COMPETITIVE INFORMATION MANAGEMENT STRATEGIES FOR ENTROPIC ORGANISATIONS

Research and analysis of Information Management Strategies for use in permanently chaotic business and disruptive technology environments

by

Arthur A. Madonsela
B. Sc. (Computer Science), Wits
PGDip. (Business Management), Natal

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Graduate School of Business
Faculty of Management
University of Natal (Durban)

Supervisor – Dennis Laxton: MBA, MBL

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CONFIDENTIALITY CLAUSE

7 September 2003

TO WHOM IT MAY CONCERN

Re: Confidentiality Clause

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 ten years.

Specifically, there are portions in the thesis that contain information that was communicated to me in the strictest confidence. The majority of such information is found in my discussion of the South African Post Office’s current Corporate Strategies, the so-called “Big 5” strategies, and the current Information Management/Technology Strategies, “Small 5” strategies.

Yours truly, 096246

Arthur A. Madonsela
DECLARATION

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

Signed: ...........................................

Date...........7 September 2003.................
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ABSTRACT

Disruptive technologies. Revolutionary products. Innovative services. Unpredictable change. Ever-shifting markets. Today's complex, entropic and volatile business environment poses a daunting challenge for organisations like the South African Post Office: how to create - and sustain - strategic advantage and customer value in the midst of such entropy (chaos). Most organisations respond to this challenge with more entropy-inducing mechanisms - endlessly elaborate rules, laborious processes and convoluted business, functional and technical systems to guide their strategic planning and decision-making. But this bogs organisations down, hindering business growth instead of spurring it; and ultimately restricting the organisation's ability to navigate shifting market terrain.

The last few years have seen the Post Office grappling with such issues. In search of a much-needed turnaround it has found itself engaging in, amongst others, initiatives such as the so-called strategic management partnerships than have left it worse off than it was in the first place. From an Information Management (IM) point of view, ill conceived Information Technology (IT) strategies were pursued which instead of bringing measurable value and benefits have turned out to be nothing more than mere exercises in “fire fighting”.

All the above issues have, if nothing else, highlighted the difficulty of doing business in the new economy, an economy that is fundamentally characterised by unpredictability, volatile markets, and disruptive technologies. Whilst this may, on the surface, point to limited value of using traditional business methods and strategies, this is in fact not so. Others may argue that the traditional business model is fast losing sustainability; this could not be further from the truth. As will be evidently demonstrated in this report, “brick” and “click” business models can be successfully implemented side by side in a complimentary manner, resulting in better competitiveness for the Post Office. Indeed, there has to be shifts in speed of thinking and planning, but the fundamentals of business remain to a large extent the same.

This research looks at the Post Office’s IT function in detail and provides specific competitive Information Management Strategies (IMS’s) the aims of which are to enable the Post Office to effect a human-centered – instead of an IT-centered - approach to using technology in helping the organisation to navigate entropic environments and to realise its larger strategic turnaround goals and objectives. However, as is mostly the case, the proof of the proverbial pudding is still in the tasting as strategy is both hard thinking and doing.
# TABLE OF CONTENTS

Confidentiality Clause .................................................................................................................. 2  
Declaration ..................................................................................................................................... 3  
Acknowledgements .......................................................................................................................... 4  
Abstract ........................................................................................................................................ 5  
Research Objectives ....................................................................................................................... 10  
Chapter 1 – Information Management & Strategy Theory ............................................................ 11  
Preamble ......................................................................................................................................... 11  
Information Management Context .................................................................................................. 11  
Entropy Definition ............................................................................................................................ 18  
Entropic Strategic Planning ............................................................................................................... 22  
Strategic Model And Framework Review .......................................................................................... 24  
  - Porter’s Five Forces .................................................................................................................... 24  
  - Operational Value Chain (OVC) .................................................................................................. 27  
  - Moore’s Law .............................................................................................................................. 30  
  - Metcalfe’s Law ........................................................................................................................... 30  
  - Downes & Mui’s Law Of Disruption ......................................................................................... 31  
  - Informational Value Architecture (IVA) ................................................................................... 31  
Information Management Strategies ............................................................................................... 43  
  - Outsourcing Strategies .............................................................................................................. 43  
  - Innovation Strategies .................................................................................................................. 49  
  - Internet Strategies ..................................................................................................................... 54  
  - Strategic Alliances & Collaborative Partnerships ..................................................................... 61  
Chapter 2 – South African Post Office Case Study ......................................................................... 69  
Background ...................................................................................................................................... 69  
Vision And Mission .......................................................................................................................... 70  
Corporate Strategy ........................................................................................................................... 70  
Business Objectives .......................................................................................................................... 71  
Focus Operational Strategic Areas .................................................................................................... 72  
Products And Services ....................................................................................................................... 74  
Current Information Management Strategies ................................................................................... 76  
  - IT Standardisation ..................................................................................................................... 76  
  - Systems Integration .................................................................................................................... 76  
  - Service Management .................................................................................................................. 77  
  - HR (Personnel) Development .................................................................................................... 78
<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Link Between Corporate And IT Strategies</td>
<td>79</td>
</tr>
<tr>
<td>Chapter 3 – Gap Analysis &amp; Evaluation</td>
<td>79</td>
</tr>
<tr>
<td>- Macro-environmental Analysis – “PEST” On Post</td>
<td>81</td>
</tr>
<tr>
<td>- Competitive Industry Analysis</td>
<td>85</td>
</tr>
<tr>
<td>- Internal (SWOT) Analysis</td>
<td>94</td>
</tr>
<tr>
<td>- Information Value Architecture (IVA) Analysis</td>
<td>96</td>
</tr>
<tr>
<td>Chapter 4 – Recommendations And Conclusion</td>
<td>103</td>
</tr>
<tr>
<td>Introduction</td>
<td>103</td>
</tr>
<tr>
<td>Re-Enforceable Strategies</td>
<td>104</td>
</tr>
<tr>
<td>Non-Sustainable Strategies</td>
<td>105</td>
</tr>
<tr>
<td>Nascent Strategies</td>
<td>106</td>
</tr>
<tr>
<td>- Internet Strategy</td>
<td>106</td>
</tr>
<tr>
<td>- Innovation Strategy</td>
<td>111</td>
</tr>
<tr>
<td>- Partnering Strategy</td>
<td>113</td>
</tr>
<tr>
<td>- Transformational Strategic Outsourcing</td>
<td>116</td>
</tr>
<tr>
<td>Conclusion</td>
<td>121</td>
</tr>
<tr>
<td>Bibliography</td>
<td>124</td>
</tr>
<tr>
<td>- Books</td>
<td>124</td>
</tr>
<tr>
<td>- Journals And Newspapers</td>
<td>127</td>
</tr>
<tr>
<td>- Personal Conversation/Interviews, Etc.</td>
<td>129</td>
</tr>
<tr>
<td>- Electronic References</td>
<td>130</td>
</tr>
<tr>
<td>Appendices</td>
<td>131</td>
</tr>
<tr>
<td>- Appendix A – Outsourcing In South Africa (2002- 2003)</td>
<td>131</td>
</tr>
<tr>
<td>- Appendix B – Post Office’s Product And Service Offering</td>
<td>133</td>
</tr>
</tbody>
</table>
# LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Drivers of Permanent Volatility</td>
<td>20</td>
</tr>
<tr>
<td>1.2</td>
<td>Information Value Architecture (IVA) Model</td>
<td>32</td>
</tr>
<tr>
<td>1.3</td>
<td>Outsourcing Drivers</td>
<td>44</td>
</tr>
<tr>
<td>1.4</td>
<td>How the Internet Influences Industry Structure</td>
<td>59</td>
</tr>
<tr>
<td>2.1</td>
<td>Post Office's Product and Service Offering Tree</td>
<td>75</td>
</tr>
<tr>
<td>3.1</td>
<td>Information Value Chain Analysis (IVCA)</td>
<td>96</td>
</tr>
<tr>
<td>4.1</td>
<td>Five-step Market Framing Process</td>
<td>107</td>
</tr>
<tr>
<td>4.2</td>
<td>Internet Business Model (IBM)</td>
<td>109</td>
</tr>
<tr>
<td>4.3</td>
<td>Stratified-approach to Outsourcing Strategy Implementation</td>
<td>117</td>
</tr>
</tbody>
</table>
LIST OF TABLES

Table 1.1  Advantages and disadvantages of Alliances 62
Table 1.2  Advantages and disadvantages of Joint Ventures 63
Table 2.1  Post Office’s IT Standardisation Strategy 76
Table 2.2  Post Office’s Systems Integration Strategy 77
Table 2.3  Post Office’s Service Management Strategy 78
Table 2.4  Post Office’s HR Development Strategy 78
Table 2.5  Post Office’s Innovation Strategy 79
Table 2.6  The Link between Post Office’s “Big 5” and “Small 5” Strategies 80
Table 3.1  Potential Entrants 85
Table 3.2  Power of Buyers 87
Table 3.3  Industry Competitors 89
Table 3.4  Power of Suppliers 91
Table 3.5  Substitutes 93
Table 3.6  Post Office SWOT Analysis 95
Table A.1  Major South African Outsourcing Deals (2002 - 2003) 132
Table A.2  South African Outsourcing Vendor Market Share (2001) 132
Table B.1  Post Office’s Product and Service Offering 133
RESEARCH OBJECTIVES

The objectives of this research undertaking, as outlined in a previously submitted Research Proposal, are three-fold (these objectives are reiterated here for completeness):

Firstly, to evaluate the Post Office’s need for and justification of strategic information management planning and the resultant information management strategies in the context of the entropic business environment.

Secondly, to identify global Information Management practices and trends, and to outline potential key Information Management Strategies (IMS’s) in use by organisations in similar entropic environments.

Last and most importantly, to identify possible IMS’s the Post Office can pursue in these entropic conditions, the aims of which are to enable the Post Office to use Information Management to effect a successful business turnaround.
CHAPTER 1 – INFORMATION MANAGEMENT & STRATEGY

THEORY

PREAMBLE

The strategic importance of information and the associated role of information management have grown over time. According to McNurlin and Sprague (1998), the process of managing technology in organisations is getting more complex as it becomes more important. In the early years, the big job was to manage the technology – get it to work, keep it running, and thus reduce the cost of doing business. The thrust has now shifted to managing the information resource of the organisation particularly to support management decision-making by delivering information when and where it is needed.

INFORMATION MANAGEMENT CONTEXT

Davenport (1994) makes three observations regarding Information Management (IM), a discipline aimed at the task of using technology in sourcing, organising, sharing (disseminating) and controlling information to enable enterprise-wide strategic decision-making, execution of operational tasks and activities that help the organisation realise its strategic business goals and objectives.

Davenport’s observations will form the basis of the IM strategies tackled in this research primarily for the following reason: the standard view IT Management and strategy as a discipline has a computer-centric (“machine-centered”) approach, as opposed to Davenport’s “human-centred” approach. According to Davenport, information management must begin by thinking about how people use information, instead of how they use machines.

Setting up an information infrastructure with the hope that the “rest will take care of itself” is the reason why many IT projects fail. Davenport’s IM approach aims at making IT managers to begin thinking with the user in mind. This approach creates an important and necessary paradigm shift to the traditional IT management and strategy. It is for this reason that Davenport’s observations have been chosen to form the basis of this research:

• Observation #1: Information evolution

Davenport (1994) observes that information evolves in many ways taking multiple meanings even for users within the same organisation: “Whilst IT specialists are drawn to common definitions of terms like customer or product, most information
doesn’t conform to such strict boundaries. Forcing employees to come to one common definition, as some technologies require, only truncates the very conversations and sharing of perspectives that the technology is supposed to ensure. Rather than forcing employees to simplify information so that it will fit into a computer, a human-centered approach to information calls for preserving the rich complexity we prefer in our information diets.”

Applegate, McFarlan and McKenney (1999) expand this observation by giving the following insight into information management in times of complex change: “Can firms take advantage of the information management and communication tools...to create an “information age organization” that simultaneously manages speed and complexity? Although the networked IT infrastructure can provide important tools, it can define neither the information that needs to be in the systems nor the meaning of the information and how to use it to coordinate and manage the business…”

- **Observation #2: Information distribution (sharing)**
  Another observation Davenport (1994) makes is regarding the users’ inclination not to share information in the organisation: “People don’t share information easily. Assuming that different departments, professionals, or line workers will want to use technology to share information is one of the biggest mistakes executives make. Yet it is one of the fundamental assumptions made in planning any IT system. That is, if you build it, people will use it.”

- **Observation #3: Information culture**
  The third and last observation Davenport (1994) makes around information management highlights how little influence IT has over changing people’s attitudes, values, etc regarding information – in short, information culture. Says Davenport (1994): “Changing an IT system won’t change a company’s information culture. The presence of technology, in and of itself, cannot wholly transform a corporation. Changing a company’s information culture requires altering the basic behaviors, attitudes, values, management expectations, and incentives that relate to information.”
  In this regard, Applegate, McFarlan and McKenney (1999) concur with Davenport: “The... IT infrastructure [cannot] define the organizational structures, processes and culture required to enable people to use the information to make decisions and take
actions...these tools cannot provide incentives that motivate people to use information to meet both organizational and personal objectives. Rather, to accomplish their overarching goals, *firms must change the way they are organized, and employees at all levels must become "information literate"* – not just computer literate.”

So in essence, whilst information may be everything, technology is not. Changing the technology, asserts Davenport, only reinforces old, pre-existent behaviours. Yet in most companies, many managers still believe that once the right technology is in place, the appropriate information sharing behavior will inevitably follow.

The IM function has both internal and external aspects. According to Peters (1992), information enables linkages between various stakeholders, specifically buyers and sellers. To this end, Peters sees organisations as “pure information processing machines – nothing less, nothing more: Organizational structures, including hierarchies, capture, massage, and channel information – period.” This is in essence the internal perspective of information management. The externally-focus aspect deals with how information is disseminated to customers, shareholders, other stakeholders and the wider public.

The increasing need for organisations like the South African Post Office (“Post Office”) to be more creative, innovative and forward-thinking in this fast-paced, amorphous and change-driven new information economy has brought with it several other challenges. On the one hand, whole industries are being redefined because of immense change. Observers like Powell (2003) assert that change – and he highlights two types of this (economic and technological) – creates widespread uncertainty, unpredictability and chaos (entropy), the result of which is a greater need for strategic decision-making information.

Another observer, strategic thinker Peters (1992), concurs with the above by claiming: “…information is everything. Information networks will be decisive to relative future competitive.” And whilst the need for decision-making information has been with us for as long as there has been business activity, what has brought about this “urgency for information” is the speed at which change is occurring and the uncertainty, unpredictability that Powell refers to above.
Yet, other thinkers, Porter & Millar (1985) observed that: “The information revolution is sweeping through our economy. No company can escape its effects. Dramatic reductions in the cost of obtaining, processing, and transmitting information are changing the way we do business.”

Linked to the above is the issue of increasing globalization. Bartlett and Ghoshal (1989) define globalisation as a phenomenon in which an organisation treats the entire world as one market and one source of supply. This “driver” is forcing organisations such as the Post Office to re-evaluate how they undertake their business operations and the rules and policies that guide them, as not doing so will result in them being “out-of synch” with business reality; which may ultimately lead to non-competitiveness and extinction.

Also, globalisation enables competition to take on more forms than previously anticipated; with the additional challenge that competition can come from anywhere in the world. According to Robinson & Pierce (2003), global competition may take the form of, amongst others: licencing (contract manufacturing), franchising, joint ventures, etc.

As a further illustration of what globalisation entails Porter (1998) said: “Now that companies can source capital, goods, information, and technology from around the world, often with the click of a mouse, much of the conventional wisdom about how companies and nations compete needs to be overhauled. In theory, more open global markets and faster transportation and communication should diminish the role of location in competition”

The implication of the above phenomenon for the Post Office is that they now have to interrogate the business environment more incisively and constantly with the aim of sourcing information around competition and the various other dynamics that drive the postal industry. Indeed, the trend of organisations placing more significance on their information resources will continue to grow. Said Sunter (1987): “The future war in the world, in terms of trade, will be fought more on knowledge and less on raw material.”

