sales Process

4.2.1.3 Food Criteria of Importance

This question was designed to test all the possible options relating to food in terms of an importance rating. This purposefully excluded price and service, as these are compared in the next question. Quality was the over-riding factor of importance. Although not graphically displayed, it is interesting to note that businesses of over 400 employees placed size of the portion fairly high on the importance rating. Food presentation is given the highest least importance rating. The food criteria graph is depicted as follows:

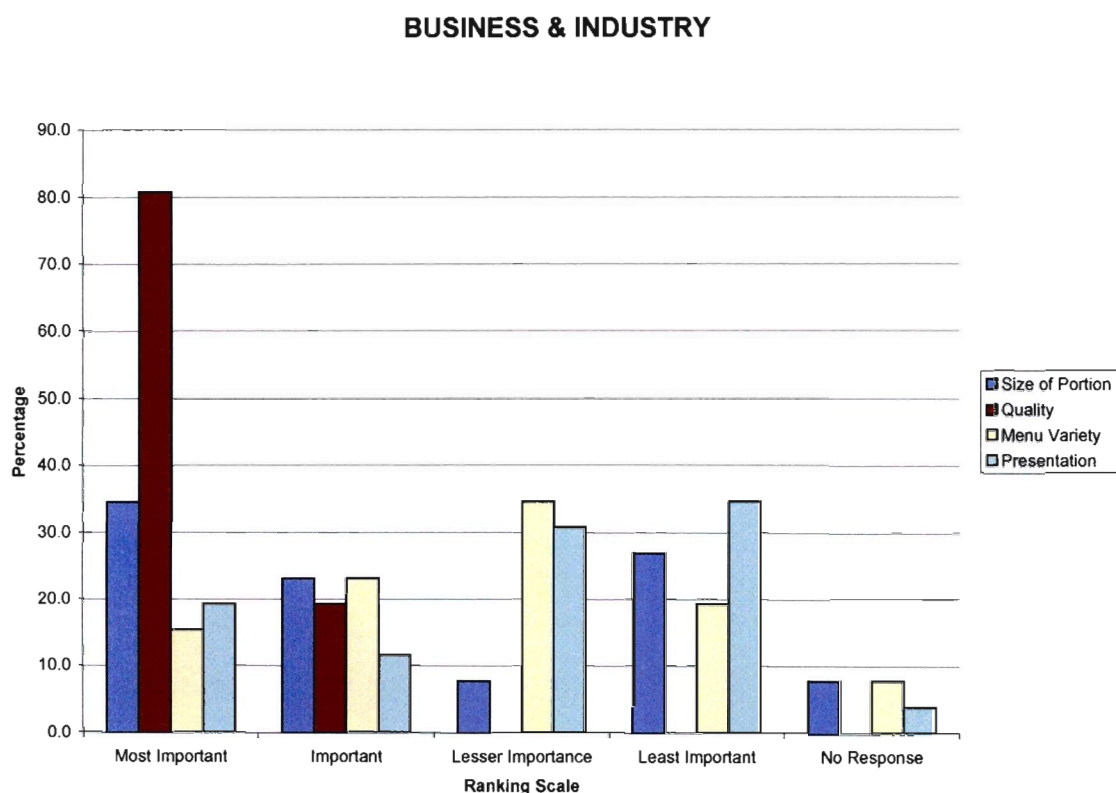


Figure 4-3 Food Criteria of Importance

4.2.1.4 Catering Criteria of Importance to an Employer

This question is directed at the employer and questions the importance rating between the three criteria of food quality, service and price. The employer is responsible for the procurement of a caterer to fulfil their staff meal requirements, and their needs can be divergent from that of the employees. In this case, food quality is rated as the most important at 77% of the vote, and service is rated as the least important.

4.2.1.5 Catering Criteria of Importance to an Employee

This question is closely related to the question above, but from the perspective of the employee. As mentioned, the views of employee and employer are often divergent, however, in this case the opinion is the same. Food quality is given a higher rating than price, with service the least important offering from the catering team.

BUSINESS & INDUSTRY

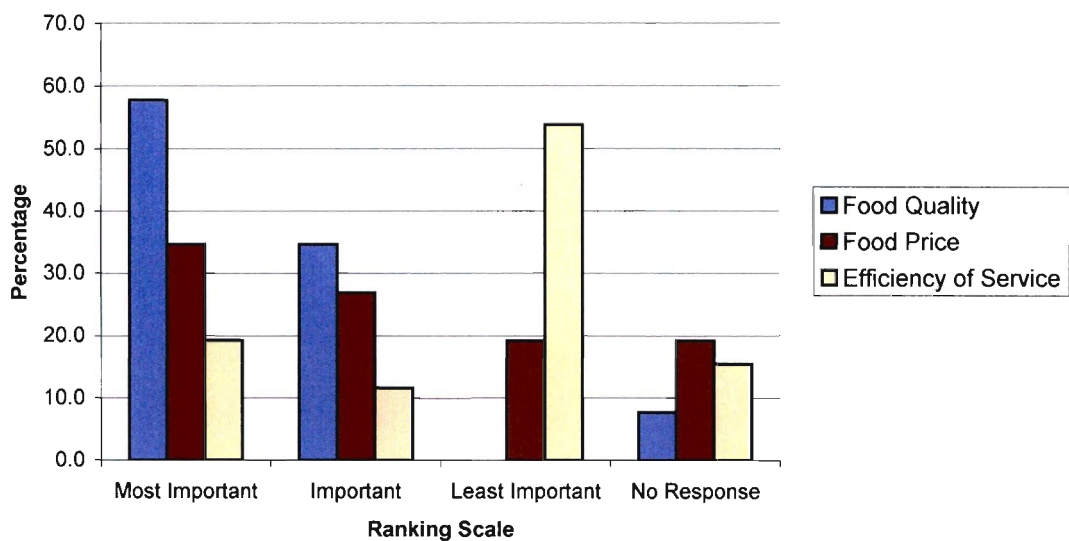


Figure 4-4 Catering Criteria of Importance to an Employer

BUSINESS & INDUSTRY

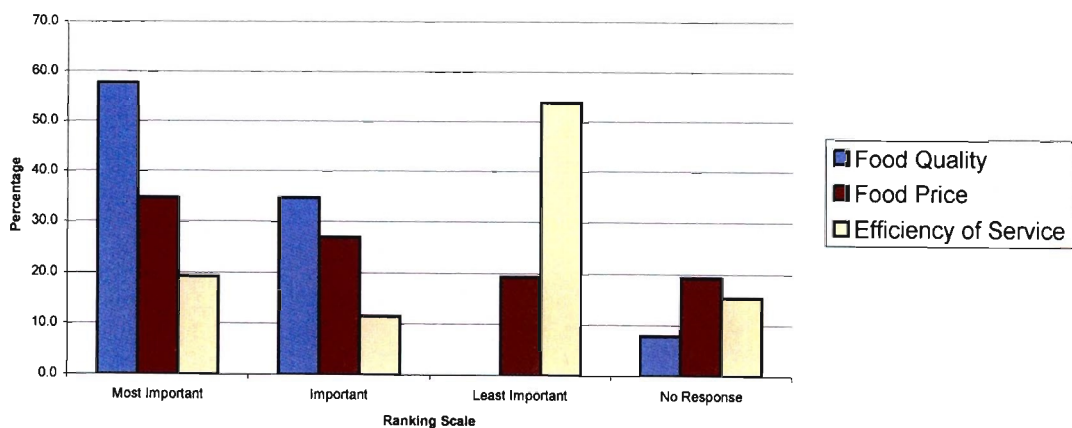


Figure 4-5 Catering Criteria of Importance to Employees

4.2.1.6 Catering Companies that will meet your needs

The intention of this question was to gauge an understanding of the attitude of companies towards the various catering companies in existence. In this case, Fedics was given the most votes at 18, with KKS in second place at 14. This is demonstrated as follows:

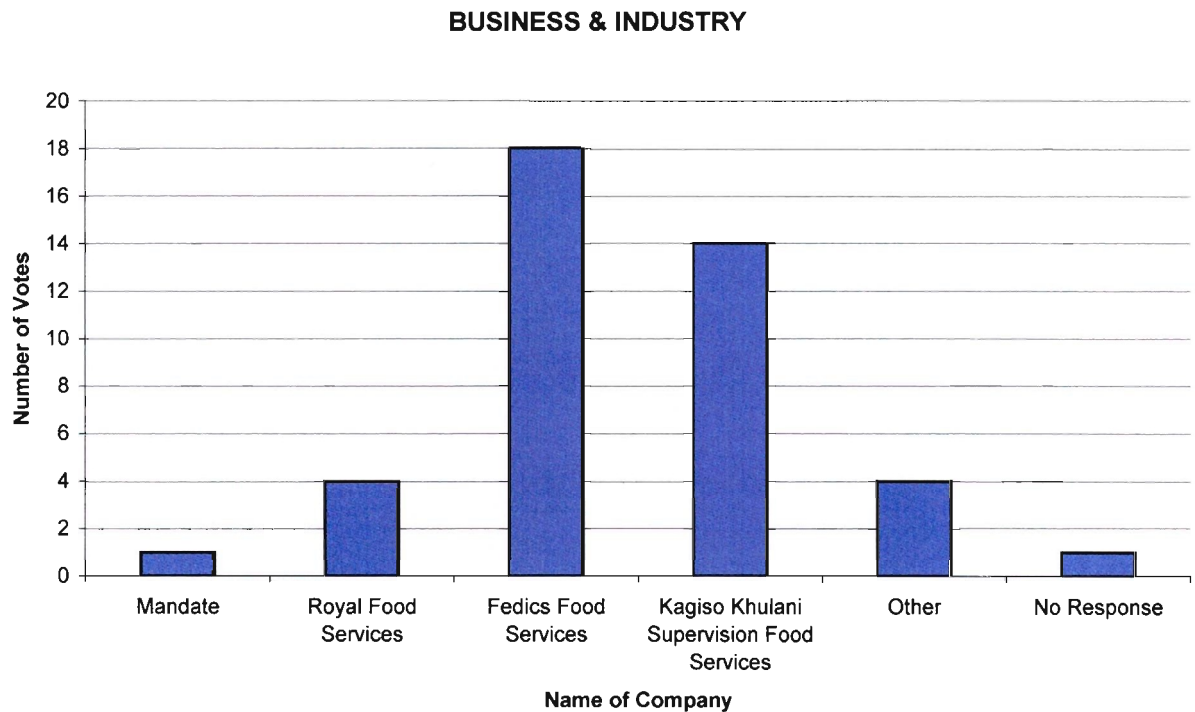


Figure 4-6 Catering Companies that will meet your needs

4.2.1.7 The Most Distinguishable Catering Company

This question follows on from the previous. Respondents are asked to identify the company most distinguishable from its competitors, after having identified all the companies that will meet their needs. In this case Fedics was voted as the most distinguishable at 46%, with KKS second at 31% of the vote. This is displayed as follows:

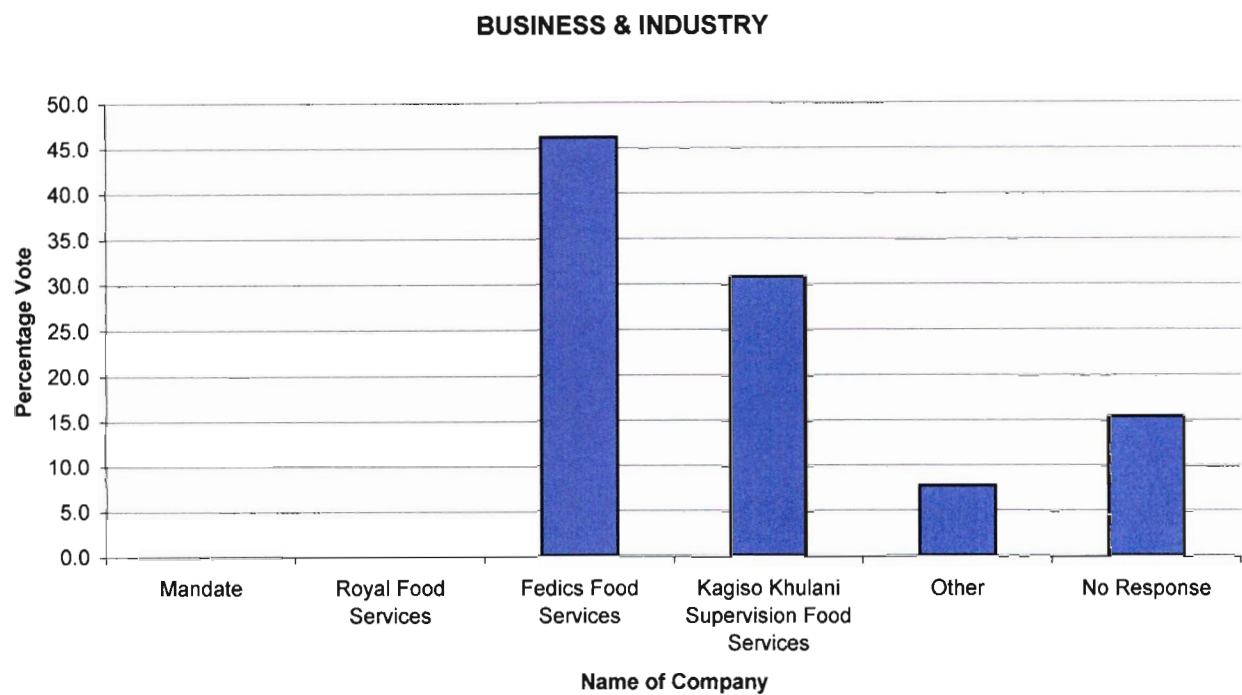


Figure 4-7 The Most Distinguishable Catering Company

4.2.1.8 Conclusion to Business and Industry Sector

The notable fact of this section is that Fedics is voted above KKS as the most distinguishable catering company, based on their reputation in the industry. The other information gathered is not surprising, namely, that food quality is listed as more important than price and service. In sites where the population is greater than 400, the gap between importance of food quality, quantity and price is narrowed. Finally, it is interesting to note that shareholding attributed to previously disadvantaged communities is placed high in terms of influencing factors.

4.2.2 Healthcare

Healthcare is next cluster to be discussed, comprising 30% of the overall response. Also, it also has the second highest rate of outsourcing of their Catering service, at 67%. Each question on the survey is discussed as follows:

4.2.2.1 Macro factors influencing the employment of a Catering Company

The result from this question indicates that 73% of the sample evaluates the reputation of a company as the most important factor when choosing a Caterer. As discussed before - what creates a positive reputation? Is a reputation created through referrals, can it be manufactured through intelligent marketing, or is it an indication of the length of time the company has existed?

The other factors, namely size of company, international shareholding and adherence to employment equity were not weighted as very important. In fact, size of company and international shareholding were voted as the least important. This is demonstrated as follows:

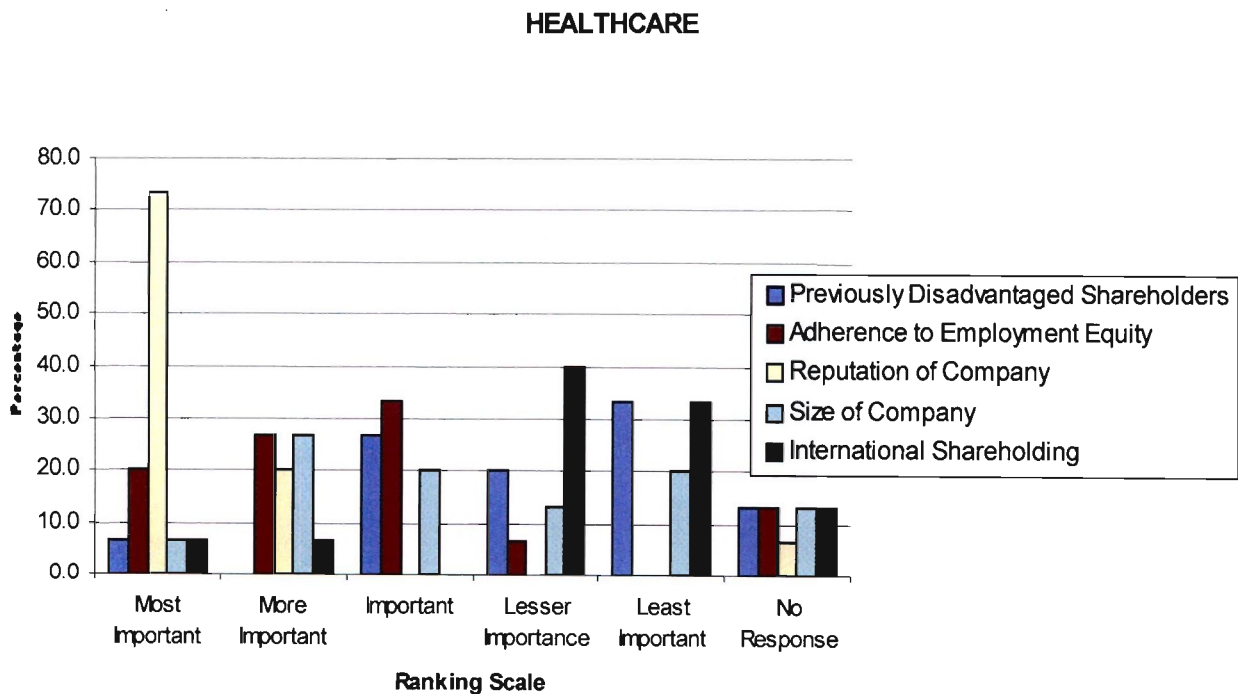


Figure 4-8 Macro Factors Influencing the Employment of a Catering Company

4.2.2.2 Factors of Importance During the Sales Process

In terms of this question, the result revealed a bias towards reference to existing business, which scored 60% of the most important vote. Involvement of Operations in

the sales process scored the least points, followed by the professionalism of the sales presentation. This is demonstrated as follows:

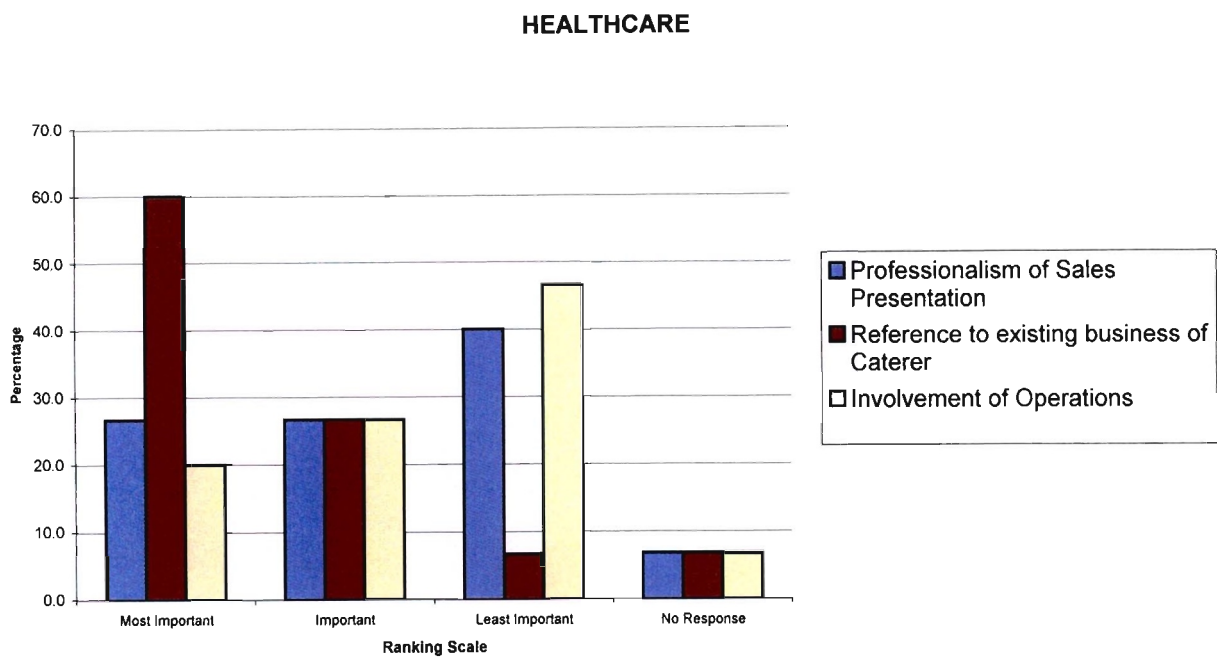


Figure 4-9 Factors of Importance During the Sales Process

4.2.2.3 Food Criteria of Importance

This question was designed to test all the possible options relating to food in terms of an importance rating. This purposefully excluded price and service, as these are compared in the next question. Quality was the over-riding factor of importance, at 80% of the most important vote. Size of portion was voted as the least important, which is understandable considering the business sector is hospitals and old age homes. The food criteria graph is depicted over the page.