It is not difficult to see why there is such “hype” around information: additional to relevant strategic information being the basis for any intelligent business decision-making process and the anticipated market competitiveness, Peters (1989) puts forward several information
"motivators" – “the multiple facets of the power of information” as her refers to them. I will highlight some of these:

- Information provides critical confirmation that the firm sees the worker as a partner and problem solver
- Widespread availability of information is the only basis for effective day-to-day problem solving
- Sharing information inhibits the upper-level power game playing that is the prime enemy of flexibility and moving fast
- Visible posting of information radically speeds problem solving and action taking
- Information sharing stirs the competitive juices
- (Useful) information begets more (useful) information
- Information abets flattening the organizational pyramid

In order to sustain the above information disposition and context, an effective information management and suitable technological approach to fully exploit information as a strategic asset of the organisation needs to be in place, otherwise there is bound to be failure and ultimately extinction. According to Porter (1997), there are mainly four reasons why technology is becoming increasingly strategic for organisations like the Post Office. Technology is:

- **Driving industrial restructuring**
  
  Industrial restructuring because of technological advancements has seen the postal service industry shifting from being process and data driven to being information-driven. In addition, technology has spurred the creation of entirely new industries

- **Redefining business rules in whole industries**

  The Post Office, amongst other organisations, is forced to redefine the way it conducts business: new rules, processes and policies have to be created the aim of which is to enable better organisational competitiveness. An example of this is the South African Government’s passing of the Electronic Communications and Transactions (ECT) Act the aim of which is to enable Post Office to “…deal with the security and legality of transactions, the recognition of digital signatures, and introduce a mechanism to facilitate the resolution of the use of domain names and squatting” (*Business Day*, 12 September 2001)
• Unearthing new business opportunities
Technology is also enabling the creation of new business opportunities. Not only this; technology has also made it possible for these opportunities to be “brought to market” much quicker than was possible in the “old” economy. This is a result of “economies of efficiency” that technology avails. In the postal industry, the increasing accessibility of the Internet, for example, has resulted in fewer letters being posted. In their place technologies such as electronic mail, short message service (SMS), etc are being used. The Post Office is now being forced to evaluate business opportunities that these technologies avail.

• Enabling competitive advantage
The overall effect of the above is that with the right technology approach, organisations such as the Post Office will be more effective and efficient in their operability; the result of which will be more competitiveness for the organisation. However, in order to achieve such competitiveness, there is a need for organisations like the Post Office to undertake an analysis of the value chain to identify areas for cost savings, greater operational efficiencies, etc. Porter & Millar (1985) had the following to say regarding the information technology’s “invasion” of the Operational Value Chain (OVC): “Information technology is permeating the value chain at every point, transforming the way value activities are performed and the nature of the linkages among them.”

Another reason why technology is increasingly strategic is brought up by Peters (1992):

• Pervasiveness
Peters observes that technology is “...having an extraordinary effect on virtually every product – new or ‘old’ ”. This pervasiveness not only implies cross-industrial “acceptance” of technology as a source of competitive advantage, it also underscores the revolutionary effect technology has on what I call the “Information Value Chain” (IVC) (i.e. the relationships an information architecture must create in order to enable the varied operational functions and activities within organisations from product development to marketing to delivery, etc). This pervasiveness is another driver moving organisations towards the realization that “information is everything” as Peters asserts.
On the same subject, Drucker (1999), brings an angle different yet supportive of the above:

- Cross-industrial technology utility

  "Management therefore now has to start out with the assumption that there is no one technology that pertains to any industry and that, on the contrary, all technologies are capable – and indeed likely – to be of major importance to any industry and to have impact on any industry."

A far more important reason why technology has become strategic is that it is “change and entropy-inductive”; meaning that, amongst other things, it is disruptive, evolutionary and revolutionary; creating both industrial and organisational entropy (chaos) the result of which is that overall organisational planning and strategizing is a greater challenge than it was in the “old” economy. A case in point is how, in spite of the Post Office having been aware of the advent of the Internet, World Wide Web and Cellular Telephony, no one considered these technologies to be a major threat to their profitability; at least not in the near future.

To an extent, these technologies were seen as a passing fad that would not gain major public acceptance. As history has shown, these technologies have become real threats and it is only recently that corrective initiatives have been undertaken to remedy the situation. An example of this is the Post Office’s “hybrid mail”. Conceptually, hybrid mail will make it possible for electronic documents to be sent from a postal point with e-mail to a postal point nearest to the customer without e-mail at which point the documents will be printed and given to the customer.

The above reasons - and there are possibly others that may emerge over time as, according to Drucker (2000), technology has consistently shown the unpredictability of its possibilities – have highlighted the need for a stronger Information Management (IM) focus. Specifically, IM is key in the process of harnessing the two resources, information and technology, and aligning them with the bigger organisational business processes and activities and the overall corporate strategy.

In order for an organisation to remain competitive, there has to be constant monitoring and analysis of the industry and competitor environments and the formulation and execution of appropriate pre-emptive/corrective Information Management Strategies (IMS’s). It is against this backdrop that this research is undertaken.
ENTROPY DEFINITION

Chemical scientists Kotz & Treichel (2003) define entropy as “...a measure of the disorder of a system”. Whilst this definition by the scientists is used in the context of chemical reactions and systems, I will borrow it, hopefully at low “premium”, for use in the context of information management, with the phrase “disorder of a system” referring to the chaotic phenomena that characterise the business environment (the “system”).

Chief Executive (2003) notes that business is increasingly characterized by rapid and unpredictable change and entropy. The resultant volatility is redefining the business environment. This redefined environment presents new challenges to many companies, the Post Office included. This is primarily because most business models were built during or aimed at periods of relative stability. And when such a stable environment dissipates in the face of entropy, many an organisation has nothing but straws to clutch on to.

What the new entropic environment dictates is that in order to effect sustainable competitive advantage, growth and profitability, organisations will have to be continually adjusting in response to the volatility. A key question in this regard then is: what is common amongst organisations that continue to prosper in such volatile and entropic environment? According to Chief Executive (2003), these organisations “have developed the capacity to respond to change. In fact, they are systematically adaptive in their infrastructures, processes and mind-sets.” Chief Executive (2003) provides the following organisations as examples of this adaptiveness:

- Wal-Mart
  Wal-Mart has built a private exchange for its tier-one suppliers to exchange real-time information about sales within each store worldwide, enabling greater transparency and responsiveness

- Dell Computer
  Dell has successfully effected a technology-enabled/mediated adaptive supply chain to lower fixed costs while responding to and profiting from increases in demand and thus maintaining its leadership position as PC manufacturer
Nokia
Nokia has created an internal division whose purpose is to facilitate business opportunities among company divisions and partners, thus unlocking value in the extended Nokia supply chain.

GE Capital
GE Capital creates or sells off business units based on market conditions, incubating new units until they reach a minimum profit threshold.

I now answer the question I posed above as follows: whilst each of the above example companies deals with entropy - and change - differently, they however share a distinct ability to respond to entropy and exploit it to their advantage. Peters (1984) underscored the need for organisations' adaptiveness by suggesting that organisations - and leaders - need to be more adaptive if they are going to have greater likelihood (probability) of developing sustainable competitive advantage. And this is, in essence, the adaptive enterprise.

Chief Executive (2003) defines an adaptive organisation as one that constantly monitors change in the environment (marketplace) and quickly adapts both its strategies and its business activities (operations) accordingly. An adaptive enterprise is one that leverages the extended value chain - including stakeholders (employees, suppliers, partners and customers) - to take advantage of unanticipated developments faster than its competitors do.

Given the preceding scenario, how then can the earlier description of entropy by Kotz & Treichel (2003) be refined for an IM context? In addition, what characterises an entropic organisation? Based on my research, entropy can now be defined as a permanent phenomenon that forces fundamental industry and business disfigurement because of rapid, disruptive, and unpredictable technological shifts. It results in a business environment that is increasingly if exponentially chaotic (disorganised/disordered) making it difficult - if not impossible - for the traditional organisation to operate in. As has already been pointed out, innovative and adaptive business models are the minimum requirement for improving the probability of organisations being able to create sustainable competitive advantage.

This definition will lend itself to further refinement once some additional factors have been analysed. Let us now look more closely at a phenomenon associated with entropy, volatility.
According to *Chief Executive* (2003), there are seven drivers of permanent volatility (*see Figure 1.1 above*). These are:

- **Macro-economic fluctuations**
  This driver addresses the fluidity of the global economy and the resultant instability of markets

- **Increased connectivity**
  Technological proliferation and accessibility has resulted in greater connectivity and sharing of information and the creation of the so-called “network society”

- **Technology innovation**
  Innovative technologies are another driver of the volatility. In part – and this has already been highlighted – technology causes disruptions and environmental change

- **Faster innovation**
  Additional to the above, innovation is occurring in “shorter spurts”. To a degree the pace of innovation, technological and otherwise far outstrips the assimilation of such innovations
• Change in competition
  Change in competition as a driver is facilitated by, amongst other things, the use of technology to gain access to strategic information necessary to be a step ahead of competition on the “experience curve”

• Change in business structure
  The reconfiguration of business environment wherein power shifts amongst buyers, suppliers, etc creates a level of volatility. To this end, technology has played a part as firms are increasingly incorporating information technology into their value chains enabling both horizontal and vertical value chain integration

• Regulation
  The regulatory framework that drives individual industries can cause volatility. A case in point is the South African Government’s passing of the Electronic Communication and Transaction (ECT) Act. This has caused uncertainty amongst role players in the information and communication technology arena. Specifically, it means the Post Office will play the role of authentication and digital certification services provider, services that would possibly be provided by independent organisations like Internet Solutions (IS), VeriSign, etc.

Given the above analysis, an entropic organisation can be further characterised as one that has the necessary adaptive infrastructure, organisational and leadership capabilities to continually effect strategic change in the permanently volatile and chaotic business environments. It is important at this point to highlight the distinction between organisational change and the afore-mentioned strategic change. Lynch (2000) notes that organisational change happens in every organisation and is inevitable. Strategic change, on the other hand, can be managed and controlled. Thus, “strategic change is the pro-active management of change in organisations to achieve clearly identified strategic objectives.”

It is interesting to note that there are various viewpoints regarding change. In my analysis, the differences amongst the various schools of thought have more to do with emphasis on approach rather that the fundamentals. For instance, Drucker (1999) observes that: “One cannot manage change. One can only be ahead of it…” as change is inevitable (so far Drucker concurs with Lynch; yet Drucker goes on to observe: “In a period of rapid structural
change, the only ones who survive are the change leaders...a change leader sees change as opportunity. A change leader looks for changes, knows how to find the right changes and knows how to make them effective both outside the organisation and inside it”

The founder of Silicon Graphics Inc, McCracken (1993), represents yet another school of thought. He believes that in order to succeed, organisations must stop being reactive to entropic change (chaos). He asserts that the key to competitive advantage lies in being the one who produces chaos - “chaos producer” as he calls it.

So comparatively speaking, Drucker’s emphasis is more on the leadership capability as opposed to Lynch’s management capability; whilst McCracken’s emphasis is in being pre-emptive about change.

ENTROPIC STRATEGIC PLANNING

As has already been pointed out, the challenge for organisations is in addressing the limitations of the traditional business models, as they were not designed to deal with permanent entropy and volatility. This has indeed been concurred by various strategy thinkers and practitioners:

Freedman (1992) brings to Frederick Taylor’s traditional scientific approach to management its promise of providing managers capacity to predict and control the organisation. The question I ask is how relevant is this in the new, entropic economy that is both unpredictable and uncontrollable?

Porter (1980), for example, argues that in order to sustain above average competitive performance requires strategic planning and the will to implement strategy. Indeed, his strategic management approach still provides tried and tested strategic planning tools. However, in a subsequent Harvard Business Review article, Porter (1996) conceded, “developing a strategy in a newly emerging industry or in a business undergoing revolutionary technological change is a daunting proposition”.

The above challenge is further attested to by Sagan and Druyan (1998): “The prediction I can make with the highest confidence is that the most amazing discoveries will be the ones we are today not wise enough to foresee.”
Downes and Mui (1998), on the other hand, assert: “Every industry we can think of is already in the midst of “revolutionary technological change”...”, specifically “industries whose primary product is or includes information, such as entertainment, retailing, financial services, and chemicals, are involved in major technological shifts.” Downes and Mui go as far as saying that traditional planning simply does not work in times of entropy (great change).

Mintzberg’s (1994) argument is that a major limitation of the traditional strategic planning approach is the assumption – a false one at that – that the future can be forecast based on existent conditions in the business environment. Part of the problem, Mintzberg asserts, is that discontinuities like technological innovations make forecasting practically untenable. Downes and Mui (1998) add: “…discontinuity...is the primary characteristic of the new business environment...”

Given the above scenario, one question needs to be asked: how then can entropic organisations effect successful strategic planning in the given environment? Two “techniques” are outlined below:

- **Innovation**

  McCracken (1993) believes that the key to successful strategic planning in an entropic (chaotic) environment is innovation. His argument, as has been put forward previously, is that in order to be competitive, one must begin by being the producer of chaos. However, to be a “chaos producer” requires being an “innovation leader”.

  Clemons & Santamaria (2002) concur by asserting that this approach is not meant to annihilate/destroy competition; rather, it is meant to use the forces of disorder and uncertainty against the opponent.

  Innovation as an approach to address entropic environments requires a holistic approach to the enterprise’s value chain. In order words, every aspect of the business operation has to be analysed with the aim of finding innovative ways of undertaking every activity in the operation better. For example, Silicon Graphics’
McCracken pays particular attention to the innovative design of products that meet the needs of his best and brightest customers.

**Change leadership**

Drucker (1999) asserts that as change is inevitable, the only way one can undertake successful strategic planning in entropic environment is by continually assessing the market environment and taking pre-emptive measures to “lead change” instead of reacting to its occurrence.

**STRA TEGIC MODEL AND FRAMEWORK REVIEW**

Technological shifts and the accompanying business effects have seen IT change its role from being a “support function” to being a strategic one. Whilst arguments still prevail as to how much value IT adds to an organisation’s competitive advantage, the premise of these arguments is now quantitative rather than qualitative; meaning that there is a general consensus that IT does indeed provide competitive advantage; the question is how much of the competitive advantage is attributable to IT.

Porter & Millar (1985) note that: “In any company, information technology has a powerful effect on competitive advantage in either cost or differentiation. The technology affects value activities themselves or allows companies to gain competitive advantage by exploiting changes in competitive scope.”

I will now review various models and frameworks in use for strategic analysis of IT:

**- PORTER’S FIVE FORCES**

This model describes the interplay of the forces that dictate competitiveness of an industry: *Threat of new entrants, bargaining power of buyers, bargaining power of suppliers, intra-industry competitive rivalry, and threat of substitutes*.

In an interrogation of the above forces and their impact on strategy, Applegate, McFarlan and McKenney (1999) outline the following five key questions:

1. Can IT build barriers to entry?
   
   According to Applegate, McFarlan and McKenney (1999): “A successful entry barrier offers not only a new product or service that appeals to customers but also
features that keep the customers “hooked”. The harder the service is to emulate, the higher the barrier to entry.”

Historically, the Post Office has operated in a monopolistic business environment with the added protection from the South African Government. This means that the threat of new entrants is a relatively new phenomenon as result of Government’s “neo-liberation” of the postal industry.

Indeed, new entrants, in the form of, for example, DHL, have forced the Post Office to reassess its competitive position. According to The Star (Jul 15, 2003): “The onslaught of competition from e-mail and speed delivery services by the private sector has persuaded the SA Post Office (SAPO) to re-introduce its EMS or Expedited Mail Service, which ensures that the EMS item is delivered within 24 hours of its reaching its country of destination... SAPO’s reaction comes as a result of the international express market experiencing the most rapid growth and at the same time the stiffest competition of all segments of the postal industry over the last 20 years.” (For an in-depth discussion on EMS and the many other services and products available at the Post Office, kindly refer to Appendix B - Post Office’s Product And Service Offering).