4.2.2.4 Catering Criteria of Importance to an Employer

This question is directed at the employer and questions the importance rating between the three criteria of food quality, service and price. The employer is responsible for the procurement of a caterer to fulfil their staff and patient meal requirements, and their needs can often be divergent. In this case, food quality is rated as the most important

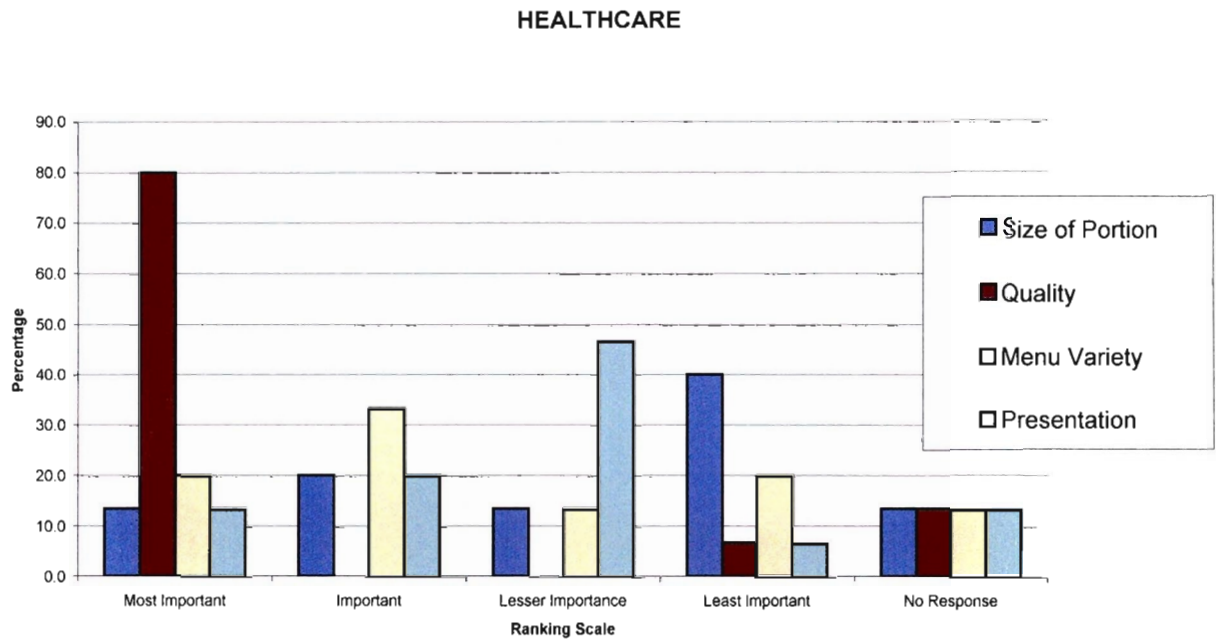


Figure 4-10 Food Criteria of Importance

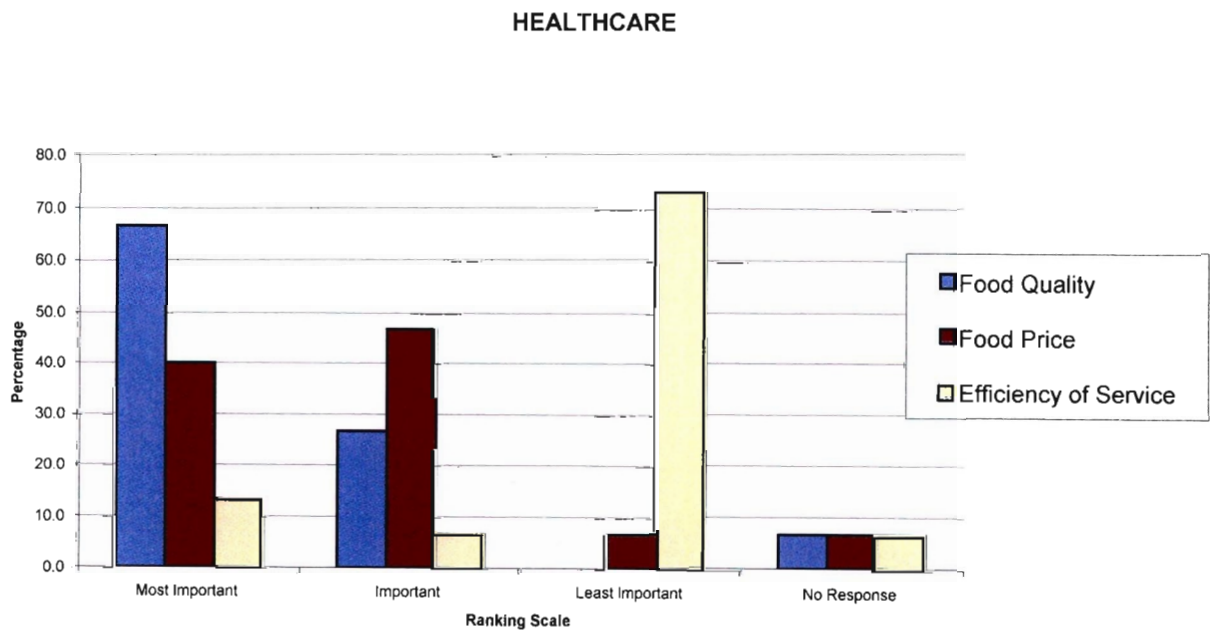


Figure 4-11 Catering Criteria of Importance to an Employer

4.2.2.5 Catering Criteria of Importance to an Employee/Patient

This question is closely related to the question above, but from the perspective of the employee. As mentioned, the views of employee and employer are often divergent, however, in this case the opinion is the same. Food quality is given the highest rating at 60% of the most important vote, with price and service following. Service is voted as the least important. This is displayed as follows:

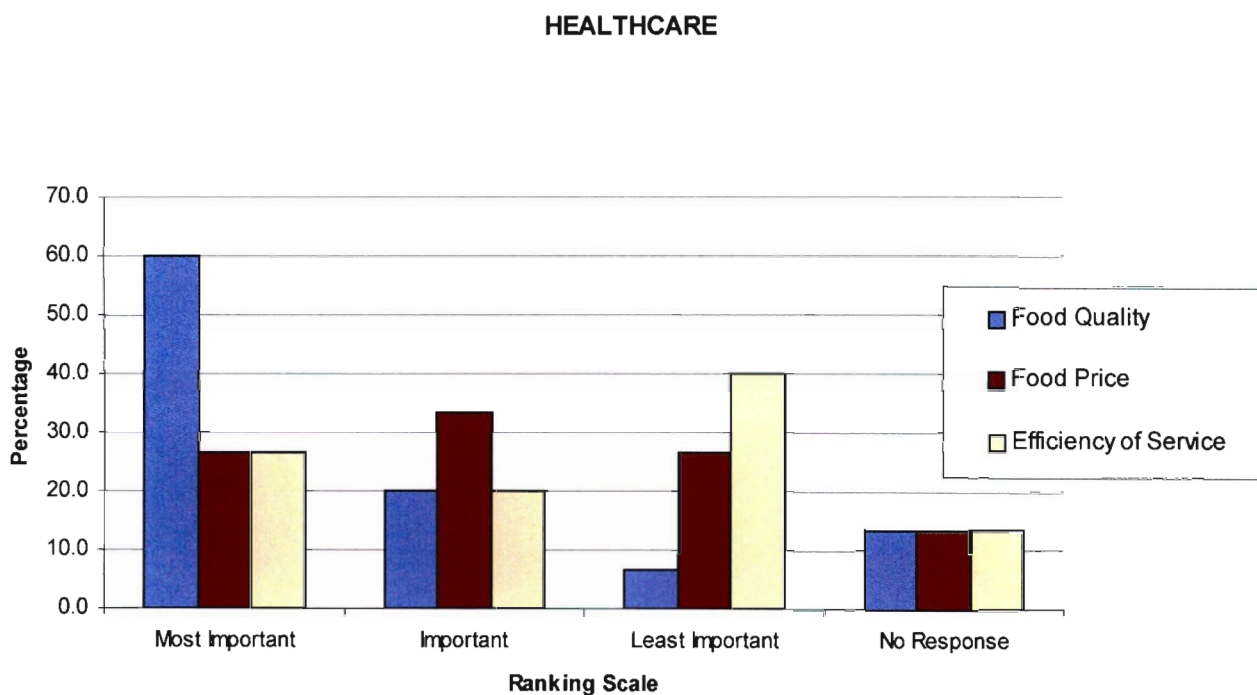


Figure 4-12 Catering Criteria of Importance for the Employee/Patient

4.2.2.6 Catering Companies that will meet your needs

The intention of this question was to gauge an understanding of the attitude of companies towards the various catering companies in existence. In this case, KKS was given the most votes at 8, but Royal and Fedics were close behind at 7 and 6 respectively. This is demonstrated as follows:

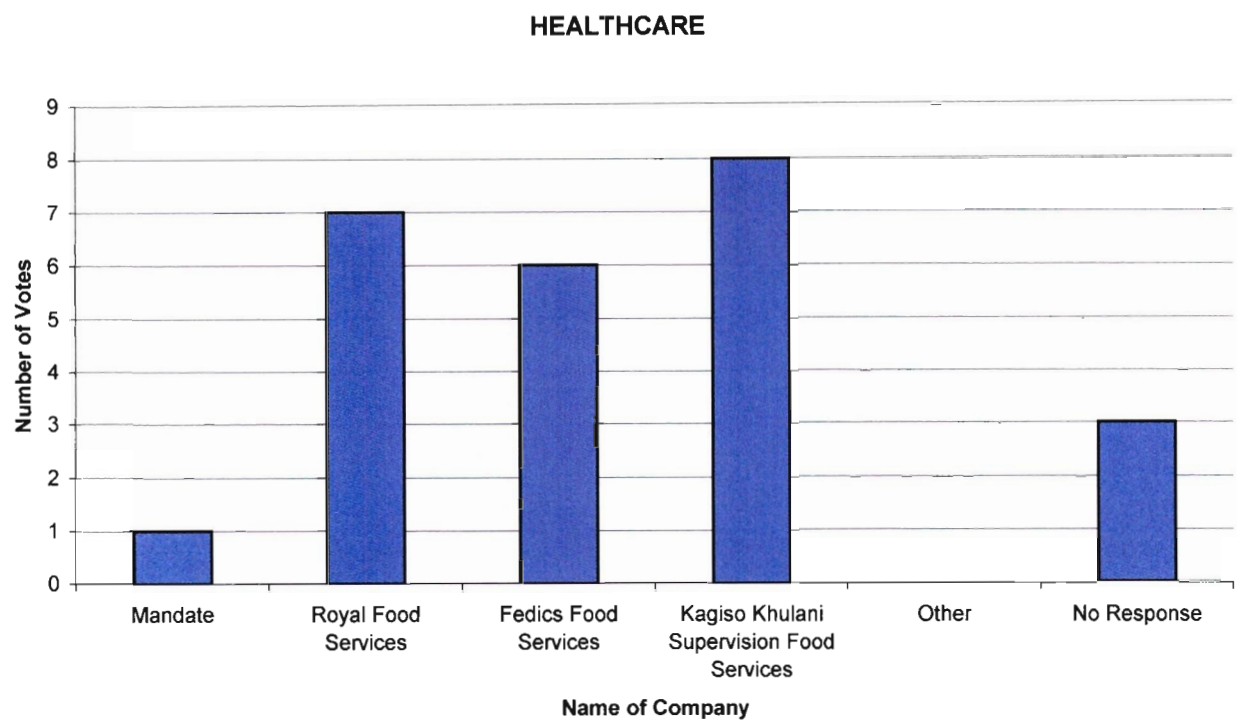


Figure 4-13 Catering Companies that will meet your needs

4.2.2.7 The Most Distinguishable Catering Company

This question follows on from the previous. Respondents are asked to identify the company most distinguishable from its competitors, after having identified all the companies that will meet their needs. In this case KKS was voted the most distinguishable with 30% of the vote, followed by Fedics and Royal. It is interesting to note the high level of no response to this question – 60%. This could be interpreted in a few different ways, the most obvious being the majority of the market do not find the existing catering companies distinguishable from each other. This is demonstrated on the next page.

4.2.2.8 Conclusion to Healthcare Sector

The point of interest in this section is that KKS is voted above Fedics and Royal as the most distinguishable catering company. Although there is a high non-response rate to

this question, KKS is still marginally ahead of the competition. The other information gathered is not surprising, namely, that food quality is listed as more important than price and service. Size of the portion is listed as the least important factor, which is indicative of the feeding requirement in the sector. The graph relating to point 4.2.2.7 is displayed below:

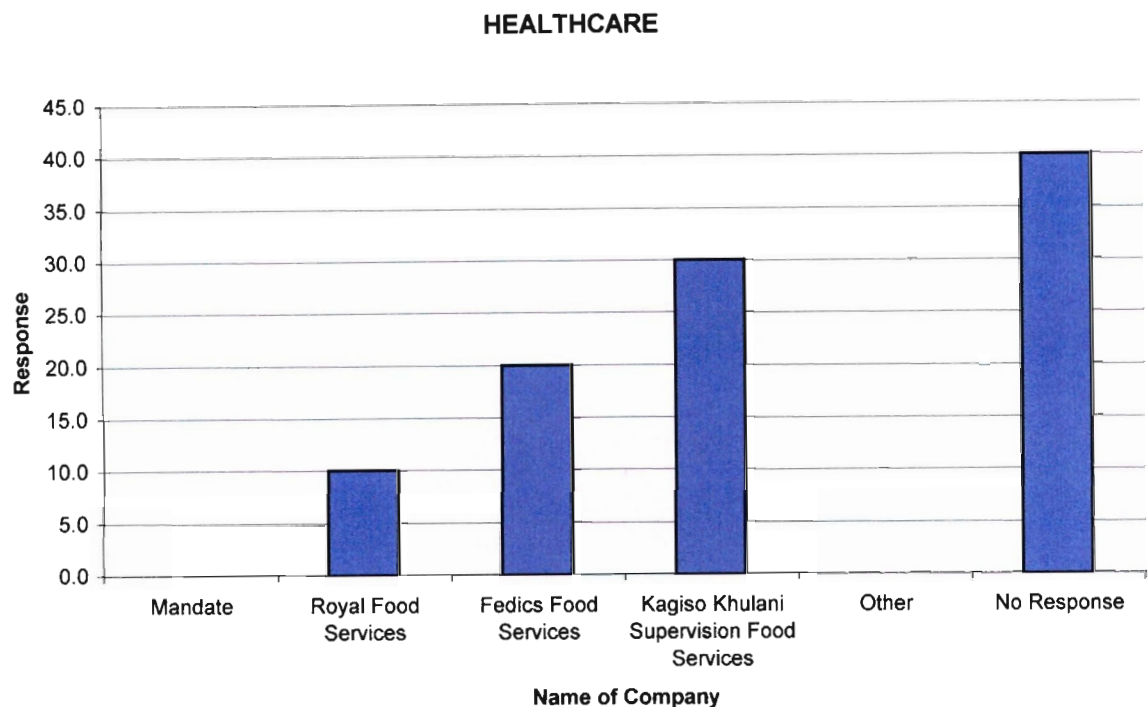


Figure 4-14 The Most Distinguishable Catering Company

4.2.3 Education

The sample size for Education is the smallest of the clusters, comprising 16% of the overall response, with 50% of the sample outsourcing their catering service. The results of this survey cannot be inferred on the private school market, as the respondents were in the majority part of the public school sector.

4.2.3.1 Macro factors influencing the employment of a Catering Company

As with the result from the other two sectors, the Education sector has voted the reputation of a company the most important factor when deciding which caterer to choose. Sixty-two percent of the group indicated this to be the most important factor.

As discussed before, what creates a positive reputation? Is a reputation created through referrals, can it be manufactured through intelligent marketing, or is it an indication of the length of time the company has existed?

The factor of least importance for this group is international shareholding. The size of the company followed as the next most important factor after reputation, whilst previously disadvantaged shareholding also received a fairly high consideration. This is demonstrated as follows:

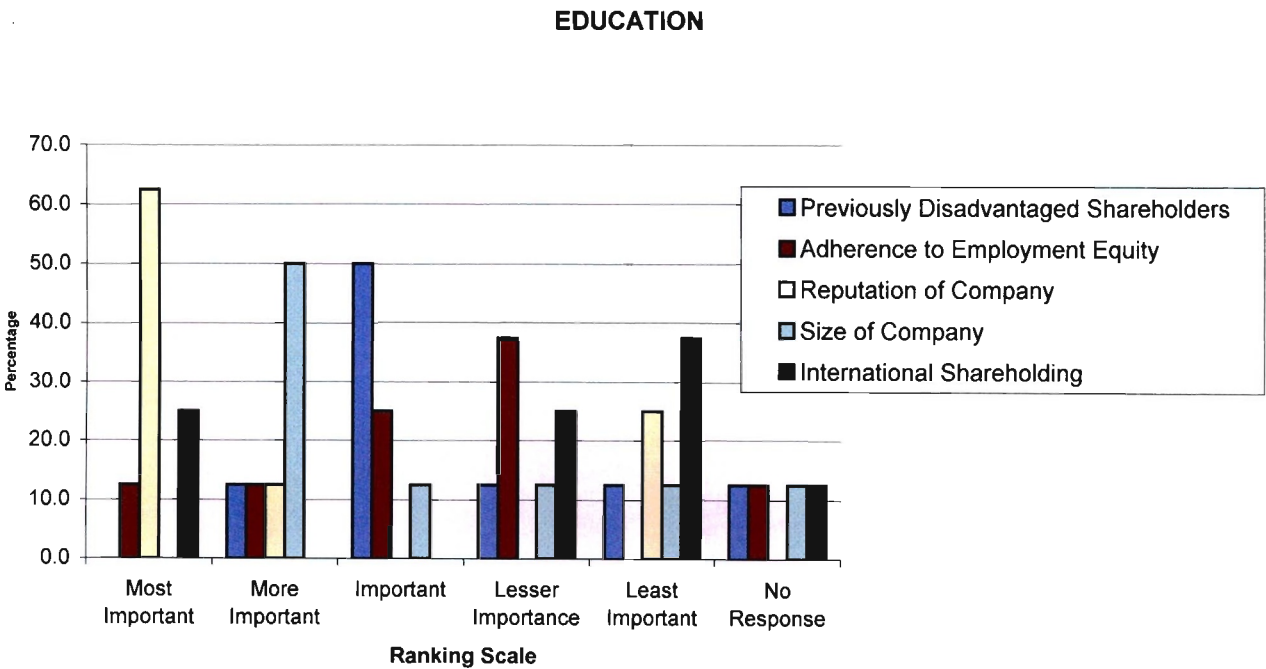


Figure 4-15 Macro Factors Influencing the Employment of a Caterer

4.2.3.2 Factors of Importance During the Sales Process

In terms of this question, reference towards existing business scored the highest in terms of importance at 50% of the most important vote. Professionalism of the sales presentation received the next vote, whilst involvement of the operations team was given the least important vote. This is demonstrated as follows:

EDUCATION

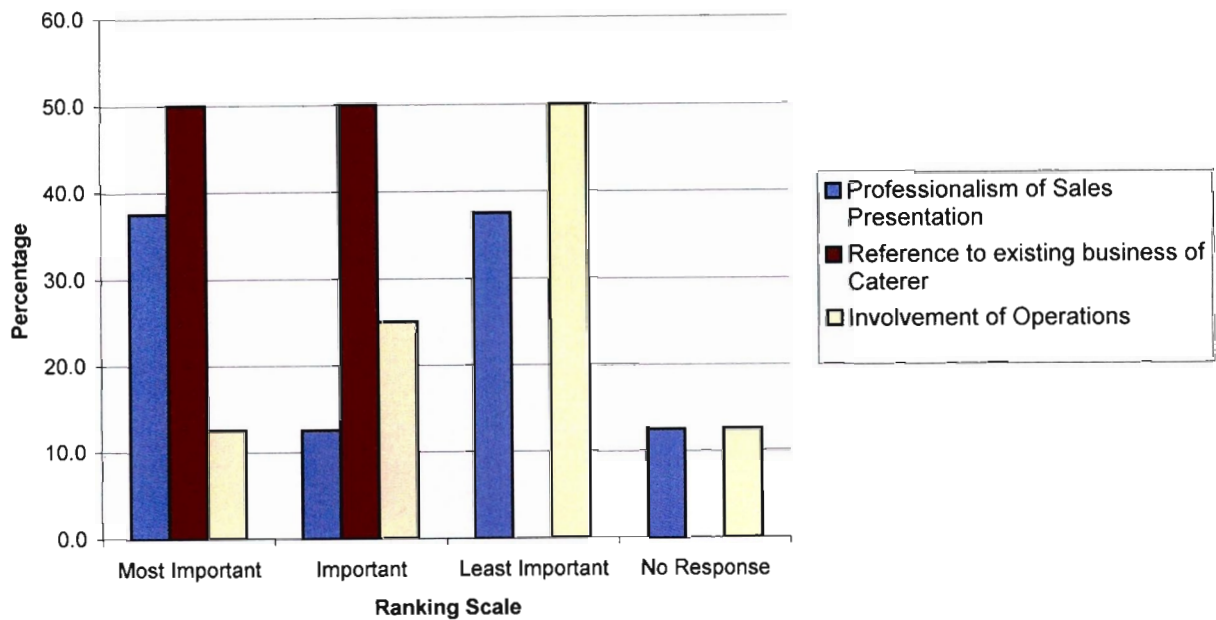


Figure 4-16 Factors of Importance during the Sales Process

4.2.3.3 Food Criteria of Importance

As mentioned earlier, this question was designed to test all the possible options relating to food in terms of an importance rating. It purposefully excluded price and service, as these are compared in the next question. Quality, as with the other sectors, was the over-riding factor of importance. Menu variety and food presentation were voted equally as carrying the least importance, which is probably an indication of catering requirements of school being mass but quality food. The food criteria graph is depicted on the next page.

4.2.3.4 Catering Criteria of Importance to an Employer

This question is directed at the employer and questions the importance rating between the three criteria of food quality, service and price. The employer is responsible for the procurement of a caterer to fulfil their staff and learner meal requirements, and their needs can be divergent. In this case, food price is voted as the most important factor, with quality next in line. This is graphically depicted over the page.