Recent undertakings within the Post Office have signaled the seriousness with which it views the new entrants. Amongst the most recent IT initiatives the Post Office has undertaken with the object of improving its competitiveness are:

- Standardisation of the network on Cisco architecture
- Implementation of an electronic procurement system in partnership with CommerceOne
- Desktop outsourcing to Datacentrix
- Replacement of the current Track and Trace system

2. Can IT build in switching costs?

In this regard, Applegate, McFarlan and McKenney (1999) ask: “Are there ways to encourage reliance on IT-enabled products and services. Can industry participants be encouraged to embed these products and services into their
operations in such a manner that the notion of switching to a competitor is extremely unattractive?"

This approach would in essence require the Post Office to facilitate customer adoption of technology-enabled and mediated products and services and then incrementally effect complex enhancements that create “hooks” with the customer that are irreversible.

3. Can IT change the basis of competition?

Changing the basis of competition is another core issue when it comes to assessing the impact technology has on an organisation’s competitive strategy. This entails creating cost advantage through the creation and execution of efficient cost structures and product/service differentiation (“the differentiation advantage”).

In the case of the Post Office, the use of automation in sorting mail parcels is one area where this is possible. This reduces not only headcount, as human involvement is brought to a minimum; mail despatch is also improved resulting in speedier delivery of mail and the resultant customer satisfaction. Product differentiation may involve innovatively coming up with value-added services. An example of this at the Post Office is the Track and Trace (T&T) system that allows customers to track movement of registered parcels via the web.

4. Can IT change the balance of power in supplier relationships?

This question addresses issues around creating linkages in the operational value chain. According to Applegate et al (1999): “The development of IT systems that link manufacturers and suppliers has been a powerful role for IT within the firm. For example, just-in-time inventory systems have dramatically reduced inventory costs and warehouse expenses, while also improving order fulfilment time...Increasingly, companies are using IT to link suppliers and manufacturers; by improving information flow, they are able to decrease uncertainty, and, in the process, reduce inventory, cut the number of warehouses, and decrease headcount while also streamlining the production process”
In this regard, the Post Office has invested in the implementation of an electronic procurement system in collaboration with CommerceOne, leaders in this arena. This system is aimed at automating the laborious tendering and sourcing process that is both time consuming and hugely flawed. The added benefit of this system is that the Post Office will be able to get competitive pricing for products and services from the various providers linked to the system in a transparent and fair way.

5. Can IT generate new products?

According to Applegate et al, IT can lead to products with higher quality than use of traditional product development mechanisms. As has already been demonstrated, IT can also help expedite delivery or reduce transaction costs. Another facet of using technology in product development or service delivery is that IT can make customisation possible.

At the Post Office, IT has enabled the development of new products. For example, the realisation of the ECT Act, which will allow the Post Office to be the preferred authenticator and provider of digital certificates, is dependent on IT infrastructure. Another example of the use of technology to develop new products/services is in the form of Bill Presentment facility Post Office has developed: Pay-a-Bill. This electronic facility enables the handling by Post Office of third party payments: water bills (Water Utilities), electricity account payment (Eskom), telephone bills (Telkom), etc.

I will now look at the model that enables the analysis of a company’s operational activities:

- OPERATIONAL VALUE CHAIN (OVC)

According to Applegate et al (1999): “An effective way to search for potential IT opportunities is through a systematic analysis of a company’s value chain – the series of interdependent activities that bring a product or service to the customer.”

As this model characterises the day to day operational activities of the organisation, it is a key target in identifying areas where IT can have a strategic impact, however for
the purposes of this research proposal I will briefly outline the components that make up Post Office’s OVC in the context of Porter’s Value Chain - Porter & Millar (1985):

- **Inbound logistics**
  This has to do with Post Office’s procurement and sourcing of materials from the various suppliers. The Post Office is using IT, in the form of CommerceOne’s electronic procurement system, to automate aspects of its inbound logistics.

- **Operations and product definition**
  The use of automated sorting is an example of how Post Office is using IT to create greater operational efficiencies.

  Another example that has already been described above is the use of technology to develop new products/services: the Bill Presentment facility the Post Office has developed, *Pay a Bill*. This electronic facility enables the handling by Post Office of third party payments: electricity (Eskom), telephone bills (Telkom), etc.

- **Outbound logistics**
  According to Applegate at al (1999), IT can also influence the way services and products are delivered to the customer. A case in point in respect of the Post Office is its use of technology to enable payment of pensions, and more recently the Post Office has moved into the area of “event –ticketing” a service that was traditionally the domain of such players as CompuTicket, etc.

  Initiatives are under way to set up a nation-wide ATM network infrastructure that will enable the dispensing of cash and services of the ATM at its “points of presence”.

- **Marketing and sales**
  “Marketing and sales, functional areas often neglected in the first three decades of IT, are now areas of high impact,” Applegate at al (1999). The Post Office was no exception. This has however changed as they embraced
technology in setting up numerous call centres. Plans are also under way to effect greater exploitation of technologies such as SMS, the web, etc

- After-sales service
  This is another area where IT can have major impact. At present, there are limited uses of technology in this regard. However, the call centres and Internet-use are an important starting point in providing greater technology-enabled after-sales service.

- Corporate infrastructure
  The use of SAP as an Enterprise Resource Planning (ERP) medium has enabled greater financial management control, better human resource management, etc. Other technologies in place are electronic mail, database infrastructure, data storage facilities, etc.

- Human resources (HR)
  The use of SAP as indicated above has provided a level of automation regarding the HR function.

- Technology development
  Planning tools such as Microsoft Project, etc have facilitated the technology planning and development with the organisation.

- Procurement
  The implementation of an electronic procurement system will result in greater operational efficiencies and equitability in the sourcing of materials, products and services from Post Office’s varied suppliers.

From an information management perspective, the increasing access that the individual customer has to information will have certain value chain implications. Say Downes & Mui (1998): “As information flow increases, organisations are less able to hide their costs and pass along inefficiencies to customers.” This will result in a greater need to source efficiencies within the value chain; and this will require, according to Prahalad & Hamel
(1994), greater attention to be given to those activities that truly add value to the customer as dictated to by the organisation's set of skills, expertise, etc.

The following are some of the other frameworks ("laws") I have researched that have an influential bearing on the current technological environment:

- **MOORE'S LAW**

  Downes & Mui (1998) ponder the emergence of technology concerned with the transformation of information into digital form, where it can be processed and manipulated by computers and distributed by networks. The driving force behind this transformation, they claim, is the remarkable science of semiconductors, which has created a shift of the world's economy from one that is industrial to one that is *information-driven*; an occurrence that has taken very little time.

  These unrelenting, exponential improvements in semiconductor speed, size, and cost are guided by what is called Moore's Law, named for Intel founder, Gordon Moore. This law is a prediction that "...every eighteen months, for the foreseeable future, chip density (and hence computer power) would double while cost remained constant, creating even more powerful computing devices without raising their price...the bottom line is simple but potent: faster, cheaper, smaller."

  Another less well known yet equally important observation is by Robert Metcalfe, founder of the networking firm 3Com Corporation:

- **METCALFE'S LAW**

  According to Downes & Mui (1998), this law holds that "...networks (whether of telephones, computers, or people) dramatically increase in value with each additional node or user." Put differently, the usefulness of a network improves with the number of points it connects. From an information management perspective, one can put forward the following corollary: *the usefulness of the information that flows through a network grows with the number of users who access the information*. After all, all a network conveys is data and information.
- DOWNES & MUI'S LAW OF DISRUPTION

This law, which is a Downes & Mui (1998) invention, states, "...where social systems improve incrementally, technology improves exponentially." The effect of this is that as the gap between technology and social systems widens, so does the potential for "non-continuous, disruptive, indeed revolutionary change," implying that as the gap grows, so does the potential for greater entropy.

On the basis of the above I will now outline an information management-biased model on the basis of the above concepts and models:

- INFORMATIONAL VALUE ARCHITECHURE (IVA)

According to Marchand (2000), information technology improves business performance only if combined with competent information management and the right behaviors and values. A key question in this regard, however, is how, for example, two postal service corporations, that are comparable in many ways, differ in their business performance? Marchand’s response is that the more successful corporation is likely to be more effective in its use of information and this is not something attributable to coincidence. This success is a result of an organisation's concerted efforts to effect specific information management thinking and practice.

Companies such as the Post Office are still struggling to understand how to put information to work so that it improves business performance. According to Marchand (2000) and Davenport (1994), IT (Information Technology) and IM (Information Management) have put more emphasis on creating systems and processes to store or classify information than on improving the way people behave with information. After spending billions of Rands on information technology, it is still difficult for senior executives to connect their company's technology investments to its business performance. More often than not, this technology-centered viewpoint has not encouraged more people-centered management activities aimed at improving behaviours and values for more effective information use.

I developed the IVA Model below based, in part, on Marchand and Davenport’s arguments:
(Please note: the variables \( D_1, D_2 \) through to \( D_n \) in the diagram below represent either business unit activity or individual operational activity, with the arrows characterizing the information flows amongst them within the IVA).

Figure 1.2: Information Value Architecture (IVA) Model

According to Marchand (2000): “If there is a starting point for improving how businesses use information, it’s in a perception many senior managers share: Companies must do more than excel at investing in and deploying IT. They must combine those capabilities with excellence in collecting, organizing and maintaining information, and with getting their people to embrace the right behaviors and values for working with information.”

The need to verify how the interaction of user behaviour, information and technology affects business performance resulted in a team of 10 researchers and staff from the International Institute for Management Development, sponsored by Andersen Consulting (now Accenture), to conduct a two and a half-year international research effort to understand how senior
MANAGERS PERCEIVE THE RELATIONSHIP BETWEEN BUSINESS PERFORMANCE AND THE SO-CALLED “THREE INFORMATION CAPABILITIES” - INFORMATION TECHNOLOGY (IT), INFORMATION MANAGEMENT (IM), AND PEOPLE'S BEHAVIORS AND VALUES (IB) PERTAINING TO THE USE OF INFORMATION.

This study involved 1009 senior managers, with nearly 60% being CEOs, executive and senior vice presidents and general managers/directors, from 98 companies operating in 22 countries and 25 industries. The results of this research suggest that “strong IT practices, competent management of information and good information behaviors and values individually do not result in superior business performance.” Fundamentally, higher business performance was only achievable if IT, IM and IB (Information Behaviors, values, etc) formed a strong interaction and collaboration. This collaboration is called Information Orientation (IO). “Pseudo-mathematically”, this interaction can be characterised as follows:

\[ \text{IO} = f(\text{IT, IM, IB}). \]

According to Marchand (2000), these results indicate that IO does indeed predict business performance. In a practical context, therefore, IO represents a measure of how effectively a company manages and uses information. This also implies that an organization must excel at all three capabilities (in essence, having “high” IO) to realize superior business performance.

It needs to be stressed, at this point, that even high IO cannot always guarantee superior business performance. Entropic forces and the effect of Moore’s Law, Metcalf’ Law, etc, in the industrial and competitive environments (as depicted in Figure 1.2 above) can have a negative effect on business performance despite a high IO. Additionally, unforeseen incidents like the Asian financial crisis, September 11, etc all have a debilitating effect on business performance.

So what, then, are the managerial implications of the research findings? According to Marchand (2000): “Companies that develop the information capabilities found in companies with a high IO can improve their business performance.”

**Information Orientation: A Measure of Effective Information Use**

According to Marchand (2000), IO measures competencies within the three basic information capabilities that managers associate with effective information use:
• Information Technology Practices (ITP).
This has to do with a company's information capability to effectively manage information-technology (IT) applications and infrastructure to support operations, business processes, innovation and managerial decision-making. This is the realm of software, hardware, telecommunications networks and technical expertise, supporting everything from the tasks of lower-skilled workers to the creation of innovative new products and the analysis of market developments and creation of strategy.

• Information Management Practices (IMP).
IMP addresses a company's capability to manage information effectively over the life cycle of information use, including sensing, collecting, organizing, processing and maintaining information. This group of skills includes identifying and gathering important information about markets, customers, competitors and suppliers; organizing, linking and analyzing information; and ensuring that people use the best information available.

• Information Behaviors and Values (IBV).
A company's capability to instill and promote behaviors and values in its people for effective use of information. They include integrity, formality, control, transparency, information sharing and pro-activeness. Some examples are ensuring that information is accurate and not manipulated for personal gain, creating a willingness to share information with others and encouraging employees to seek out information and put it to new uses.

Marchand (2000) provides the following guidelines aimed at helping companies like the Post Office move toward a higher level of IT practice:

• Guideline #1: Focus your best IT resources on what makes your company distinctive

In most companies, the time, attention and expertise of top-quality IT people are in short supply. Companies with high levels of IO understand this. They focus their best IT resources on information capabilities that make them distinctive and outsource the rest. The high-IO company leverages IT to create new products and services and improve management decision-making. In contrast, companies with low IO dissipate their best IT resources on the functions that are necessary for the companies to operate. For these companies, there never
seems to be enough time or IT people to devote to what is important, since the pressures to do what is necessary seem to be forever urgent.

For example, the Post Office could consider keeping in-house those IT applications that are considered strategically essential to compete; ensuring these are implemented by the most talented and experienced IT staff. Applications that are considered only necessary to operate (i.e. “supportive”), however, should be outsourced.

An important practice should be that each IT resource investment is sponsored and discussed across the key business areas. The managers in those areas should decide together whether or not investments are strategic. The current scenario at Post Office is in fact in line with this practice. According to Noko Ngoepe, Post Office Senior Manager, Corporate Systems, IT (2001), any IT project has to be justified i.e. “build a business case” and supported by the business unit affected or hoping to use the application.

A mistake organisations make in this regard is to continuously try and “fix” its IT for operational support - “fire-fighting” as it is sometimes called. In certain circumstances organisations keep their non-strategic IT issues in-house. This leaves the organisation with few IT resources to invest in new product development or better management decision-making. The overall effect of this is that organisations lose those information capabilities that could make them distinctive. According to Marchand (2000): “In such companies, the best IT professionals often leave for more interesting work elsewhere.” Indeed, the Post Office has had to deal with drastic staff turnaround, a phenomenon that provides testimony to Marchand’s assertion.

* Guideline #2: Effective IT Operations Support Effective Business Processes, Which Then Provide Information for Decision Making

According to Marchand (2000), “For many companies with low IO, poor information for management support of strategic and tactical decisions is a direct result of ill-designed business processes. Senior managers in these companies complain that their decision-support systems do not really enable decisions. In many ways, these managers have put the cart before the horse.”
Marchand (2000) also observed that companies do not focus on improving their supply-chain processes, yet they expect to have IT systems that will process information for operational and management planning, financial management or longer-term sensing and forecasting of customer demand. These expectations are unrealistic. Similarly, service companies must integrate business processes with well-thought-out operational systems before they can use IT to support the high-quality information they need to make decisions.

Typically, companies with high IO, will focus on getting IT support for key processes in place to manage customer and product information for sales support, cross-selling and customer service. From this base, they develop sophisticated systems and databases for management support, product innovation and business-strategy formulation.

- Guideline #3: Good IT practices can uncover new business opportunities and lead to innovative management actions

According to Marchand (2000): “A company with high IO benefits not only from tying its IT practices closely to the way it creates business value, but also from new business opportunities and management initiatives. It is able to do better things with IT inside the company and for customers. As companies seek to transform their business with e-commerce projects, being good at IT is critical.” For example, at the Post Office, IT is seen as directly influencing business strategy, meaning IT is seen as an enabler they can use to pursue their strategy of value creation.

A case in point regarding the above is that, currently, the Post Office is developing its Internet channel to supplement its traditional business model. The standardization of its network on the Cisco architecture is in line with this development. Superior IT practices will continue to play a critical role in its turnaround strategy.