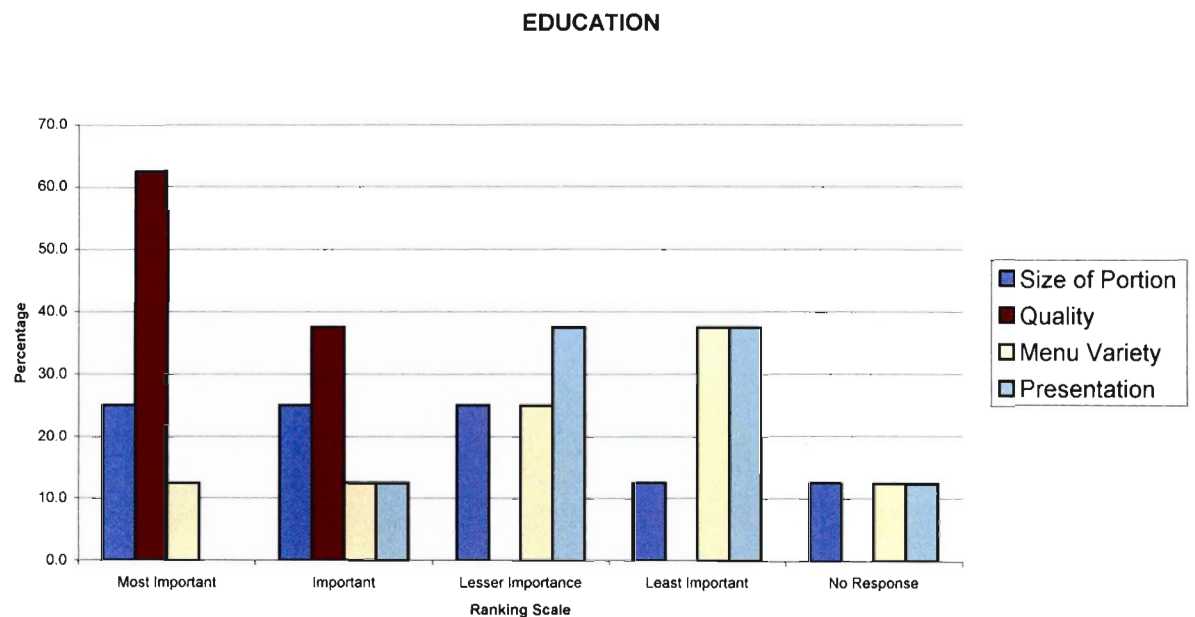


Figure 4-17 Food Criteria of Importance

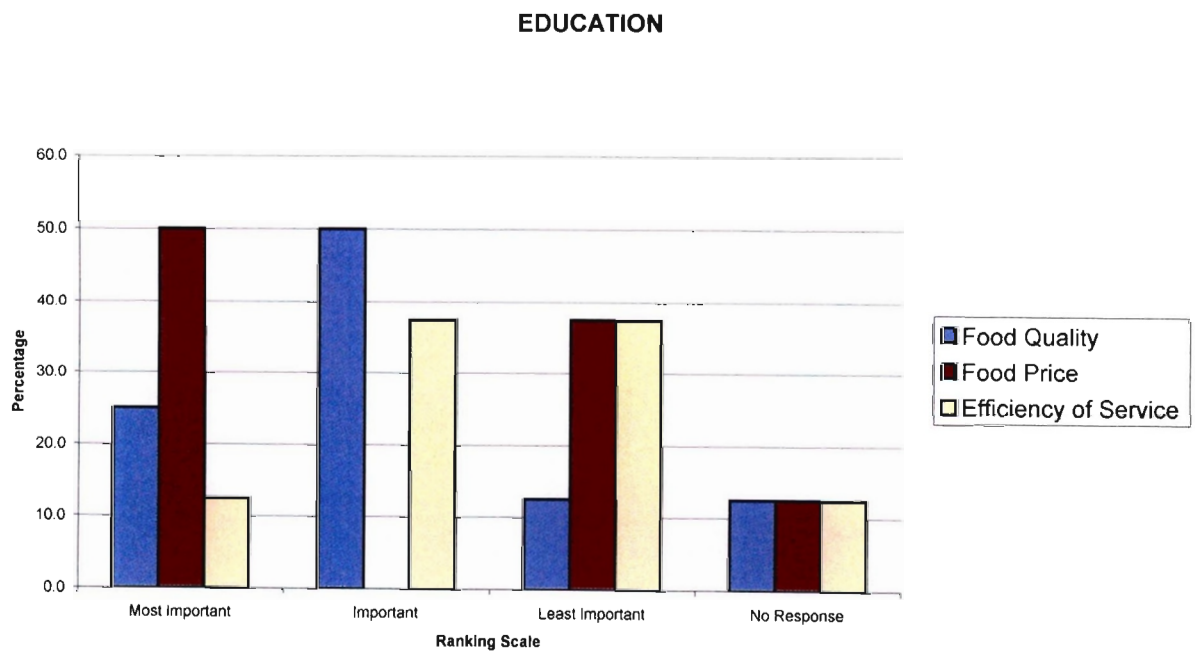


Figure 4-18 Catering Criteria of Importance for the Employer

4.2.3.5 Catering Criteria of Importance to an Employee

This question is closely related to the question above, but from the perspective of the employee. As mentioned, the views of employee and employer are often divergent, however, in this case. Food quality is given a higher rating than price, with service the least important offering from the catering team. It is pertinent to note the high rate of non-response for this question. The catering criteria of importance is depicted as follows:

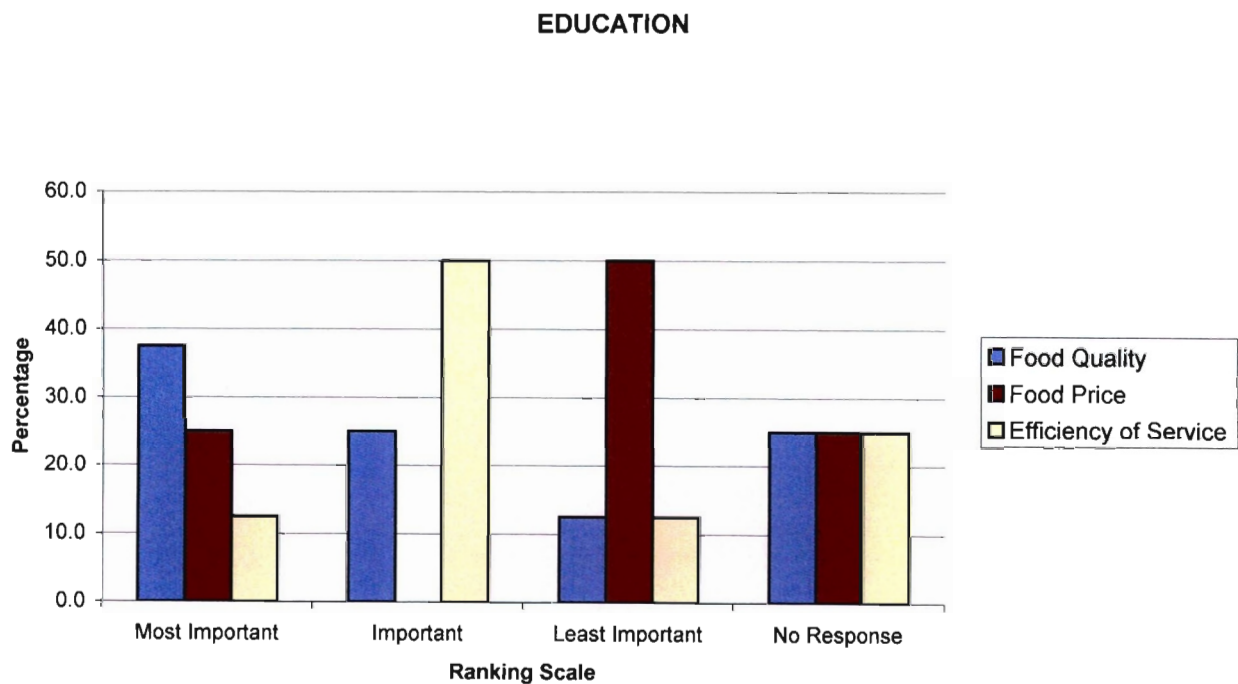


Figure 4-19 Catering Criteria of Importance to an Employee/Learner

4.2.3.6 Catering Companies that will meet your needs

The intention of this question is to gauge an understanding of the attitude of companies towards the various companies in existence. In this case Mandate and KKS were given the same number of votes. It is interesting to note there is a high non-response rate to the question, implying the catering companies are unknown to the respondents. This is demonstrated as follows:

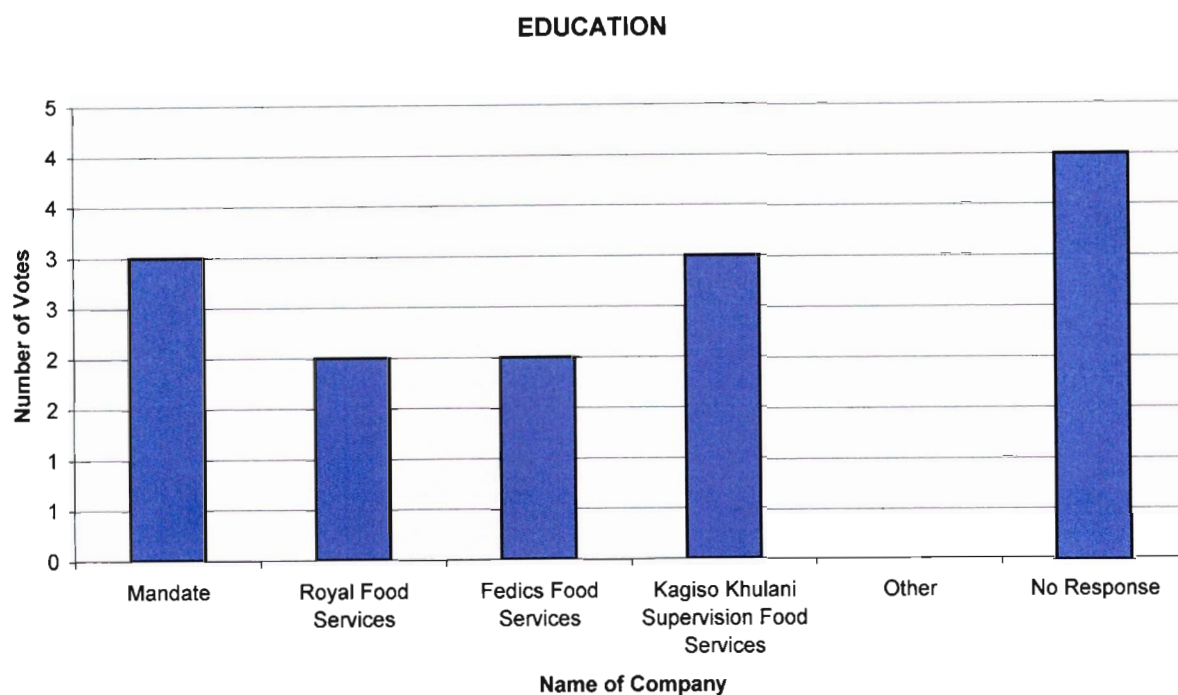


Figure 4-20 Catering Companies that will meet your needs

4.2.3.7 The Most Distinguishable Catering Company

This question has a close relationship to the previous. Respondents are asked to identify the company most distinguishable from its competitors, after having identified all the companies that will meet their needs. In this case Mandate was voted ahead of KKS. A higher non-response rate, however, indicates the respondents do not have an extensive awareness of catering companies. This is a similar response to the previous question. This response is demonstrated over the page.