Information-Management Practices of High-IO Companies

According to Marchand (2000), “The IO model identifies five separate phases of information-management practices: sensing, collecting, organizing, processing and maintaining.” Expectedly, those companies that have superior information-management practices have a higher IO than those that do not. Also, in these high IO companies, the active
management of information is seen as a critical aspect of everyone’s job and an enabler of their business activity.

In this regard, representatives at Post Office branches may, for example, be taught how to record their observations about customer demands for new products in a customer-support system. In addition, market shifts in customer preferences may be monitored by data-mining applications. Competitors' innovations and leading practices may be monitored around the world by visiting interesting companies, including those outside the postal services industry.

Another focus area may be in the development and training of personnel to collect, organize and processing of information about customers, products and performance.

Yet another area may be the pursuit of aggressive, yet focused, use of information for cross-selling to place great pressure on the branches to have refreshed information about products and customers each day. Also, use of well-formalized information valuation and reuse practices could be made. Special attention may be paid to information maintenance, a key issue in ensuring up to date product and service information.

What can be deduced from the above scenario is that, as Marchand (2000) concurs: “Effective information management must be instilled in a company’s people. Good sensing and information-valuation and information-processing practices are critical elements of the high-IO company”.

Let us now look at some guidelines that can help Post Office management think about how to move the company toward better information-management practices:

- Guideline #4: Companies with high IO actively manage all phases of the information life cycle

Companies with a high IO view information as having a life cycle with discrete valuation points. These valuation decisions are made continuously as people work, and they are reinforced through communication, formalization of best practices and on-the-job training. New information sensed from the competitive environment is first valued for its fit with current and future information needs; if individuals qualified or trained to evaluate the information's relevance for business needs determine that the information has high value,
then information practices must permit easy collection and organization for decision making; after processing, information must be updated or discarded.

In High-IQ companies, understanding the importance of each of these practices and knowing that inadequate attention to one practice can disrupt the cycle is important.

- Guideline #5: Managers and employees must develop an explicit, focused view of the information necessary to run the business

This guideline requires that the organisation's information needs - "informational diets" as Davenport calls them - are properly addressed. With the prevalent information overload in the new economy, this task should be seen as strategic enough to be given the necessary focus throughout the organisation. This guideline is inextricably linked to the one below.

- Guideline #6: When people do not understand the business, they cannot sense the right information to change the business

Good information management should constantly focus on the decision contexts of managers and employees. Because it is people who use information, thinking about information needs should be part of everyone's job. Leaving the responsibility for good information management to information specialists or IT staff may give temporary peace of mind.

However it is a problem if people in all departments are not motivated to treat their "information responsibilities" as carefully as their other work responsibilities. In short, information responsibility should mean information accountability for everybody (Marchand, Davenport and Dickson, 2000).

According to Marchand (2000): "People can sense information effectively only when they understand what drives a company's business performance and how they personally can help to improve performance. A company that provides information to employees to help them understand not only what they are doing, but also why they are doing it, is better able to focus on relevant business information."
Companies with high IO constantly tell their managers and employees about external forces influencing business performance. This common sense of purpose fosters an environment in which people begin to look beyond their own jobs and become concerned about the information needs of others. Sensing is enhanced and information-valuation assessments become more precise.

Information Behaviors and Values of High-IO Companies

According to Marchand (2000): “The IO model identifies six information behaviors and values: integrity, formality, control, transparency, sharing and pro-activeness.” Interestingly, in the research Marchand conducted there was a direct proportional link between information behaviors and values with IO.

Also, a company with low IO will generally instill some, but not all, requisite behaviors and values. Accordingly, “…gaps in people’s mind-sets and behaviors - when coupled with additional deficiencies in information-management practices and IT practices - may result in lower business performance.”

In contrast, when strong focus on all six information behaviors and values is instilled the resultant business performance is higher. Clearly, people behaviour does play a critical role in this regard. As a corporate value, integrity must be taken seriously; there should be a no-tolerance policy for people who manipulate information for personal gain, pass along inaccurate information, and distribute information to justify decisions that have already been made or knowingly hoard information.

The integrity of information is especially important as it ensures that people use and improve the formal customer-support system. People’s willingness to use and improve formal sources of information reduces the time wasted on re-collacting, reanalyzing and double-checking information.

Also, people's reliance on and access to formal information sources can help managers to provide employees with clear information about how their own performance relates to team and branch performance. Information control is a key aspect in the information behaviors and
values of high IO companies. Why is control so important? In part, because organisations cannot achieve its business goals and objectives without a trusting atmosphere.

There is also the need to give attention to team performance as it makes a difference in promoting openness that it encourages competition. Within this context of team spirit, transparency should also be encouraged so that mistakes and errors can be identified and learned from constructively. Some organisations call mistakes and failures “future opportunities.”

There is also the issue of information sharing. According to Marchand (2000): “a working environment in which people understand how individual and team performance relates to company performance, people are more likely to share and use information in ways that benefit others.” This requires that companies like the Post Office should not leave information sharing to chance - it should be an actively monitored activity. Use of mystery shoppers, for example, to see that information about customers and products is shared with people throughout the organisation and with customers can be one way to achieve this.

Also, regular customer surveys to monitor the Post Office’s ability to provide accurate customer information should be undertaken. Senior managers should also make a conscious effort to recognize and show appreciation to those demonstrating leadership in information sharing. The employees who share more information should be the Post Office's most respected employees; rewarded accordingly and given appropriate recognition. As a performance indicator, low information sharing may be a pre-cursor to under-performance. This indicator will trigger not only the development of a recovery plan with the postal branch involved, it may also increase teamwork training for employees.

Finally, and most importantly, effective information use ultimately depends on the employees’ ability to create and motivate information users' pro-activeness. The cumulative effect of high integrity, formality, control, transparency and sharing the “right attitude” is a proactive workforce able to respond quickly to customer needs and to think about how to use company information to create or enhance products and services. To a great extent, the success of their aggressive cross-selling strategy depends on it.
According to Marchand (2000): “This people-centric view of information use has created a powerful working context: Customer representatives are given clear performance targets and empowered with quality information; they are taught how to sense, record and analyze information from their customer contacts for use by other employees, and they are given the authority to make proactive, informed decisions.”

Organisations like the Post Office need to put formal corporate effort to develop appropriate information behaviors at any level of the organization. Integrity and access to formal information drawn from reliable IT systems that are user-friendly forces people to rely on these formal sources. Clear performance criteria and a focus on team measures increases the willingness of people to share information for the benefit of others.

The following guidelines can help the Post Office think about how to move the company toward more proactive information use and better information behaviors and values:

- **Guideline # 7: Do not compromise on information integrity**

According to Marchand (2000), organisational integrity develops trust among people by defining boundaries within which they can legitimately use power and influence. In an organisation characterized by integrity, people believe in and share a set of key principles that outline appropriate conduct in the company - they feel they have a duty to act within the accepted boundaries of ethical and appropriate behavior. People with integrity will present what they know about reality candidly and fairly by not hiding bad news or glossing over important but discomforting facts or concerns.

- **Guideline #8: Team-based performance information creates openness and improves information sharing**

Marchand (2000) observes that the type of performance measures and indicators used in a company counts. Team-based performance information can create more openness and information sharing. Companies using only individually based measures may compromise on sharing and openness by creating overly competitive working environments. However, performance indicators tied only to an overall business measure - such as EBIT (Earnings
Before Interest and Taxes) - may not give enough information to provide adequate information control.

- Guideline #9: People who understand the business and are informed will be proactive

Marchand (2000) espouses the process of openly sharing performance-based information inside a company creates powerful support for employees and managers to seek new ideas and information or apply information in new ways. Proactive behavior is not an accident: High-IO companies build it up systematically over years, not only through training, but by reinforcing the behaviors and values that lead to (or create) this disposition in people - integrity, formality, control, transparency and sharing. This allows high-IO companies to rely on a broader base of employees with a disposition to act to create business value every day in many small - and not so small - (incremental) ways, rather than depend on the occasional heroic efforts of a few.

- Guideline #10: Managers can influence some behaviors more easily than others

According to Marchand (2000), some behaviors and values, such as integrity and transparency, are more rooted in the individual person than others, such as control, sharing and formality. Managers must be aware that not all behaviors of subordinates and peers can or will change at the same time just because managers “think” that they have taken appropriate steps. To an extent the manager has to provide the necessary leadership to bring about a change of attitudes, by unobtrusive yet effective means.

Changing mind-sets, behaviors and values is never easy. Building integrity, transparency and trust requires not only managerial action, but also employee acceptance and cooperation. Managers have to persuade doubters that their steps to improve information behaviors and values not only are genuine, but will also take hold in the company’s ways of doing business over time. The best way managers can accomplish this is by mirroring these behaviors themselves. Nonetheless, many companies will need months and years of focused efforts before all information behaviors and values have been turned around. This is especially true in an environment as diverse as the Post Office.
Conclusion

The rush to e-business today only emphasizes a basic fact of organizational life: All business organizations - be they dot-coms or established companies - require excellent information capabilities. The South African Post Office is no exception. Companies that incorporate a people-centric, rather than merely techno-centric, view of information use and that are good at all three information capabilities will improve their business performance.

Leading the Post Office on a journey to achieve high IO and attain superior business performance will take hard work, persistence and personal commitment. To undertake the journey, the Post Office as an organisation needs to develop the right mind-set about effective information use in the business, and this will require, amongst others, leadership and inspiration.

INFORMATION MANAGEMENT STRATEGIES

There are myriad (categories of) Information Management Strategies (IMS’s) organisations can pursue to effect, sustain or improve their competitive advantage in times of chaotic and technologically disruptive business environments. In my research I identified the following to be amongst the more common ones:

- OUTSOURCING STRATEGIES

As a starting point, a brief description of outsourcing is in order. “Outsourcing is the act of transferring some of an organization’s recurring activities and decision rights to outside providers, as set forth in a contract. Because the activities are recurring and a contract is used, outsourcing goes beyond the use of consultants. As a matter of practice, not only are the activities transferred, but the factors of production and decision rights are too. Factors of production are the resources that make the activities occur and include people facilities, equipment, technology, and other assets. Decision rights are the responsibilities for making decisions over certain elements of the activities transferred” (Greaver 1999, p.3).

According to Applegate et al (1999): “Companies are increasingly outsourcing the management of information technology (IT) for reasons that include concern for cost and quality, lagging IT performance, supplier pressure, access to special technical and application skills…” One may add that entropic environments have accentuated this trend towards
outsourcing because in entropic environments, technology changes are more rapid and outsourcing enables organisations to pass the worry about new technology to the outsourcer who makes it their business to bring themselves up to speed about new technologies and the business benefits they bring.

I will now expound on the main "forces" that are driving the attractiveness of this strategic phenomenon both internationally and locally:

WHY ORGANISATIONS OUTSOURCE – THE DRIVERS

No organization, regardless of its size or sophistication, can possibly hope to be an industry leader in every aspect of its operation, yet none can afford to be anything less in today’s ultra-competitive business environment. Hence, to survive – let alone thrive, organizations must surround themselves with a network of specialised providers who are “world-best” at what they do.

Although the mix of factors raising the possibility of outsourcing varies from one company to another (Applegate et al, 1999), (Greaver 1999), (GartnerGroup 1999), etc; the following are the key drivers that, current research shows, compel organizations to outsource:

![Figure 1.3: Outsourcing Drivers](http://www.firmbuilder.com)

Figure 1.3: Outsourcing Drivers, Source: http://www.firmbuilder.com
1. **Focus on core competencies**
Every organization has limits on the resources available to it. Outsourcing permits an organization to redirect its resources from non-core activities toward activities that deliver value to the customer (core competencies) and consequently equity to the shareholders.

2. **Reduction of operating costs**
Outsourcing reduces the need for capital investments in non-core business functions by creating an opportunity of acquiring the resources through capital expenditures on an "as used" operational expense basis. Companies that try to do everything themselves may incur vastly higher research, development, marketing and deployment expenses, all of which are passed on to the customer. An outside service provider's lower cost structure, which may be the result of a greater economy of scale or specialization, reduces a company's operating costs and increases its competitive advantage.

3. **Rapid funding of new systems**
Companies that outsource can easily implement new systems without the upfront financial burden as this cost is borne by the outsourcing provider.

4. **Reduced risk of investing in inappropriate technology**
Tremendous risks are associated with the investments an organization makes. Markets, competition, government regulations, financial conditions all change quickly. Technology however changes at a phenomenal pace. Keeping up with the changes in information technology, especially those in which the next generation requires a significant investment, is very risky. There could be issues with the technology that only surface after investment in the technology. This may require an upgrade or a total change of technology, which may mean that all investment in the previous technology was a waste.

As a practical example to illustrate the above, computer Local Area Network (LAN) cabling is seen as an investment undertaken every 10 years owing to the magnitude of the job and the cost. When the standard changed from category 3 cabling (CAT3) to CAT4, companies invested in the new technology, only to find out a year later that a newer standard (CAT5) was released, making CAT4 obsolete. CAT4 could not carry traffic at the rate that was being demanded by users at the time and the companies that did invest in CAT4 were soon at a crossroad and had to ‘rip’ out the old cabling to replace it with CAT5.
Outsourcing service providers make investments on behalf of many clients, not just one. Shared investment spreads risk, and significantly reduces the risk born by a single company, and owing to the fact that outsourcers service numerous customers, a mistake made with one customer is not replicated with the next.

5. Creation of a variable cost structure
Through outsourcing agreements, firms operating in volume driven environments can adjust resource allocation to suit the prevailing market situation. The outsourcing company can then rent idle resources to other organizations. This practice is widely used within the call-centre outsourcing environment.

6. Quality improvements & access to industry best practices
World-class service providers make extensive investments in technology, methodologies, and people. They gain expertise by working with many clients facing similar challenges. They are also in competition with other providers of similar services. This combination of specialization, expertise and competition gives customers access to quality products and leading industry standards at competitive prices.

7. Increased need for flexibility and fast time to market
Companies today need to be agile in responding to changing market demands and increased competition, and get products and services to market more quickly. Outsourcing facilitates these capabilities by allowing companies to take advantage of new technologies to which they otherwise would not have access or have to acquire through major capital investments.

8. Foster innovation
Today, innovation has to be continuous, creative and fast. Outsourcing frees companies to concentrate on core competencies and brings an infusion of knowledge and ideas, procedures and business methodologies to the boardroom. This provides executives the time and information needed to focus on the future of the business or industry.

9. Access to specialized technical skills
Outsourcing providers are able to attract the best skills in the market because they are able to offer them a challenging career. Companies that outsource to these companies are in the position to make use of specialized technical skills on an ad hoc basis.
10. Companies with low technology culture find it hard to attract and retain highly skilled IT staff

Highly skilled IT staff is hard to find as it is highly sought after. As there is a demand in the market for people with strong IT skills, these people have the opportunity to cherry pick the companies they want to work for. If a company does not provide an environment that fosters learning and growth for individuals, these highly skilled staff members usually forsake their jobs and move on to companies where they can grow and expand their IT knowledge. Therefore, companies with a low technology culture will find it hard to attract and retain these staff members, whereas in IT outsourcing companies, these individuals are exposed to a host of various technologies and businesses.

11. Liquidates and gets value for an asset.

Assets owned by the company are transferred to the outsourcing provider. Depending on the value of the assets involved, this sale may result in a significant cash payment to the customer. When these assets are sold to the vendor, they are typically sold at book value. The book value can be higher than the market value. In these cases, the difference between the two actually represents a loan from the vendor to the client, which is repaid in the price of the services over the life of the contract. The company therefore acquires a large amount of capital that can then be used on core projects.

12. Makes capital funds available

There is tremendous competition within most organizations for capital funds. Deciding where to invest these funds is one of the most important decisions that senior management makes. It is often hard to justify non-core capital investments when areas more directly related to producing a product or providing a service compete for the same money.