4.2.3.8 Conclusion to Education Sector

The results implied for this sector are slightly different to the Healthcare and Business and Industry Sectors. The main similarity relates to reputation of the company being the over-riding factor of importance when choosing a Caterer. As mentioned on previous occasions, the way in which a company acquires a reputation is open for debate. It could be through careful marketing, through the length of time the company has been in existence, or it could be through client referrals.

Once again, food quality is the most important factor when compared with presentation, variety and size of the portion. However, employers listed price as the most important factor when compared with quality and service. Employees disagreed with this, and listed quality as more important.

The vote for most distinguishable catering company differed from the other two sectors, going to Mandate. But, as mentioned above, this cannot be taken as conclusive due to the high non-response rate to the question.

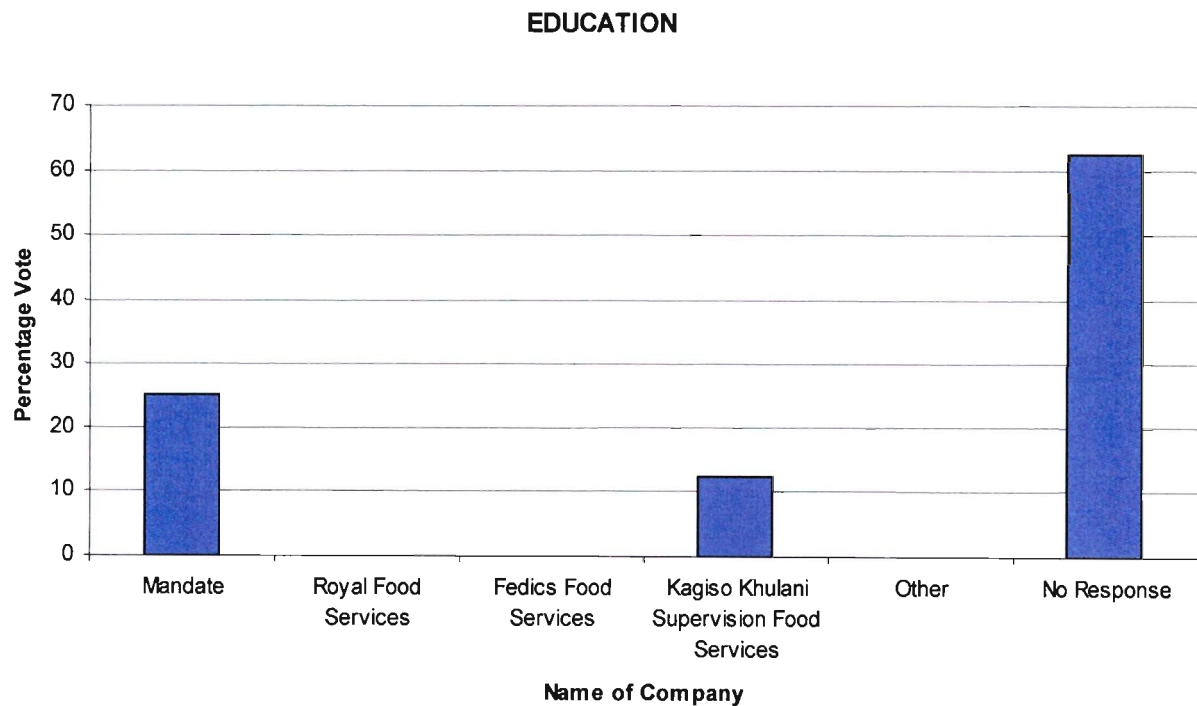


Figure 4-21 The Most Distinguishable Catering Company

4.3 Conclusion to the External Evaluation

It is apparent from the above survey results that KKS is not the catering company that is top of mind to the majority of the market place surveyed. Also, it seems that previously disadvantaged shareholders and employment equity ratings are becoming more important to the consumer in Kwa Zulu Natal. With the lack of a competitively differentiating position companies compete on price, but it is actually superior quality the majority of customers consider to be more important. These results will be discussed further in Chapter Five.

4.4 Internal evaluation of the organisation

As discussed in the beginning of this chapter, the internal evaluation of the organisation is based on the model discussed in Chapter Two – the "Strategy Circle". An internal evaluation of the organisation takes cognisance of the resources, core competences, organisational culture and value chain of a company. Resources are divided into financial, physical, intangible and human. In terms of resources, Human Resources will be evaluated considering the importance of people in a service company such as KKS.

4.4.1 Human Resources

Human Resources is undoubtedly the most important resource of the Compass Group SA. A service industry such as the catering business relies on human resources to manufacture (cook) the product, and serve it to a customer. To measure the effectiveness of a Human Resource strategy by means of an audit is beyond the scope of this study. For the purposes of this study, emphasis is placed on performance management and development of employees. It is however, pertinent to make as brief assessment of recruitment and remuneration policies.

4.4.1.1 Recruitment

The recruitment department is ineffective in parts and is currently under scrutiny by senior management. A new recruitment strategy is to be launched towards the end of 2003. Key areas of inefficiency include a lack of candidates for recruitment, especially in geographies away from the central metropolitan area. Recruitment personnel are without a leader, which adds to their personal de-motivation.

In addition, it has always been the strategy of KKS that Catering Managers recruit their own kitchen staff. The recruitment department has the responsibility upwards from Assistant Catering Manager level. This strategy worked in the past, but the feasibility of this for the future has to be questioned. Standards in catering have become more discerning over the past few years, and therefore skilled staff are required to do the job. Catering Managers often do not have the resources or time to

effectively recruit kitchen staff and training in interviewing skills has not entirely bridged the gap.

4.4.1.2 Remuneration

Salaries in the Catering Industry are notoriously low, and this might be part of the reason Recruitment are finding it difficult to source talented candidates for employment. Also, the salary scale for lower paid employees entered into new bids has also not increased with inflation over the past five years. This is an industry sickness where competitors compete on the price of staff salaries with a long-term damaging effect.

4.4.1.3 Training and Development

The Training and Development Department is most probably the most effective part of Human Resources, especially in the KZN region. Training is conducted according to contract needs, with a "Training Calendar" published quarterly. Formal training is mostly conducted in a classroom environment, and due to limited training resources on-the-job training is limited.

All training courses conducted are linked into the strategy of Financial Performance, Operational excellence, Market leadership, Customer satisfaction and Preferred Employer. A substantial amount of time has been taken to conduct Vision and Values training, the intention being to align organisational culture with strategic intent.

There has been a trend requiring Catering Managers to take up part of the burden of on-the-job training not fulfilled by the Training Department. Catering Managers are required to become assessors in the National Qualifications framework, and then to conduct the various NQ based training courses according to the Skills Development Act.

In addition to the above, a "CHAT PACK" aid to training has been implemented for use at contract level. CHAT stands for communication, help and training, and is a

worthwhile tool for Catering Managers, who are not formal trainers, to conduct basic training.

4.4.1.4 Performance Management

The performance management system discussed in Chapter 3 is the fruit of the last three years implementation and adjustment. Appraisal systems will always have an element of subjectivity, which will always breed a certain level of discontent amongst employees.

As discussed, performance targets are set by agreement between the manager and employee, in line with the strategy of the organisation. The process is reviewed every six months, and the employee is formally appraised on an annual basis. As far as possible, all elements leading to subjective decisions are removed, and all targets set are measurable. Currently, a peer review system is also being tested, which will add more weight to a fair appraisal.

However, the reward attached to the employee performance rating has caused an extensive amount of discontent. Employees with an E or E+ rating are awarded a financial bonus. For the year 2002 this amounted to 8% and 9% of the employees annual salary, respectively. Employees who received a C rating were not allocated any financial reward. A "C" employee is classed as competent in their position. The body of employees who received a "C" rating are the lifeblood of the organisation, providing stability and continuity. A fair number of these employees have become demotivated over the past three years, and the current reward system certainly warrants realignment.

4.4.1.5 Evaluation of Organisational Culture

Organisational culture is one of the internal processes that has received special attention over the past two years. As mentioned in Chapter Three, Tactical Business Solutions was retained to assess the organisational culture. They found it to be deviant from desired model of achievement and support. A follow up assessment by Tactical in July of 2003 found that the culture amongst the top management in KZN

was still predominantly a "power" role, but had made a significant shift towards achievement and support. A positive aspect is that employees are openly talking about what needs to be corrected.

The Vision and Values project launched by Compass PLC around the world has made a significantly positive impact on behaviour in the organisation. The effort to align employees into a singular vision of Great People, Great Service and Great Results is bearing fruit, and is being successfully cascaded to all levels of the business. A slight hiccup occurred with the interpretation in certain pockets of the company where the value of "Can Do" meant an employee could literally do anything. The intention behind the "Can Do" value is to achieve great results through a positive attitude, and is not a licence for lack of discipline.

Overall, senior management of the organisation can be complemented for their sincere commitment to change the way in which the company behaves. Instead of the old habit of "telling", people are now "talking" and agreeing on the way forward.