Outsourcing can reduce the need to invest capital funds in non-core business functions. Instead of acquiring the resources through capital expenditures, they are contracted for on an "as used" operational expense basis. Outsourcing can also improve certain financial measurements of the firm by eliminating the need to show return on equity from capital investments in non-core areas.
13. **IT Function difficult to manage or out of control**

"It saw outsourcing as a way to fix a broken department" (Applegate et al, 1999) is a phrase that is commonly used today to justify IT outsourcing. The prevalence of non-conformance to service levels and service standards has prompted managers to take drastic steps to ‘eliminate the irritant’. In many companies today, the IT function is seen as out of control as they cannot meet business requirements. Outsourcing is then seen as the next step in regaining the service levels that the business demands (Drucker, 1999).

Outsourcing is certainly one option for addressing this problem. It is critical to remember that outsourcing does not mean abdication of management responsibility nor does it work well as a knee-jerk reaction by a company in trouble. When a function is viewed as difficult to manage or out of control, the organization needs to examine the underlying causes. If the expectations or needed resources are not clearly understood, then outsourcing won’t improve the situation; it may in fact exacerbate it. If the organization does not understand its own requirements, it will not be able to communicate them to an outside service provider.

On the local front, The South African Post Office, amongst other corporations, has not been left unaffected by this trend towards outsourcing. Early this year, the Post Office outsourced the management of its desktop infrastructure to a third party. There is talk of possible outsourcing of other functions within the organisation in the future. According to *ITWeb Brainstorm* (2003), some of the major South African outsourcing deals of 2002-2003 are:

- **AST**
  AST secured a two-year extension of its outsourcing contract with flagship customer Iscor - a deal that is currently worth more than R 240 million a year

- **IBM**
  In a deal worth R 268 million, Gold Fields extended its information technology outsourcing contract with IBM for another five years. This contract entails the support of ERP (Enterprise Resource Planning) system, helpdesk, WAN (Wide-Area Network), etc
• Siemens Business Services (SBS)
  SBS clinched a ten-year deal worth R 1.28 billion with the Department of Labour. This deal entails the provision of IT services including: hardware, software, maintenance and support

• T-Systems
  T-Systems (formerly Debis) won a five-year contract worth R280 million to take over IT systems and operations at agricultural company Senwes

For a more comprehensive listing of outsourcing deals and major players by market share, please refer to Appendix A – Outsourcing in South Africa, Table A.1: Major Outsourcing Deals (2002 - 2003).

- INNOVATION STRATEGIES

Never before has the call to innovate been this loud. According to Drucker (1999): “An enterprise, whether a business or any other institution, that does not innovate...will not survive long.” This is mainly because innovation, as a process whereby, amongst other things, new ideas are brought to light or new ways of carrying out old tasks are explored, is key in staying ahead of the “competitive curve”. Examples abound that characterise the seriousness with which organisations take innovation: FNB, Microsoft, Dimension Data, RMB, SAA, etc are but just a handful amongst countless others. And this “activity” is bound to intensify as companies go out in search of innovative ways of participating in the market-space.

Peters (1989) asserts: “If responding with almost unimaginable alacrity to customer whims (creating new, value-added markets) is the superordinate objective, fast-paced innovation is the chief enabling device…”

Whilst the call to innovation is easier shouted than undertaken; there is no doubt as to the necessity of cultivating an innovation culture in the organisation. An attractive aspect of innovation is a possibility of unearthing potential killer “apps”, and the resultant competitive advantage it can avail. A key challenge, however, is in identifying an appropriate innovation approach.
There are various schools of thought regarding how innovation as a strategic activity should be undertaken. Porter (2000), who represents one such school of thought – let’s call it the “incrementalists” - asserts that innovation should be an incremental process. Meaning that innovation should be pursued not only for “high-impact” opportunities but for smaller effects as well.

Another school of thought holds that innovation should be a “big bang” process in which major industrial or business changes should occur as result of an innovation. I refer to this school of thought as the “exponentialists”.

Indeed each innovation approach has its merits and demerits. However, for the purposes of this exercise suffice it to point out that each approach should be critically weighed in light of a given circumstance and the suitable approach followed. There can be no prescription regarding what works best under what circumstances, as doing so flies in the very nature of what innovation stands for.

A critical aspect of effecting a successful innovation strategy is that involvement should be corporate-wide as innovation and innovative ideas can be found in the least expected “corner” of the enterprise.

The British Post Office (BPO), with its strong innovation focus, is an illustrative case taken from the postal industry. According to Downes & Mui (1998): “Even an organisation as venerable as the British Post Office has learned the value of operating a miniature venture capital firm within its I/S department. In 1997, the Post Office’s executive committee created an innovation fund to give business managers a way to experiment with technology pilots and trials without being trapped in the business case morass of the regular budget process.”

The above innovation approach enabled BPO not only to explore the feasibility of individual technological initiatives, it also meant that costs linked with such activities could kept to a minimum as pilots would normally cost less than undertaking full-scale projects which may be costly and in certain cases turn out to be unfeasible. Additional to this, such an “innovation atmosphere” should encourage individuals to experiment with ideas without “fear of trying”, a phenomenon that is prevalent amongst some organisations.
In the case of the BPO, any successful proposal put forward had to satisfy two of three evaluation criteria. The proposal had to:

- Deal with technology wholly new to the British Post Office
- Propose a creative new (customer-focused) application that has the potential of becoming a new postal service
- Involve a substantial technical or business risk

Whilst innovation as a strategy can be formulated and executed in a variety of ways – as pointed out in the preceding discussion, Choi & Valikangas’ (2001) research into innovation revealed ten themes that can be found in the history of innovation:

1. **Consolidation** (rolling up competitors into a bigger, more powerful company). John D. Rockefeller merged 40 allied companies in the 1880s to create the Standard Oil Trust, a monopoly that controlled exploration, production, distribution, and marketing.

2. **Bypassing** (or cutting out the middlemen). Dell’s direct-to-consumer model, for example, bypasses computer retailers. Stephen King ignored booksellers and publishers alike when he self-published his novel Riding the Bullet on the Internet.

3. **Value migration** (shifting to a related but more profitable industry or niche). Consider Monsanto Company, which has transformed itself from a chemical concern to a life sciences company that competes against pharmaceutical leaders.

4. **Teaming up** (replacing vertical integration with alliances to create an end product). Auto manufacturers have allied with suppliers that provide entire “modules” for vehicles — engines, interiors, doors, and electronics - which the manufacturers assemble and market. Magna International Inc. is one such supplier.

5. **Digital delivery** (providing online shopping, purchasing, and access to goods and services). Software companies like Adobe and Microsoft let customers buy and immediately download programs to their PCs. Online music distributors provide digital delivery and eliminate retailers and manufacturers.

The other five themes, overall, focus on the customer experience:
6. **Deep connections** (encouraging emotional attachments to products that go beyond the functional value to the consumer). The home-furnishing retailer Restoration Hardware exploited a niche in the home-improvement market, where instead of prosaic housewares, it sells nostalgia for an imagined, simpler lifestyle.

7. **ASAP** (delivering information or end products faster). Inventor Samuel F.B. Morse revolutionized communications by using his Morse code to send the first “instant message” via telegraph on May 24, 1844, on a line connecting Washington, D.C., and Baltimore. Wells Fargo Bank, a leader in online banking, performed the first recorded online transaction via the telegraph in 1864.

8. **Customisation** (letting customers design the end product to their specifications). Mass personalization is associated with diverse products — computers, cars, cosmetics, clothing, and more. Levi’s Original Spin program, for example, lets shoppers choose from 1.7 million variations of fit, style, and colour to create their distinctly personal jeans.

9. **Mass-market** (extending availability of a product from the elite to the average consumer). The average consumer was liberated from daily food shopping in 1918, when Kelvinator marketed the first truly practical home refrigerator. Frigidaire’s model followed in 1919, and General Electric offered the first hermetically sealed refrigerator compressor in 1926.

10. **Fix-it-for-me** (solving a pressing customer problem with a comprehensive solution or breakthrough product). Michael Bloomberg designed a total hardware/software system with Wall Street traders in mind. Thus, two monitors let traders see all the information they need at a glance, with no switching between PC windows. Built-in analytic capabilities allowed for rapid financial calculations, eliminating the hassles of data downloads and paper-and-calculator analyses.”

As can be seen from the preceding section, the issue of innovation is no small matter. The practice of innovation is a taxing exercise. Drucker (2002) argues that success is more likely to result from the systematic pursuit of opportunities than from a flash of genius. For managers seeking innovation, engaging in disciplined work is more important than having an entrepreneurial personality.
Drucker then goes on to describe the major sources of opportunities for innovation. Within a company or industry, opportunities can be found in unexpected occurrences, incongruities of various kinds, process needs, or changes in an industry or market. Outside a company, opportunities arise from demographic changes, changes in perception, or new knowledge. These seven sources overlap, and the potential for innovation may well lie in more than one area at a time.

Innovations based on new knowledge, of course, tend to have the greatest effect on the marketplace. But it often takes decades before the ideas are translated into actual products, processes, or services. The other sources of innovation are easier and simpler to handle, yet they still require managers to look beyond established practices. Drucker emphasizes that in seeking opportunities; innovators need to look for simple, focused solutions to real problems.

The greatest praise an innovation can receive is for people to say, "This is obvious!" Grandiose ideas designed to revolutionize an industry rarely work. Innovation, like any other endeavour, takes talent, ingenuity, and knowledge. But Drucker cautions that if diligence, persistence, and commitment are lacking, companies are unlikely to succeed at the business of innovation.

When it comes to specifics, Peters (1989) recommends the following key innovation strategies:

- **Pursuance of team product/service development**
  Short product/service cycles in the new economy dictate that product/service development occur in the shortest time possible making it possible for products and services to be brought to market much quicker. Peters asserts that in order to make this possible greater collaboration (team work) amongst suppliers, distributors, customers, etc is required as "...the single most important reason for delays in development activities is the absence of multi-function (and outsider) representation on development projects from the start."

- **Encouragement of pilots of everything**
  This strategy is aimed at ensuring that prototyping of ideas is pervasive: "substitute pilots and prototypes for proposals". Peters also points out that the "piloting" must become a way of life.
Practice of “Creative Swiping”

Creative swiping entails the monitoring of what competitors are doing. In this regard, Peters encourages organisations to copy and adapt or enhance other organisations’ ideas, products, services, etc if they are indeed better than the corporation’s own. “Become a ‘learning organisation.’ Shuck your arrogance...and become a determined copycat/adapter/enhancer.”

I conclude this section by highlighting the information management-bias of innovation:

In his *Harvard Business Review* article “Innovation at the speed of Information”, Eppinger (2001) offers the following perspective into the link between innovation as a strategy and information (information management): “The exchange of information is the lifeblood of product development. When an electronics company’s circuit designers know what the casing designers are doing, they design better-fitting circuit for the casing. And when the casing designers know what the circuit designers need, they design a casing where it’s easier to put in a better circuit. Such flows of information allow for experimentation and innovation...”

**INTERNET STRATEGIES**

The emergence of the Internet as a pervasive, business-enabling technology has not only brought about major economic benefits and positive shifts in both strategic thinking and practice, it has also created a lot of misunderstanding regarding its essence as a technology, where it is headed and what the strategic implications of this will be for both business and individuals.

For starters, misconceptions abound regarding the capabilities and possibilities of the Internet. Rangan & Adner (2001) urge managers to take greater care when creating their Internet strategies. Currently, many companies are unwittingly setting out upon dangerous paths to profitable Internet growth. The Internet makes it more difficult to distinguish between what is technically feasible and what is strategically desirable. As a result, the gulf between the pursuit and achievement of profitable growth is widening. According to them, there are seven such strategy misconceptions around the Internet that organisations like the Post Office should guard against:
• Misconception #1: First mover advantage
Organisations, generally, overestimate the potential of first mover advantage. Companies believe that by moving first, they can trigger a winner-take-all dynamic in their Internet-related business. Even though critical mass and network externalities may, where present, give rise to positive feedback processes, there is no guarantee that they will favour the first mover. Feedback processes might be more important than before, but firms should remember that "new rules" are not necessarily "exploitable rules."

• Misconception #2: Diluting fit while pursuing reach
In pursuing reach, (increasing the number of customer segments), firms may unintentionally dilute fit (the coherence with which a company's activities interconnect and reinforce one another). The risk is especially grave for established companies with healthy core operations, like Enron, Reuters, and Intel that are contemplating crossing the B2B-B2C divide.

• Misconception #3: the “solutions” provider
This misconception results in organisations sacrificing focus to offer customer solutions. Providing customer solutions (products and services that compliment a firm's core offering), Rangan and Adner say, may increase customer value. However, offering solutions can dilute focus and hinder the company from reaping benefits of specialization.

• Misconception #4: The existence of the “Internet sector”
In this regard, organisations ignore fundamental Internet sector differences. Companies should bear in mind that the specific ends, means, and metrics of competitive advantage are quite different across the various Internet sectors. Viewing the Internet as an undifferentiated landscape can endanger both product and production advantage.

• Misconception #5: Partner leverage
This misconception results in reliance on best-of-breed partner leverage. Although the Internet makes it simpler and cheaper to align activities across company boundaries, it does not do much to align interests across those same boundaries. Joint value creation remains elusive.
• Misconception #6: “Born global” Internet firm
This misconception is characterized by the belief that Internet businesses are born global. Rangan and Adner advice organisations to learn a lesson from Honda, MTV, or Wal-Mart: to be successful abroad, companies must be successful at home first and then internationalize in a way that genuinely accommodates local differences. Local presence is critical to building awareness, trust, and customer knowledge.

• Misconception #7: Technology as strategy
Companies that understand their technology better than their customers and competition won’t succeed in any economy, old or new. Technology and strategy are strong complements not substitutes.

Whilst the above misconceptions only address part of the challenge that organisations face regarding the Internet as a technology, there is the additional challenge of what the Internet entails. This is a question for which even the most respected strategy thinkers and practitioners have “evolving” answer, if any. A case in point is Porter’s (2001) article “Strategy and the Internet” published in the Harvard Business Review (March issue) in which he claims that the Internet’s has limited importance in the new economy: “But for all its power, the Internet does not represent a break from the past; rather, it is the latest stage in the ongoing evolution of information technology.”

Tapscott’s (2001) reaction to the above assertion is that Porter does not understand what the Internet is: “Much of Professor Porter’s reasoning stems from his misunderstanding of the Internet itself.” According to Tapscott (2001), Porter concedes that the Internet is important - it is just not that important. Rather than viewing the Net as the emerging infrastructure for economic activity, he puts the Internet architecture on the same level as “complementary technological advances such as scanning, object-oriented programming, relational databases, and wireless communications.”

Tapscott claims that it is wrong to trivialize the Internet in this way, as it is much more than just another technological development. The Net, Tapscott claims, represents something qualitatively new - an unprecedented, powerful, universal communications medium. Far surpassing radio and television, this medium is digital, infinitely richer, and interactive. The Net is becoming ubiquitous; it will soon connect every business and business function and a
majority of humans on the planet. All other communications technologies, such as telephone, radio, television, and mobile (wireless), are being sucked into the Net’s fold.

Another mistake that Porter makes regarding the Internet is around its future as a technology. Porter is of the opinion that the Internet as we see it today will be the same in the future; basically doing nothing more than it is currently doing – linking computers globally. According to Tapscott (2001): “The Internet of tomorrow will be as dramatic a change from the Internet of today as today’s Internet is from the unconnected, proprietary computing networks of yesterday.”

Indeed, as is already becoming evident, the Internet is doing more than just interlinking computers. The Internet is increasingly becoming the mechanism by which individuals and organizations disseminate decision-making information, exchange money, conduct transactions, communicate facts, express insight and opinion, and collaborate to develop new knowledge. Ultimately, Internet-enabled convergence of various technologies will make it possible to use it anywhere, anytime.

Another area of contention with respect to Porter’s view of the Internet is regarding the competitive advantage. Porter conceded that the Internet has potential for competitive advantage yet this is not sustainable: “As all companies come to embrace Internet technology, moreover, the Internet itself will be neutralized as a source of advantage.” According to Tapscott (2001) this statement has two problems: “First, effectively implementing the Internet is not a binary matter like turning a switch on and off...there are 1001 ways to employ the Net.” Additional to this there are myriad activities, the so-called “continuum of business transformation”, that take place in effecting a successful Internet strategy. For example: setting up a web presence (website), implementing radical new business models to, indeed, transforming an entire industry.

Moreover, the Internet enables new customer-focused applications, technological developments and business innovations. And according to Tapscott (2001): “Firms that understand strategy in today’s more complex business environment will plumb deeper into the growing pool of possibilities”
A second limitation of Porter’s view of the Internet as a technology is that he “doesn’t see how the Net is precipitating profound changes to the structures and cultures of successful businesses.” These changes, Tapscott claims, enable companies to compete better and this they do through effective deployment of resources that allow these companies to create better and unique products and services, enable relationships and bring about sustainable operational efficiencies.

A key decision regarding formulating Internet strategy is around whether to formulate them independent of the traditional “bricks” strategy or strategies. The Internet as, amongst other things, a distribution channel has meant that organisations like the Post Office must now critically evaluate the possibilities it offers. Whilst in the past focus on the traditional “off-line” business model was sufficient for one’s sustainability, the Internet is now forcing organisations to have two-pronged strategies that address both the traditional “bricks and mortar” and virtual “clicks” business dynamics. In other words, organisations must now have “bricks and clicks” strategies.

In this regard Porter (2001) concurs, albeit he sees the current set up to be in favour of traditional “bricks and mortar” organisation: “The value of integrating traditional and Internet methods creates potential advantages for established companies. It will be easier for them to adopt and integrate Internet methods than for dot-coms to adopt and integrate traditional ones. It is not enough, however, just to graft the Internet onto historical ways of competing in simplistic "clicks-and-mortar" configurations. Established companies will be most successful when they deploy Internet technology to reconfigure traditional activities or when they find new combinations of Internet and traditional approaches.”

According to Gulati & Garino (2000), the question is no longer “Should we develop our Internet channel in-house or launch a spin-off?” but rather “What degree of integration makes sense for our company?” To determine the best level of integration, companies like the Post Office executive should examine four business dimensions: brand, management, operations and equity.

An interesting contention that Gulati & Garino (2000) put forward is that the decision around Internet strategies does not have to be an “either or” choice as “clicks” and “mortar” strategies can live side by side in a complimentary setting. Additionally, by thinking carefully
about what aspects of the business to integrate and which to keep distinct, the Post Office can tailor its “clicks and mortar” (internet) strategy in response to its particular market and competitive situation.

I would like to conclude this section by pointing out a major omission on Tapscott’s (2001) part – whether it is intended or not – in not acknowledging the truth of Porter’s assertion that technology – the Internet in this case – creates industrial restructuring. This is especially important, as any strategy formulation requires careful assessment of the industrial environment. Let’s have a look at how the Internet is influencing industrial restructuring:

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**Figure 1.4: How the Internet Influences Industry Structure. Source: Harvard Business Review, March 2001, Porter’s article: “Strategy and the Internet”**

- **Threat of substitute products or services**
  
  By enabling overall industry efficiency the Internet can expand the size of the market. Also, the proliferation of Internet approaches creates new substitution threats
• Bargaining power of buyers (channels and end-users)

The Internet eliminates powerful channels or improves the bargaining power over traditional channels. The Net also shifts bargaining power to the end consumers. It also reduces switching costs

• Barriers to entry

The Net reduces barriers to entry such as the need for sales force, access to channels, and physical assets – anything that Internet technology eliminates or makes easier to do reduces barriers to entry. Also, Internet applications are difficult to keep proprietary from new entrants; this is why a flood of new entrants has come into many industries

• Bargaining power of supplier

Procurement using the Internet tends to raise bargaining power over suppliers, though it can also give suppliers access to more customers. The Internet also provides a channel for suppliers to reach end users, reducing the leverage of intervening companies. Internet procurement and digital markets tend to give all companies equal access to suppliers, and gravitate procurement to standardized products that reduce differentiation. Additional to this, reduced barriers to entry and the proliferation of competitors downstream shifts power to suppliers

• Rivalry among existing competitors

The Net reduces differences among competitors, as offerings are difficult to keep proprietary. It also migrates competition to price. The widening of geographic markets that the Internet brings about increases the number of competitors. Another Internet influence is the lowering of variable costs in relation to fixed costs. This increases pressure for price discounting

As has been evidently demonstrated in the preceding sections, the future of business will to a great extent be Internet-driven. However, as the Internet continues to play a more crucial and strategic role in business, its role will continue to be more complimentary to - and not substitutive of - established business principles. The emergence of “clicks and bricks” strategies is already ample testament for this. Also, the success of such strategies will be measured – not in their ability to elicit temporary stakeholder goodwill and providing fleeting economic value - but sustainable competitive advantage. Indeed, this will be the true test of any Internet strategy organisations like the Post Office formulates and executes.
Strategic Alliances & Collaborative Partnerships

Alliances as a strategic option are an increasingly prevalent phenomenon in the new economy. Doz and Hamel (1998) identify two forces that have precipitated this scenario: globalisation and technology. These two forces have resulted in organisations competing to effect dominant market presence in various nations worldwide and capitalise on today’s myriad technologies and information age revolution.

Concurring with the above, Thomson & Strickland (2003) highlight the pervasiveness of the phenomenon: “Strategic alliances and collaborative partnerships have thus emerged as an attractive and timely means of breaching the technology and resource gaps that firms now commonly encounter. Alliances have, in fact, become so essential to the competitiveness of companies in many industries that they are a core element of today’s business strategies.”

According to Büchel (2003), between 1991 and 2001, the average number of joint-venture deals announced each year increased from 1,000 to 7,000. Büchel attributes the prevalence of this phenomenon to its attractiveness as a way of achieving both short-term and longer-term goals.

Of special note is that these alliances seem more prevalent in industries characterised by rapid change. Hitt et al (1995) claim that General Electric has formed over 100 cooperative partnerships in a variety of spheres; whilst IBM has partaken in more than 400 strategic alliances. Then there is the case of Oracle who claim to have more than 15,000 alliance partners.

Pearce & Robinson (2003) describe strategic alliances as: “…partnerships that exist for a defined period during which partners contribute their skills and expertise to a cooperative project. For example, one partner provides manufacturing capabilities while a second partner provides marketing expertise…. such alliances are undertaken because partners want to learn from one another with the intention to be able to develop in-house capabilities to supplant the partner when the contractual arrangements between them reaches its termination date.”

It is the knowledge and expertise inter-transfer, synergistic collaborations, amongst other things, that make strategic alliances increasingly common in the new economy. Two cases in point at the South African Post Office are: The Post Office’s strategic management
partnership with the New Zealand Post International (now called Transend Worldwide) the aim of which was to help the Post Office with its strategic turnaround i.e. “to help transform the SA Post Office, drive postal services to under serviced areas and move it from a loss to a break-even position” (*Business Day, 8 May 2001*).

There is also the Post Office’s JV (Joint Venture) with Commerce One to implement electronic sourcing and procurement solutions. According to the *Business Day* (3 June 2003) this venture is “expected to save the Post Office about R100m a year through improved sourcing and procurement strategies.” Lynch (2000) outlines several advantages - and disadvantages - regarding strategic partnerships:

**Alliances**

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Can build close contacts with customer</td>
<td>• Slow and plodding approach</td>
</tr>
<tr>
<td>• Uses <em>joint</em> expertise and commitment</td>
<td>• Needs constant work to keep relationship sound</td>
</tr>
<tr>
<td>• Allows potential partners to learn about each other</td>
<td>• Partners may only have a limited <em>joint</em> commitment to make alliance a success</td>
</tr>
<tr>
<td>• Locks out other competitors</td>
<td>• Unlikely to build economies of scale</td>
</tr>
</tbody>
</table>

*Table 1.1: Advantages and disadvantages of Alliances. Source: Lynch (2000)*
### Joint Ventures

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Builds scale quickly</td>
<td>• Control lost to some extent</td>
</tr>
<tr>
<td>• Obtains special expertise quickly</td>
<td>• Works best where both parties contribute something different to the mix</td>
</tr>
<tr>
<td>• Cheaper than acquisition</td>
<td>• Can be difficult to manage because of need to share and because parent companies may interfere</td>
</tr>
<tr>
<td>• Can be used where outright acquisition not feasible</td>
<td>• Share profit with partner</td>
</tr>
<tr>
<td>• Can be used where similar product available</td>
<td></td>
</tr>
</tbody>
</table>

Table 1.2: Advantages and disadvantages of Joint Ventures, *Source: Lynch (2000)*

Whilst alliances have a certain business attractiveness as has been demonstrated above things do not always go well. According to Büchel (2003), success can be elusive, and a poor relationship between the partners is often at the root of difficulties within a venture. A negative cycle frequently develops in which poor partner relations lead to poor performance, which in turn puts the partner relations under greater pressure.

So what can and does make for successful strategic alliances? There are no hard and fast rules.

According to *Leading Insight* (2000), effective partnerships can have a dramatic impact on the bottom line, however it takes much more than deal making to derive the benefits of alliances and partnering. They take time and effort to develop.

The following guidelines will help organisations formulate their partnership strategy and increase the likelihood of its successful:
- **Define a partnering agenda**

Before an organisation embarks on a partnership it needs to get a clear understanding of its organisational needs; i.e. get clarity about the reasons for partnering. The organisational leadership must ask themselves the following questions. Why is partnering a good strategy for the company? What value does the organisation expect your ideal partner to bring to the partnership? How will the organisation measure the impact of a successful partnership? What are the tangible benefits? What are the intangible benefits? What criteria will be used to select potential partners? Are there links and relationships between subsets of organisation’s potential partners that will drive your selection criteria? What resources will be required to make the partnership successful?

Additionally, how many partners can the organisation successfully work with? What is the value that the company brings to a partnership? Are there any gaps in the offerings, or skills set, that need to be addressed to create more effective partnerships? What are the risks and dependencies with the organisation’s partnering strategy? Using the answers to these questions to will enable the clarification of the partnering agenda and the development of a prioritised list of potential partners.

- **Recruit the right partners**

Once there is a clearly defined partnering agenda the recruitment of potential partners can begin. The organisation must make sure that focus efforts are given to partners that meet predetermined criteria. It must be borne in mind that just because a company is interested in partnering with you it does not make them the best partner. Before commitment to a specific partner is made a complete due diligence to validate initial expectations and their ability to deliver should be undertaken.

- **Develop a joint business plan and define rules of engagement**

Before launching a partnership make sure that there clearly defined joint goals, success metrics and that there is a clear understanding of how the partners will collaborate. These plans can be changed as the partnership develops, but key to success is defining this early in the process and reviewing progress regularly.
Critical to a successful partnership is an understanding and agreement of each side’s goals and expectations. All too often partnerships do not meet the expectations of the original dealmakers. According to Leading Insight (2000), one of the main reasons for this is that both sides do not articulate their expectations and detail how they will work together. Make sure that the partnership is based on real agreement and understanding not false assumptions.

- Broad and deep engagement
  One mistake that many companies make is to keep the partnering responsibility restricted to one or two individuals, or one department. In order to derive all the benefits of partnering the relationship needs to be broad and deep, global not just local, running across organizational lines, leveraging investments and resources from both sides.

- Define clear roles and responsibilities
  Linked to the above, it is also vital to have roles and role definition as well as clarity around the responsibilities that each role entails. Ill-defined responsibilities can lead to power struggles and conflict. As with every team, each partner should have a team leader to lead the partnering process.

- Balance return and investment
  Another critical factor is finding a balance between one’s investment and return. Over time the individual partner needs to ensure that its investments are commensurate with the return from the partnership. Indeed, to be sustainable the partnership needs to feel “fair” and meet expectations on both sides. The level of investment and return may not be equal, however it is key to have realistic expectations of your partner, and manage and balance your own investments and returns.

- Focus on “growing the pie”
  Because of the complexity of the business environment, often our partners are also at some level our competitors. While this can be challenging, still result in successful partnerships. It therefore becomes imperative to make sure that there are clear boundaries in the relationships and focus on business that will ”grow the pie” for both companies.
• Accept and respect differences

Another important factor is respect. There can be many differences in a partnership – amongst others: company culture and values, commitment levels, priorities, competitive pressures, organizational structure, and personalities. However, despite these differences, partnerships can be successful. Success will depend on the ability to be aware and respect these differences, accept the things you cannot change and focus on where there are winning value propositions for both parties.

• Build trust

A quick and ready way to destroy a partnership is to do something that kills trust. In order to build trust, partners must make sure they consistently deliver on all their commitments, and fully communicate their intentions. It is therefore key that constant communication between both parties exists.

• Review, learn and celebrate

There is also a need to, on a regular basis, take stock: jointly review the progress of the partnership. Consider what is working in the partnership and what is not. Check progress against mutual goals and metrics. Learn from the successes achieved thus far and the mistakes made. According to Leading Insight (2000), taking time to acknowledge the successes on a regular basis is a great way to refuel a partnership.

As the above section has demonstrated, two issues become clear about strategic alliances and collaborative partnerships:

• They are a major source of sustainable competitive advantage

According to Büchel (2003), they are here to stay as they are still sometimes the only way for a company to enter a new market or to gain access to key technology or people.

• They effect globalisation and technology-induced competitiveness

According to Thomson & Strickland (2003), alliances and partnerships are shifting the basis of competition to groups of companies against groups of companies.
I will now, on the basis of the above discourse, state that some of the above Information Management strategies may be pursued individually, however, to successfully address the organisational environment dynamics will require that others be implemented as composite (combined) strategies. It is important at this point to stress that there are certain business drivers that influence the selection of any strategy or strategy categories irrespective of what they are. These drivers are:

- **Alignment with the overall corporate strategy**
  The alignment of an organisation’s IMS’s and its overall strategy is central to the successful formulation and implementation of any strategy.

- **Cost control**
  Strategies are pursued with certain financial goals in mind. Specifically, IMS’s must be implemented with minimal unwanted costs. Certain of these strategies are pursued with the express objective of reduction of operational costs.

- **Organisational effectiveness**
  Being effective means doing the right thing. More and more organisations are forced to assess and establish what their core competencies are and undertake those to the best of their abilities.

- **Operational efficiencies**
  ‘Efficiency’ in this case implies both financial and non-financial efficiencies. Put simply, efficiency entails doing the right thing the right way. This means that efficiency is closely linked to effectiveness. Organisations are constantly faced with the need to keep costs to a minimum. There are however, other imperatives that organisations have to address amongst these being: making the most efficient use of resources like time, skills, amongst others. In the context of the value chain, which represents the aggregation of all operational activities, being competitive requires doing the right thing and doing it well.
• **Skills constraints**
  Human resources are a major driver in the choice and execution of IMS’s. The availability or lack of necessary IT skills will have an impact of both choice and success of any IMS’s or categories thereof.

• **Technological disruptions**
  Technological disruptions are a major driver the selection of potential strategies. This more than any other driver requires that a lot of strategic planning goes into the selection process. In a technologically disruptive environment there are also major risks; amongst them financial. To this end, time and resources must be made available to enable the correct strategy decision to be made.

• **Benefits leverage**
  The need to leverage benefits in an area of business or industry requires that IMS’s be formulated with this ‘leverage goal’ in mind. This, in essence means, whatever strategic decisions are taken, they have to be taken with the overarching business goals and objectives of the organisation in mind.
CHAPTER 2 – SOUTH AFRICAN POST OFFICE CASE STUDY

BACKGROUND

The South African Post Office (SAPO) Ltd in its current form was formed in October 1991. Its historical background dates back to the days of the then Apartheid era government’s Post and Telecommunications Department. Its main focus is providing postal services to every corner of the country; with the ultimate desire of being leading provider of postal services in the Southern African region. To this end, Post Office continues to make major investments in both technology and human development; investments which easily run into hundreds of millions of Rands.