4.4.2 Evaluation of the Core Competence of KKS

As discussed in Chapter Three, the core competence of KKS has been defined as the support system that enables the Catering Manager to provide excellent service to customers. The level and quality of support provided to the catering manager enables him/her to produce an above average industry performance. However, according to Hamal and Prahalad, core competences need nourishment to survive. This is the situation that KKS finds itself in currently – a lack of nourishment in certain areas. For ease of reference, the flow chart of core competence from Chapter 3 is reproduced below. Each area of the flowchart is discussed thereafter:

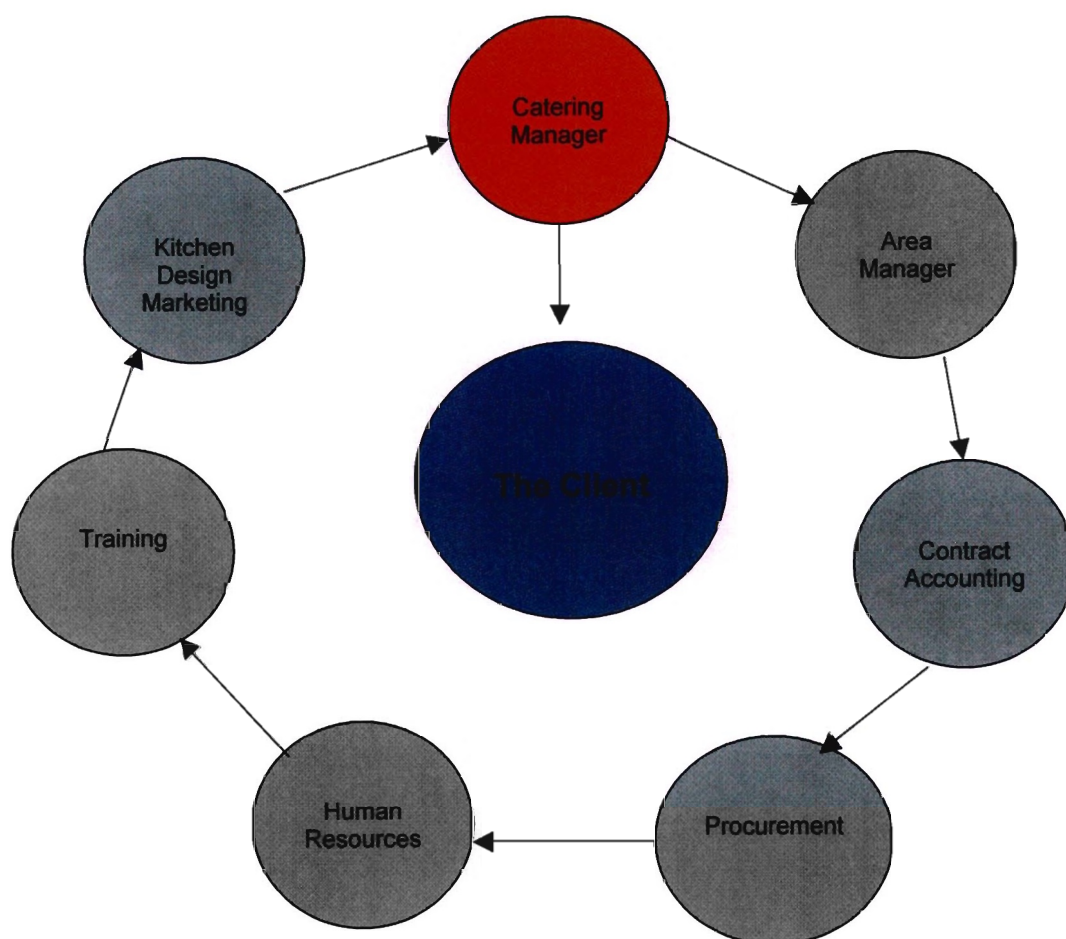


Figure 4-22 Flow Chart of Core Competence

The pivotal part of this core competence circle starts with the Area Manager, who is the direct support to the Catering Manager. A threat to this competence is the remuneration policy for Area Managers, who are rewarded according to the number of contracts they supervise. The more contracts an Area Manager supports, the more they are paid. This can result in work overload, a lack of attention to detail, and deterioration in the support to the catering manager. This erodes the core competency and ultimately the company's competitive advantage.

The next area in the flow chart of core competence relates to contract accounting. The more time a Catering Manager spends completing bookwork, the more time spent away from the area generating turnover, and from the areas requiring management control. These systems and procedures are being evaluated in the WorkSmart project, which can be termed as a program to "nourish" the company's core competence.

Currently the volume of work for Catering Managers is manageable, however, systems could be streamlined so as to improve the value added of the Catering Manager.

In addition to the contract accounting system, the support received from the regional accounts department is essential in maintaining competitive advantage. Suppliers who are not paid on time threaten non-delivery; clients who do not receive their invoices on time pay late, detrimentally affecting the cash flow. The accounts department and site systems and procedures are interdependent to maintain maximum output levels. Generally, both systems work, but maintenance is required to keep the core competence cycle working.

Procurement is an area that has a significant impact on the value chain and core competency of the business. The establishment of the distribution platform, the reduction in the number of suppliers and the movement towards increased standardisation of products is contributing to a system that is more efficient, more professional, and delivers financial benefit. Contribution to the bottom line from the Distribution platform for 2002/3 is expected to be R15 million, and for 2003/4 is expected to be R25 million. Orders placed with the distribution platform compared to orders confirmed is at 98%, orders confirmed compared to orders actually delivered is at 99%. The industry norm in this area is between 80 and 85%. This is a clear example of competitive advantage – results above the industry standard are delivered.

4.4.2.1 Conclusion to Internal Evaluation

As discussed above, KKS has a very sound internal base. The structure and support surrounding the Catering Manager is the core competence that can potentially deliver competitive advantage. Strategies to nourish the core competence are discussed in Chapter Five.

4.5 Evaluation of the Strategy Development Process

According to the "Strategy Circle", developed by Stonehouse, Houston and Campbell, the strategy development process consists of the following intertwined themes, which are discussed below:

- Knowledge –explicit and tacit
- Core Competences/distinct capabilities
- Generic Strategy

4.5.1 Generic Strategy

In terms of a generic strategy, the trend in the organisation has been to adopt a differentiation strategy, and in some areas a focus differentiation strategy. Porter theorises the firm must make a choice on which strategy to adopt, or stands the risk of being "stuck in the middle". As discussed in Chapter Two, the criticism of this theory is it is merely a positioning strategy, and will not necessarily lead to competitive advantage. This is the opinion of the author, discussed below.

A thought amongst top management is the company Brands differentiate the organisation from competitors, and are a source of competitive advantage. This may be true, however, Brands are not prevalent throughout the organisation, and certainly do not have much of a presence in Kwa Zulu Natal, the area targeted in this study. In addition, various competitors have Brands within their portfolio of products, so the judgement is left to who has the Brand that will better appeal to the customer. This is not a strategy that clearly leads to competitive advantage, but it does position the organisation.

In addition to the above, the way in which the organisation has sectorised the business to respond to the market, can also be construed as differentiating. KKS has divided the business into three operating divisions – Business and Industry, Healthcare, and Education, to respond to the individual needs of the different customers. This has allowed the various operators around the country to specialise and focus on their respective type of catering.

However, the major competitor to KKS, Fedics, has also sectorised their business. They have adopted a similar differentiating strategy to KKS. The competitive advantage to KKS was therefore short-lived, which supports the argument of Rumelt, who separates the definition of "generic" and "competitive" strategy.

It stands to reason that a company who adopts a particular competitively differentiating strategy will use that strategy to gain new and retain existing business. However, industry norm is to compete on price. KKS has never adopted an official cost leadership strategy therefore a gap has been created between the actual strategy employed, and the planned strategy. However, the recent re-engineering of the supply chain has decreased the input cost of raw material to the business, increasing the company margins. The gap between the emergent and planned strategy is narrowing, and a cost leadership strategy can possibly be used in the future to gain competitive advantage.

4.5.2 Core Competence in Strategy Development

The traditional approach to strategy development for the Compass Group SA in the past has been an "inside out" approach. Internal strengths have been identified and pitted against opportunities in the market place. The core competence of the organisation has undoubtedly been the strength of the Operations section of the business. Hamal and Prahalad suggest the analogy of the tree with a trunk, branches, leave, flowers, and fruit, all underpinned by a root system. The root system is the core competence providing nourishment for the rest of the organisation. Internal processes have received extensive attention in the past two years, and include areas such as the supply chain, organisational culture, and more recently, the WorkSmart project. All these projects are designed to strengthen the internal ability of the organisation to develop competitive advantage.

4.5.3 Knowledge in Strategy Development

The over-riding theme presented in Campbell, Stonehouse and Houston's "Strategy Circle" is the knowledge-based approach to strategy development. Knowledge is the intellectual resource of an organisation. A knowledge-based strategy is defined as a

holistic view that embraces all facets of the organisation (resources, competences and core competences), and interactions with the environment (customers, suppliers, competitors, legislation and technology). "Competitive advantage is based on new and superior knowledge through the process of organisational learning" (Campbell, Stonehouse and Houston, 2002). Organisational learning and knowledge is an area that the Compass Group SA is just starting to harness and benefit from.

An example of this is the process of re-aligning the corporate culture. A shift from a power, dictatorial culture to one that is more support and achievement driven, is encouraging organisational learning and the transfer of knowledge. Employees are encouraged to share knowledge, failures and successes for the benefit of the collective team.

Similarly, the establishment of the Change Co-ordination Team has an impact on development of knowledge-based strategies. Initiative and ideas from around the organisation are been channelled into a formal structure that tests the feasibility and acceptability of various proposals. These emergent strategies have the opportunity to be turned into formal plans delivering value to the organisation. " In the past the strategic plan was visited once a year by the executive, documented and filed away until the next Compass PLC deadline. In order to achieve the change management objectives one outcome required is an up to date, adaptive strategic intent document" (Compass Group, Master of Science in Business Leadership, John Smithyman). This demonstrates a bias towards emergent strategy development, based on organisation learning and knowledge.

However, part of a knowledge-based approach to strategy development incorporates an understanding of the near and far environment. "Research suggests that organisations cannot afford to be internally or externally driven. Instead, competitive advantage depends upon the ability of the organisation to develop knowledge-based core competencies, which are essentially market-driven strategies sensitive to customer needs, based upon organisational learning." (Campbell, Stonehouse and Houston, 2002 p18). It is the opinion of the author that the organisation is mostly internally driven; therefore strategy development has an internal perspective. There appears to be no formal, or even informal strategy encouraging scanning of the

environment or of competitors, to contribute to strategy development. In terms of the near environment – customers and competitors - The Quality Management System (QMS) tests the satisfaction level of KKS clients once a year, and this can be used as an indication or benchmark of what is required by customers.

To conclude, strategy development for the Compass Group SA has been on the whole emergent, and internal of nature. Emphasis has been placed on the internal processes of the organisation used to deliver customer value and competitive advantage.

5 Chapter Five - Concluding Recommendations

5.1 Introduction

Before recommendations are put to paper, it is pertinent to refer back to the objectives of this study, as well as the research question. The research question is as follows, **"What is the most appropriate competitive strategy to be adopted by Kagiso Khulani Supervision Food Services in Kwa Zulu Natal, to retain existing business and be awarded new contracts?"**

The objectives of the study are as listed in point 1.4 as the following:

- How will the market make their decision on which food service company to align themselves with?
- What is the attitude of clients towards the existing food service providers?
- Is the market ready to make decisions based on a quality product, rather than just price?
- Is the economic condition of KwaZulu Natal, also a factor that is taken into when an organisation decides which caterer to use, if any at all?
- Do the various sectors of the business have different requirements from caterers? (Sectors include hospitals, schools, retail, factories and corporate environments)
- Does the market perceive a difference between the various catering companies?
- Are there unexplored opportunities from the perspective of the market place that can be developed into a competitive advantage?

On the whole, the answers to these questions above have been established. Different market segments are dominated by different companies, they mostly have similar needs, and quality is the most important factor when making a choice between quality, price and service. The results from the open ended questions were ambivalent, the one response of interest being the importance of regional office support for the Catering Manager. The next step is matching the response to these questions with strategic management theory and the development of recommended strategies, as discussed below.