An interesting aspect of the Post Office Business Model is that it has to operate on acceptable corporate principles whilst addressing citizen-centric social service delivery, objectives that may seem contradictory. However, as it was not a privately run entity, there were social imperatives it had to fulfil, as it was taxpayers money that was funding its business activities. One wonders if the current business model is sustainable if its financial performance in recent history is to go by:

According to Business Day (Jul 9, 2003), instead of breaking even in 2001 as had been anticipated, the parastatal had posted a net loss of R866m on a turnover of R3,4bn, and a net loss of R512m on turnover of R3,5bn in 2002. Also, the financial reports were tabled long after the deadline as required by law.

In 2002, the Courier and Freight Group (CFG) produced a net loss of R28m on total income of R507m, compared with the previous loss of R49m, while Postbank produced a net profit of R34,4m compared with the previous year’s R42m.

The Post Office posted losses despite having received a government subsidy of R600m in 2002 of which only R180m was used that year. The remainder would be spent on approved, earmarked projects which the directors said were expected to "substantially improve" the Post Office's performance and financial position.
KPMG’s audit feedback points that although the company reduced its loss, excluding funding and subsidy, by R320m (in 2002), compared to that of the previous year, it nevertheless suffered a substantial loss that negatively impacted on its solvency and liquidity. Technically, it is insolvent.

Another Post Office audit firm, PriceWaterhouseCoopers, attributes the Post Office’s financial woes (particularly 2001’s) to “material breakdown in internal control systems” And this general deterioration of internal controls may generally result in accounting errors and/or fraudulent transactions not being detected.

However, the directors believe that with the support of (government), the company may be able to become profitable. To this end, Government has committed itself to providing the Post Office with R380m, R326,5m and R326,7m in subsidies for the 2003, 2004 and 2005 financial years respectively. Last year government also agreed to convert a long-term loan of R207m to equity to help improve the Post Office’s balance sheet.

With such a financial scenario it remains to be seen if a successful turnaround will be realised using its current “dual service” business model of operating along corporate lines and being the Government’s service delivery arm.

VISION AND MISSION

The Post Office Vision is to “...be the leading provider of postal and related services in Africa”.

Its Mission is to “…connect people through the distribution of information, goods and financial services, building on our strengths as a provider of postal services and by embracing change, technology and innovation, ensuring that we create shareholder value and deliver high levels of customer, employee and community satisfaction”

CORPORATE STRATEGY

The South African Post Office is a postal delivery service provider with strong local and regional service delivery challenges. The entry of new players in the market place coupled with the emergence of the Internet as a delivery mechanism has challenged the strategic position of the organisation. These new entrants have slowly eroded what used to be “home
territory" for the Post Office. The courier services arena specifically, has seen them lose out to significant players like DHL, amongst others.

This has not gone unnoticed at the Post Office. Central to their repositioning initiatives has been the beefing up of its technology infrastructure. Specifically, the upgrade of its national computer network and installation of new systems have been the most visible signs of a lion wanting to reclaim its market position.

According to Business Day (Feb 19, 2002), another exercise with regards to above was a refocus of the current post office outlet network was being undertaken the aim of which was to get customers back. The Post Office was increasing the number of its outlets in the form of traditional post offices and retail post offices and postal agencies. Many conventional post offices and old postal agencies were uneconomical and not conveniently situated, even in previously under-serviced areas.

**BUSINESS OBJECTIVES**

In an article in the Business Day (Feb 19, 2002), the Post Office CEO, Mr. Maanda Manyatshe, outlined the current position at the utility and its road map for returning to profitability:

His new management team was focusing closely on curbing postal crime, improving its delivery performance and reaching breakeven point as soon as possible. The aim is to ensure that, when government's three-year subsidy ends in about March 2005, the state-owned utility will be financially sustainable.

Government was forced last year to reverse its decision to halt postal subsidies after the utility made one of its biggest losses at a time when it was due to break even. Mr. Manyatshe also said that, in the 2001-2 year, management had focused strongly on cost control. This involved cutting back on overtime and other expenses as well as cancelling a range of contracts that were costing the organisation money. "We need to keep cutting costs and also to focus on growing mail volumes, which are still going down," he had said.

There was also the cancellation of contracts, some of which, strangely, had no end dates. This was in line with management's decision the previous year (2001) to call in the Scorpions police unit. This came after uncovering widespread financial irregularities and instances of
corruption that were costing millions of Rands each year. *(The detail of these irregularities is expounded in the section below).*

I will now outline specific focus areas the aim of which is the realisation of Post Office’s objectives:

**FOCUS OPERATIONAL STRATEGIC AREAS**

The following paragraphs outline the areas of focus for the Post Office:

- **Cost reduction**
  
  The burning issue at Post Office is the need to reduce expenses. The press to achieve this has in recent years become greater as the South African Government, its sole shareholder, would like to stop providing financial backing. In this regard, management has focused strongly on cost control. This involves, amongst other things, cutting back on overtime and other expenses as well as canceling a range of contracts that were costing the organisation money.

  Another area of cost-cutting will be the head-count. According to *Business Day* (Mar 19, 2003), the Post Office currently employs in excess of 18 000 people, down from 26 000 in the year 2000. The optimal staff compliment is put at 1 400. It is anticipated that staff costs, which contribute 65% of total costs, should be brought down to 50% within the next three years.

- **Fraud elimination**
  
  Rampant fraud has been a great source of concern. Whilst a lot of success has been achieved; the perceptions still remain that the Post Office is very prone to fraudulent activity. This will continue to be a major focus area for the near future. To this end the Scorpions, the Government’s criminal investigations agency, are sniffing out widespread criminal activities involving employees and outsiders.

  According to the *Business Day* (Feb 19, 2002), Manyatshe outlined a number of irregularities. (1) There were contracts with non-existing companies; contracts where the economic empowerment component was non-existent; and (2) contracts where employees got kickbacks. (3) Some contractors were charging the Post Office value-added tax and not paying this to the Receiver. (4) There may also have been double
payments. A campaign against the theft of mail was moving ahead. This was aimed at winning back the confidence of those customers using other methods for their mail.

- Operational efficiencies

Bringing necessary operational efficiencies to the Post Office is another strategic area that will require considerable resource investment in. Central to this, is the need to turn around the cultural attitudes towards operating within the Post Office. There is a general perception that the Post Office is “just another government agency”. This flies in the face of typical corporate practice that is driven by the need to be profitable to stay in business.

Post Office CEO, Maanda Manyatshe attributes some of the utility’s achievements to, amongst others: improved efficiencies Business Day (Mar 19, 2003).

- Growth in customer base

An important aspect in successfully turning the entity around is a need to lure back customers it lost to competition and gaining new ones through innovative marketing initiatives. To this end, the organisation has been creating greater awareness of the Post Office brand, its product and services through use of both below and above the line promotional campaigns. Their new slogan is “we will deliver - whatever it takes”

As has already been pointed out, to lure back customers the Post Office was increasing the number of its outlets in the form of traditional post offices and retail post offices and postal agencies. Many conventional post offices and old postal agencies were uneconomical and not conveniently situated, even in previously underserviced areas.

- Service level improvements

To improve service levels and create a cost-effective postal network, the Post Office is repositioning its infrastructure to satisfy the needs of all communities. This means certain conventional post office outlets are being closed, repositioned or amalgamated Business Day (Feb 19, 2002).
PRODUCTS AND SERVICES

The Post Of Office’s range of product and service offerings may be broadly broken down into: mail business, financial services, and courier business.

According to Business Day (March 19, 2002), the current revenue generation split is as follows: mail (73%), financial services (12%) and the courier business (13%). However, Post Office CEO would like to see any potential turnaround strategy that in three years time changing this picture to: mail (60%), financial services (20%); with the courier business (19%). This basically means there should be considerable growth in the financial services and courier businesses.

The Post Office would also like to see Post Bank, the financial services arm, being a completely fully fledged ("corporatised") entity taking care of pension payouts, welfare, and other Third-party transactions (bill presentment, etc).

The diagram below depicts the hierarchy of the Post Office product and service offering which is broken down into the three key categories mentioned earlier:

- Mail services
  These are the various mail-related services such as bulk mail, normal letters, promotional mail, etc

- Financial services
  These are essentially run from the Post Office’s sister company, Post Bank, which provides a variety of financial services: savings, etc.

- Courier business
  These are freight-related services, being handled from within the so-called CFG (Courier Freight Group), with its head-office in Kempton Park.

For a more comprehensive discussion on the Post Office’s products and services, please refer to Appendix B - Post Office’s Product And Service Offering.
Figure 2.1: Post Office's Product and Service Offering Tree
CURRENT INFORMATION MANAGEMENT STRATEGIES

The Post Office’s so-called “Small 5” strategies, as contained in an August 2002 confidential IT Strategy draft document, provide the core “integrative” mechanisms for effecting the IT Division’s current Information Management imperatives:

- **IT STANDARDISATION**

  The purpose of this strategy is to create conformity to internationally accepted best practices in respect of technology. All IT infrastructures shall conform to ISO standards. Uniform infrastructure shall be used with emphasis on regular upgrades on both hardware and software. This strategy shall look at Software, Hardware, licences and environmental standardisation for the company.

<table>
<thead>
<tr>
<th>Deliverables</th>
<th>Key Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uniform IT infrastructure</td>
<td>Reduced operational cost e.g. lower maintenance</td>
</tr>
<tr>
<td></td>
<td>and support, licensing fees</td>
</tr>
<tr>
<td>Systems development methodologies</td>
<td>Reduced skills base support</td>
</tr>
</tbody>
</table>

Table 2.1: IT Standardisation Strategy. Sourced from SA Post Office. (*Strictest Communication Confidence*)

- **SYSTEMS INTEGRATION**

  For the purpose of this strategy systems integration shall mean the seamless integration of all key business systems. All systems shall align to the needs of Business. Systems must integrate to a single enterprise system to allow business to make informed decisions.

<table>
<thead>
<tr>
<th>Deliverables</th>
<th>Key Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrated systems framework</td>
<td>Simplify and streamline the integration of external and internal systems</td>
</tr>
<tr>
<td>Implement data warehousing</td>
<td>Lower systems maintenance costs</td>
</tr>
<tr>
<td>Upgrade of key systems</td>
<td>Systems stability and performance (uptime for business)</td>
</tr>
<tr>
<td>Implementation of new systems</td>
<td>Streamline maintenance and support</td>
</tr>
</tbody>
</table>
- SERVICE MANAGEMENT

From the IT Division’s perspective, service management means all operational activities IT shall provide, through the use of its infrastructure to the various, individual Business Units (BU’s) within Post Office. This includes, for example, Service Level Management (SLM), User or customer satisfaction, Re-engineering of business processes, etc.

<table>
<thead>
<tr>
<th>Deliverables</th>
<th>Key Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>• SLA Management</td>
<td>• Improve turn around time (4 hours nationally and 2 hours at corporate level)</td>
</tr>
<tr>
<td>• Revised IT Policies and Procedures</td>
<td>• Improve Communication between Business units as well as with suppliers</td>
</tr>
<tr>
<td>• Implementation of monitoring tools</td>
<td>• Provide IT with a billing system</td>
</tr>
<tr>
<td>• IT Marketing plan</td>
<td>• Improve systems performance and availability</td>
</tr>
<tr>
<td></td>
<td>• Effective bandwidth management, prioritisation of business systems and network traffic</td>
</tr>
</tbody>
</table>
- **HR (PERSONNEL) DEVELOPMENT**

HR Development strategy shall entail the creation of a wealthy base of IT specialists to meet the demands of business. IT shall train and retain a highly skilled workforce that conforms to the requirement of the EE Act and the SD Act. It shall contribute to the establishment of the e-Learning Institute.

<table>
<thead>
<tr>
<th>Deliverables</th>
<th>Key Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>- User profiling and requirements</td>
<td>- Operations Proficiency by user which reduce incidental errors</td>
</tr>
<tr>
<td>- IT HR Training Plan</td>
<td>- Competent IT staff</td>
</tr>
<tr>
<td>- e-Learning and Intranet infrastructure</td>
<td>- Access to online learning materials thus will reduce training costs</td>
</tr>
<tr>
<td>- User training Plans (e.g. user manuals on new applications)</td>
<td>- Improve customer service</td>
</tr>
<tr>
<td></td>
<td>- The right people will be place at the appropriate jobs for which they are trained.</td>
</tr>
<tr>
<td></td>
<td>- Improve productivity and quality of service</td>
</tr>
<tr>
<td></td>
<td>- Improve better usage of web-based systems.</td>
</tr>
<tr>
<td></td>
<td>- Saving on contractor cost</td>
</tr>
<tr>
<td></td>
<td>- Happy workforce</td>
</tr>
</tbody>
</table>

Table 2.4: HR Development Strategy. Sourced from SA Post Office, (Strictest Communication Confidence)
- INNOVATION

According to the Post Office, the innovation strategy shall entail the transformation of parts of the business to an e-business environment. This shall also mean the creation and leverage of current e-Business infrastructure to create a value chain for the customer through the use of the web environment. Concepts such as B2C, B2B, B2G have to be conceived and applied to create a wider clientele base. Innovation shall also include an intensive research on future products and opportunities in the market space. Innovation shall extend to Value chain for the customer, CRM, Business Systems and the basket of e-products the company shall make available to the customer through the net.

<table>
<thead>
<tr>
<th>Deliverables</th>
<th>Key Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish an innovation hub</td>
<td>National Address Database for citizens</td>
</tr>
<tr>
<td>Implement the ECT Act</td>
<td>e-Commerce platforms</td>
</tr>
<tr>
<td>e-Business framework</td>
<td>e.g. (e-mail for life, e-Payments,</td>
</tr>
<tr>
<td></td>
<td>e-Signature, Wireless notification, etc.)</td>
</tr>
</tbody>
</table>

Table 2.5: Innovation Strategy, Sourced from SA Post Office, (Strictest Communication Confidence)

LINK BETWEEN CORPORATE AND IT STRATEGIES

The Post Office’s IT Division are appreciative of the link that must exist between any IT strategic initiatives (“Small 5 Strategies”) with the overarching corporate strategy or strategies (“Big 5” Strategies) as the true success of any supportive strategy is in its ability to help realise the bigger strategy of the organisation. To this end, IT created an alignment with the corporate strategies:

<table>
<thead>
<tr>
<th>Corporate Strategy (“Big 5”)</th>
<th>IT Strategies (“Small 5”)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achieving operational Excellence</td>
<td>Standardisation</td>
</tr>
<tr>
<td>To deliver what we have promised our customers on time, every time</td>
<td>Service Management</td>
</tr>
<tr>
<td></td>
<td>Systems Integration</td>
</tr>
<tr>
<td></td>
<td>Innovation</td>
</tr>
<tr>
<td><strong>Developing Our People</strong></td>
<td></td>
</tr>
<tr>
<td>--------------------------</td>
<td>--------------------------</td>
</tr>
<tr>
<td>To have a co-operative employee/industrial relation’s environment, and employees who are motivated to add value to the organisation</td>
<td>HR Development</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Saving Money</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>To be the most cost efficient service provider</td>
<td>Standardisation, HR Development, Service Management, Systems Integration</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Growing Our Customer Base</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>To grow our share in key markets, by offering products and services that meets the changing needs and expectations of our customers</td>
<td>Service Management, Innovation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Creating Our Future Wealth</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>To be the leading provider of postal and related services in Africa</td>
<td>Innovation, Standardisation, HR Development</td>
</tr>
</tbody>
</table>

Table 2.6: The Link between “Big 5” and “Small 5” Strategies, Sourced from SA Post Office, *Stricter Communication Confidence*
CHAPTER 3 - GAP ANALYSIS & EVALUATION

INTRODUCTION

This chapter provides a detailed gap analysis and evaluation of the current Post Office “IM landscape” the aims of which are to gain a better understanding of the challenges the Post Office has to deal with in effecting a possible strategic turnaround. This will require that, amongst other things, analyses of a variety of dynamics influencing its environment be looked at from three inter-linked perspectives i.e. the larger macro-environment, the industry it operates in and the competitive environment.