As was established from the literature review, competitive advantage can be derived from a number of sources. An "inside out" approach can be adopted where strategies are designed based on the strengths of the company. An "outside in" approach, much in line with Porter's positional theories, can also be used. The strategic model used in this study, the "Strategy Circle" by Campbell, Stonehouse and Houston suggests a balanced, combination approach that includes core competences, generic strategies and the promotion of knowledge throughout the organisation.

Based on the above, recommendations will be made from both an internal and external perspective.

5.2 External Recommendations

The current positioning strategy of Compass-Sa is focus differentiation. This is apparent in the manner in which the business has been sectorised, targeting different areas of the market. As discussed previously, our major competitor has also sectorised their business, which supports the argument that Porter's generic strategies do not necessarily lead to competitive advantage. However, Compass-Sa is most likely slightly ahead of the game in this case. Fedics has branded their operation into twelve different segments, compared to the three of Compass-Sa. Twelve segments might look attractive from an external point of view, however supporting this strategy from an internal perspective could be a drain on resources.

The other differentiating strategy of Compass-Sa is their Brand strategy. As mentioned previously, this strategy has had very little impact in KZN. Within the company various arguments have been put forward as to the reason for this, including a lack of economic capacity in the province to support a high street brand, as well as negative attitude amongst KZN staff. The fact remains, however, is that a potentially differentiating strategy exists, and to bear fruit it must be put into action.

In addition to the positional strategies discussed above, it is pertinent to discuss the direct requirements of the consumers when formulating recommendations. Results from all strata of the survey indicate the over riding factor influencing the decision on

which caterer to chose, is reputation of the company. Reputation can be created in the following ways:

1. Referral from existing business
2. Length of time in the business
3. Created through strategic marketing
4. Contact with the Sales team

The company has no control over the first two variables, but points 3 and 4 are within organisational capabilities.

Referring to point 3 - the company has no external marketing strategy. The major competitor, Fedics, has a "Press Room" advertised on their web site. A public relations company actively seeks opportunity for press coverage, and have built up a library of coverage which is available for reference on their website. All that is required is for the Compass Group SA name to become more widely recognised than what it currently is. Reputation is synonymous with "top of mind"; "top of mind" can be created with external coverage. The company has a recognised position of strength within the industry and competing companies, that positioning needs to be extended to the market and potential customers within KZN.

It is not the intention of this study to suggest a detailed marketing strategy for the organisation however; one recommendation can be made in this regard. Compass-Sa has employed the services of Centricity, an Information Technology company to manage the information requirements within the group. They have the skills and resources to develop an email advert for the company. The sales department have a comprehensive database with email addresses of both current and prospective clients. On the surface there are no apparent obstacles, and it certainly warrants investigation to establish the feasibility and acceptability of this proposal.

Point 4, contact with the sales team, is another area that is within control of the organisation. The Sales team in KZN consists of one staff member, who also is responsible for new business in Swaziland and the Eastern Cape. Appointments are co-ordinated from the Head Office in Woodmead, Gauteng. It is impossible for a single resource to contribute effectively to marketing the organisation. The recommendation in this regard is to increase the sales resource in the province, and bring the locus of

control back to the KZN region in terms of appointments. This is also closely related to the next recommendation to be discussed, regarding black economic empowerment.

After reputation of the company, support of previously disadvantaged communities by means of employment equity and shareholding, is the next most important factor when deciding which catering company to employ. The company does have an employment equity program and a 30% Black South African shareholding structure, however, to put it simply, the company is still too "White". Equity statistics at 2002 quantify Management at 62% white, which is not an acceptable statistic when attempting to secure new business. Not only that, the Sales team in KZN is only white. Referring to the paragraph above, the recommendation is the increased Sales team resource should be a person or people of colour.

To conclude, there are extensive opportunities to improve the external positioning of the organisation, this Chapter has mentioned a few. In the past Compass-Sa has concentrated on strengthening their internal position, by complementing this with a strong external position, real competitive advantage is possible.

5.3 Internal Recommendations

As mentioned throughout this paper, Compass-Sa's focus the last four years has been internal in nature. Strategy has been inward looking. The reasons for adopting this viewpoint are sound – margins floundered in the years 2000 and 2001 and organisational culture was working against strategy implementation.

Developing an internal strategy requires core competences to achieve competitive advantage. As discussed previously, a core competence arises from the way in which the organisation employs its competences more effectively than its competitors. The result of a core competence or distinctive capability is an output that customers value more highly than those of competitors. The core competence of Compass-Sa has been identified as the support structure surrounding the Catering Manager. Recommended nourishment for this core competence include an evaluation of the

recruitment policy and an evaluation of the contract reporting system, including the responsibility of the Area Manager. These are discussed below.

The output of the recruitment department is currently a threat to the organisation's core competence. As mentioned, operations staff recruit their own kitchen staff. This policy worked in the past but is becoming more inefficient. Going forward, the chances are recruitment frequency will increase to replace staff who are medically boarded or who die from HIV/Aids related illnesses. Similarly, the recruitment of Catering Managers could possibly be done more effectively. Catering Managers are most important human resource of the company as they are at the forefront of customer interaction, and are the breeding ground for a more senior management level.

A possible solution to this dilemma is to outsource the Recruitment function. As in the normal course of strategy development and selection, a thorough feasibility, acceptability and suitability would have to be completed.

Following on from recruitment, another recommendation is the setting of a minimum wage for kitchen staff. This would completely remove the temptation to compete on overhead costs. In fact, it could be used as a unique selling point for a period of time until competitors copied the same strategy. This would include not only the setting of a minimum wage rate, but also the updating of this rate on an annual basis according to inflation.

Further nourishment to the competence cycle includes an evaluation of the Area Manager function and the contract reporting system. Area managers are currently being remunerated on the number of contracts they support. This is counterproductive as it encourages the acceptance of an increased workload where attention to detail and focus is diluted. The WorkSmart project is under way to revise and improve these systems and procedures, and this has the full support of this study.

Another area contributing to Core Competence is Training and Development. Training and development is an area in which the company has improved dramatically in the past two years. The company is serious about developing its resource in the direction of strategic intent, and this is apparent in activity related to this area. Tied into

development is the performance management system. Other than a revising of performance rewards to include the "C" category of employee, the performance management system contributes effectively to the core competence cycle.

Organisational Culture is another aspect contributing to competitive advantage. Senior management have demonstrated they are serious about changing behaviour in the organisation, to align it with the preferred culture. Visible results of this change are apparent in the open discussion that takes place in a comfortable environment. No further recommendations can be made in this regard; the status quo adequately contributes to the flow chart of core competence.

Similarly, the re-engineering of the supply chain and advent of the distribution platform contributes extensively to the internal strength of the company. There is no doubt this component of the value chain delivers output superior to that of any competitor. A question that needs to be asked is – how long will it take before competitors have imitated this strategy and the advantage is eroded? The recommendation of this paper takes the form of a collaborative strategy. By including the competing companies in the distribution network, the following benefits will accrue:

- Control over pricing in a large percentage of the competitors' basket of goods
- Increased purchasing power and increased discount revenue

By using the Compass-Sa distribution network, competitors would not have the expense of developing their own network, which is not easily quantifiable. Compass-Sa has taken two years to get to the current participation level of 37% of the total purchasing basket. This is an indication of the time factor, but there is also the risk of a new distribution platform not succeeding. On the surface, benefit would accrue to all parties, and Compass-Sa would be protecting their core competence.

Lastly, in terms of Internal recommendations, the discussion turns to the Change Co-Ordination Team. This is a development that is very likely to ensure success of the organisation at the strategic planning level. No formal or informal procedure existed in the past where strategic initiative could be channelled in a specific direction, and where selection of strategies could be made according to proper strategic management principles. This project has the support of this study.

5.4 Conclusion

By nurturing the internal strengths of the company, and developing a differentiating competitive external position, the Compass Group SA is set to acquire competitive success. From this study it is clear the Compass Group SA has been focussed inwards, and has concentrated on developing the core competence of the company. The result of this focus is an organisation with the capacity for growth and success. By combining this strength with an external positioning strategy, as discussed in this chapter, the result could only be competitive advantage.

6 Appendix

Opinion Survey - Outsourced Catering

Thank you for taking the time to complete this survey.

I am a part-time student at the University of Natal, completing my Masters in Business Administration. The results of this survey will be analysed and incorporated into my dissertation. I am also employed by an Industrial Catering Company. For the purposes of this survey, I have not listed who my employers are, least this bias any response.

Should you require any further information, please do not hesitate to contact me on yolandeg@absamail.co.za

1. What is your primary business activity? (Tick one)

Business and Industry	
Healthcare (Hospitals and Old Age Homes)	
Education (primary, secondary and tertiary)	
Government site	
Other	

If Other, please specify:	
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2. What is your site population? (Tick one)

0 to 100	
101 to 200	
201 to 400	
401 +	

3. Is your staff feeding currently outsourced? (Tick one)

Yes	
No	

4. Rank, in order of importance, the macro factors influencing your decision on which Caterer to employ. (1 = Most Important; 5 = Least Important)

Previously Disadvantaged Shareholders	
Adherence to Employment Equity Requirements	
Reputation of Company	
Size of Company	
International Shareholding	

5. During the sales process, rate the following factors in order of importance that will most likely influence your decision on which Caterer to employ? (1 = Most Likely; 3 = Least Likely)

Professionalism of Sales Presentation	
Reference to existing business of Caterer	
Involvement of Operations staff in sales process	

6. Rank the following criteria relating to food served to your employees according to importance? (1 = Most Important; 4 = Least Important)

Size of portion	
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'What is the most appropriate competitive strategy to be adopted by Kagiso Khulani Supervision Food Services, in Kwa Zulu Natal, to retain existing business and be awarded new contracts?' (Y Gravett 201508376)

Quality	
Menu Variety	
Presentation	

7. As the person responsible for employing the services of an outside caterer, rate the following criteria in order of importance. (1 = Most Important; 3 = Least Important)

Food Quality	
Price	
Efficiency of service	

8. As an employee participating in the service provided by an outside catering service, rate the following criteria in order of importance. (1 = Most Important; 3 = Least Important)

Food Quality	
Price	
Efficiency of service	

9. Which outside catering company do you think will meet your needs? (Tick as many as appropriate)

Mandate	
Royal Food Services	
Fedics Food Services	
Kagiso Khulani Supervision Food Services	
Other	

If Other, please specify:	
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10. Which catering company is distinguishable from its competitors? (Tick one)

Mandate	
Royal Food Services	
Fedics Food Services	
Kagiso Khulani Supervision Food Services	
Other	

If Other, please specify:	
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11. Referring to your answer in Question 10 - what makes this company distinguishable?

12. Are there any other factors not listed above that will influence you to employ the services of a particular Caterer?

Thank you for your participation!

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