In undertaking the above exercise, it needs to be born in mind that a growing phenomenon as experienced by entropic organisations like the Post Office is the “fluidity” of the forces driving the different environments. This not only makes predicting change, an essential part of successful strategic management, difficult or almost impossible - it is near irrelevant to do so (Drucker, 1995). However, and this was discussed earlier, organisations that succeed in these “changing times”, are those organisations that are “pre-emptive” or “adaptive” (the so-called adaptive enterprise) or “leaders of change” or “producers of chaos”.

It is with this frame of mind that the following analyses are undertaken.

- MACRO-ENVIRONMENTAL ANALYSIS – “PEST” ON POST

Political and Legal

The Post Office operates in an environment heavily influenced by an over-bearing political administration and system: the South African Government. To this end, the Government perceives the Post Office to be its “delivery arm” to be utilised in reaching the masses and providing them with such services as social grants, pensions, etc. Being its sole shareholder and custodian, this means the Government wields enormous power over how the Post Office operates, business goals and objectives it can set and how it goes about realising these.

Consequently, the Post Office has a major balancing act to effect: on the one hand, it needs to ensure that it meets the politically-driven service delivery imperatives of Government and, on the other hand, it has to run along acceptable business lines.
Additionally, there is the issue of the Post Office being heavily unionised, which in part means that the decision-making process is heavily politicised, if it can at all take place. A case in point is the tentative initiative several years ago to privatise the Post Office, an initiative that was opposed by the unions. Whilst such a move would accrue immense benefits to the Post Office and Government, including the “Government [having] more money to spend on welfare, education, health and other urgent national projects” (*Business Day*, 24 August 2001), this move was opposed mainly on the basis that major job cuts would ensue amongst union members.

On the legal front, one of the factors impacting on the Post Office - and the larger macro-environment - is the promulgation of the Electronic Communications and Transactions (ECT) Act in July 2002, which has changed the legal framework within which organisations operate. Specifically, this Act will enable the Post Office to play an increasing role in the digital economy, making it the provider of digital certificates, amongst other things.

The above scenario illustrates how the direction and stability of political and legal factors are a major consideration for the Post Office in effecting its strategic turnaround.

**Economy**

The economics of South Africa are a major determinant of the success of the undertakings of the Post Office. “As consumption patterns are affected by the relative affluence of market segments” (Pearce & Robinson, 2003), the Post Office needs to continually assess the effect on its business of such economic factors as interest rates, the inclination (or disinclination) to consumer spending, level of disposable income, etc and come up with appropriate mechanisms for ensuring that it continues to be a sustainable operation. This are especially necessary considerations given the fact that the majority of its market has limited financial resources, these being: “the unbankable masses”, the citizens in the rural areas, pensioners, etc. An illustrative case in point, the tariff adjustment the Post Office needed to effect to address inflation in its products and services, was reported in *Business Day* (29 January 2002):

“The SA Post Office was locked in an urgent industry meeting last night to thrash out differences over a proposed 12% to 15% increase in postal tariffs which has outraged a host of big and small mail users. The SA Post Office is the third state-owned organisation, after
Telkom and Eskom, to apply for an above-inflation tariff hike for this year, placing further pressure on SA’s inflation targets.”

According to Bernard Magabe, a senior GM at the Post Office, the average increase was pegged at 12% maximum. This, however, could resultantly push the current R1,40 cost of posting a standard letter to R1,57. Yet the Post Office’s licence restrictions only allowed annual postal increases to the consumer price index (CPI), projected at 3% to 6% for that year (2002).

Society and demographics
According to Pearce & Robinson (2003), the social factors affecting companies like the Post Office “involve the beliefs, values, attitudes, opinions and the lifestyles of the persons in the [Post Office’s] external environment, as developed from cultural, ecological, demographic, religious, educational, and ethnic conditioning.”

Historically, Post Offices worldwide (the South African Post Office included) have represented a reliable mechanism for communicating with friends, family, etc. This, indeed, may still be the case in many a society. However, the emergence of other communication mechanisms and the effect these have had on lifestyles has had a negative effect on the Post Office’s sustainability. The days when you looked forward to the smiling Postman ringing at your door have essentially vanished from many a society, except the remote areas (so called rural areas).

Additionally, social change has resulted in societies requiring greater flexibility in terms of the services they want. This, as the above paragraph illustrated, resulted in changed demographics in terms of the societal segments the Post Office serves. Internal to the Post Office, there is a major drive to address representativity of its management to reflect the larger national demographics. To this end, the Post Office has gone on a drive to appoint individuals from the so-called “Historically Disadvantaged Individuals” (HDI) segments of society as can be see from, for example, the number of Black females occupying senior management positions in the organisation.

The above are but some of the social factors impacting on the Post Office. We will now look at technological factors of the macro-environment.
Technology

Technology will continue to have greater influence over the goings-on in the macro-environment. Whilst in the past technology was meant to play a supportive role in organisations, the Post Office included, changes in the technological landscape (e.g. increasing importance of the Internet, cellular telephony, etc.) have seem technology and strategy being complimentary aspects in decision-making and planning.

Ongoing research suggests that this trend will continue as organisations get increasingly “digitised” and more dependent on technology as a source of competitive advantage. As has already been discussed previously, there are a number of reasons for this phenomenon, amongst these:

- Globalisation
Technology is a major enabler in the expansion of organisations across national boundaries.

- Technological innovation
Rapid and disruptive technological innovations are enabling organisations to create products and services much quick than was previously possible.

As asserted by Pearce & Robinson (2003), to avoid obsolescence and promote innovation, entropic firms like Post Office must be aware of technological changes that might influence its industry. Creative technological adaptations can, indeed, suggest possibilities for new products and services, for improvements in existing products and services, amongst other things.

If the promulgation of the ECT Bill is anything to go by, it underscores a realisation by the powers that be within Post Office of the power and influence technology has on competitive sustainability. Additionally, its “warming up” to technology players such as Commerce One, etc is further testimony to the seriousness with which the Post Office is taking technology. As has already been alluded to previously, success will, however, not rest on use of technology for technology’s sake but on its strategic implementation in the organisation.
- COMPETITIVE INDUSTRY ANALYSIS

The aim of this analysis is to assess the postal market’s attractiveness to the Post Office i.e. its degree of competitiveness, and in the process to identify areas where Information Management can enable the Post Office’s sustainable turnaround and sustainable growth.

1. Potential Entrants

This dynamic enables the determination of the possibility of new entrants to diminish the Post Office’s market potential. It is measured by, amongst other “metrics”:

<table>
<thead>
<tr>
<th>Metric</th>
<th>Context</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Post Office’s Economies of Scale (EoS)</td>
<td>The higher the Post Office’s EoS, the lower the threat of potential entrants</td>
</tr>
<tr>
<td>• Product Differentiation and Brand Loyalty</td>
<td>The higher the Post Office brand and buyer loyalty, the higher the barrier to entry will be</td>
</tr>
<tr>
<td>• Capital Requirements (CR)</td>
<td>The higher the CR, the bigger the barrier to entry</td>
</tr>
<tr>
<td>• Switching Costs of Buyers (SCB)</td>
<td>Also, the higher the SCB, the bigger the barrier to entry</td>
</tr>
<tr>
<td>• Post Office’s Absolute Cost Advantages</td>
<td>The more important Technology and Proprietary Knowledge are, the more difficult entry is for newer players</td>
</tr>
<tr>
<td>• South African Government Regulatory Policy</td>
<td>Very restrictive policies can make entry into the Postal industry difficult or near impossible</td>
</tr>
<tr>
<td>• Expected Retaliation</td>
<td>The more retaliatory the Post Office is, the less likely newer players will find its market attractive</td>
</tr>
</tbody>
</table>

Table 3.1: Potential Entrants

Historically, Government policy and resultant regulatory protection has enabled the Post Office to operate in a monopolistic business environment. This means that the threat of new
entrants is a relatively new phenomenon as result of Government’s “neo-liberation” of the postal industry.

Indeed, new entrants, in the form of, for example, DHL, have forced the Post Office to reassess its competitive position. According to The Star (Jul 15, 2003): “The onslaught of competition from e-mail and speed delivery services by the private sector has persuaded the SA Post Office (SAPO) to re-introduce its EMS or Expedited Mail Service, which ensures that the EMS item is delivered within 24 hours of its reaching its country of destination...SAPO’s reaction comes as a result of the international express market experiencing the most rapid growth and at the same time the stiffest competition of all segments of the postal industry over the last 20 years.”

Recent undertakings within the Post Office have signaled the seriousness with which it views the new entrants. Amongst the most recent IT initiatives the Post Office has undertaken with the object of improving its competitiveness are:
- Standardisation of the its large network on the Cisco architecture
- Implementation of an electronic procurement system in partnership with CommerceOne
- Desktop outsourcing to Datacentrix
- Sourcing of a replacement for the current Track and Trace system

Additionally, the potential of new entrants is further minimised by the requirement of establishing a large network of IT infrastructure and other non-IT logistics in order for any market entrant to successfully counter-position itself against the South African Post Office. The high CR has raised the barriers of entry even higher, making it near impossible for any one competitor to usurp the market from the Post Office.

Also, the Post Office’s EoS, because of its nation-wide presence, means that any need to improve the provision of services and products can be effected without the need to drastically “beef up” its infrastructure as this has already been done. In other words, its higher EoS implies that there is a lower threat of entry by a potential player.

In terms of its product differentiation and brand loyalty, the Post Office has not been entirely successful. Part of the cause of a diminished brand was the ongoing fraud and corruption within its ranks. Additionally, its ability to retaliate against newer if smaller players was
limited in part as result of financial constraints following its unending losses and erratic management and leadership void.

2. Power of Buyers
The *Power of Buyers* assesses the power of buyers to influence (change), for example, pricing. There are two focal aspects to this: *price sensitivity* and *bargaining leverage*. The following are some of the factors that these entail:

<table>
<thead>
<tr>
<th>Metric</th>
<th>Context</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Post Office’s product &amp; service differences and brand identity</td>
<td>Better product/service differentiators and a well-positioned Post Office brand lowers customer price sensitivity</td>
</tr>
<tr>
<td>• Buyer concentration and volume</td>
<td>The higher the buyer concentration the higher the Post Office customer’s price bargaining power</td>
</tr>
<tr>
<td>• Buyer switching costs</td>
<td>The higher the customer switching costs then the higher the price bargaining power of the buyer</td>
</tr>
<tr>
<td>• Buyer information</td>
<td>The higher the customer’s “information literacy”, the higher the customer’s price bargaining power</td>
</tr>
<tr>
<td>• Threat of buyer backward vertical integration</td>
<td>The more likely the buyer can do this, the higher the price bargaining power of the buyer will be</td>
</tr>
<tr>
<td>• Prevalence of substitutes to Post Office product and service offerings</td>
<td>The higher the prevalence of substitutes, the higher the price bargaining power of buyers</td>
</tr>
</tbody>
</table>

Table 3.2: Power of Buyers

Let’s look at some of these metrics.

One Post Office “buyer group” that wields enormous bargaining power are the so-called “bulk mail users”. An illustration of the bargaining power of this type of buyer can be made
using a daily media report of how major disagreements between Post Office and the postal industry occurred as a result of the Post Office’ insistence of a tariff hikes of between 12 and 15% a range well above CPI (consumer price index) of the time (in year 2002). Thus went the article:

“The SA Post Office and industry officials have reached a compromise on the proposed postal tariff hike which will see bulk mail users receiving big discounts from April 1. This means the state-owned Post Office will push on with its application for a 12% to 15% hike in overall postal tariffs. Individual consumers could end up paying about 16c more to post a standard letter. It costs R1,40 now.

“Davy Ivins, Direct Marketing Association (DMA) executive director, said yesterday the meeting with Post Office officials had been constructive, and a “win-win situation” had been reached for both parties.

“In terms of the agreement, the net effect of the tariff increase will be limited to the consumer price index (CPI) for bulk users. This will be done by a combination of the rate increase and significant rebates for big mail users.” (Business Day, 30 January 2002).

Another area where consumers are starting show greater bargaining power is in the increasing prevalence of substitutes to Post Office product and service offerings: these substitutes are amongst others: the use of e-mail (Internet technology) and SMS (cellular telephony technology). For example, where in the past individuals could have sent happy birthday, Christmas, get well or happy new year wishes using the traditional mail, the convenience and cost efficiency of the afore-mentioned technologies has seen droves of buyers moving away from using the Post Office-linked medium in favour of these new technologies.

There is also the issue of buyer concentration and volume. The above illustration is also testament to the fact that “large-volume buyers are particularly potent forces if heavy fixed costs characterize the industry…” (Pearce & Robinson, 2003)
3. Industry Competitors (Internal Rivalry)

The *Internal Rivalry* deals with rivalry amongst existing industry players. It is measured by, amongst others, the following “metrics”:

<table>
<thead>
<tr>
<th>Metric</th>
<th>Context</th>
</tr>
</thead>
<tbody>
<tr>
<td>Postal industry growth</td>
<td>If there is growth in the postal industry then the risk of internal rivalry is minimised</td>
</tr>
<tr>
<td>High fixed and storage costs</td>
<td>The importance and possibility of high cost will increase rivalry amongst Post Office and its rivals</td>
</tr>
<tr>
<td>Intermittent over-capacity</td>
<td>Where over-capacity is heightened, rivalry follows suit</td>
</tr>
<tr>
<td>Product differences and branding</td>
<td>If there exists high product differentiation and branding, there will be less rivalry due to high barriers of entry</td>
</tr>
<tr>
<td>Product switching costs</td>
<td>High product switching costs result in less rivalry</td>
</tr>
<tr>
<td>Relative organisational size and count</td>
<td>The existence of numerous smaller players in an environment with one monopolistic giant results in lower levels of rivalry</td>
</tr>
<tr>
<td>Competitor diversity</td>
<td>Cultural and structural diversity also lowers internal rivalry</td>
</tr>
<tr>
<td>Corporate stakes</td>
<td>The higher the value of market amongst rivals, the greater the rivalry</td>
</tr>
<tr>
<td>High exit barriers</td>
<td>The higher the cost of exiting the industry, the higher the rivalry</td>
</tr>
</tbody>
</table>

Table 3.3: Industry Competitors

Probably the most fascinating dynamic amongst the five forces is that of industry rivalry. On the one hand, the Government’s support of the monopoly that the Post Office has enjoyed over many years has ensured its continued survival in spite of its continued financial losses. On the other hand, smaller and nimbler new entrants have taken advantage of the Post
Office's inability to deliver so-called "world-class" service; usurping major market share from the Post Office.

As tabulated above (Table 3.3), let us now look at some of the factors that have fuelled industry rivalry more closely.

For starters, the entry of new, foreign-based multinational corporations has not only increased industry competitiveness but has also enabled the industry to experience considerable growth. According to The Star (Jul 15, 2003) increasing competition from e-mail and speed delivery services by the private sector, i.e. by companies like FedEx, DHL amongst others, has persuaded the SA Post Office (SAPO) to reassess its service delivery position. For example, the re-introduction of its EMS or Expedited Mail Service to ensure that the EMS item is delivered within 24 hours of its reaching its country of destination. This reaction, according to the article, "comes as a result of the international express market experiencing the most rapid growth and at the same time the stiffest competition of all segments of the postal industry over the last 20 years."

Regarding product differentiation and branding, the Post Office has not fared that well in the past. This has been, in part, due to financial constraints the Post Office was experiencing which meant that resources were channelled towards other pressing business needs. Lately, however, we have seen attempts by the parastatal to use technology to drive its product and service differentiation. Also, we have seen greater - and better - use of the media (TV and some below the line channels) to create stronger brand awareness. The Post Office has gone as far as ensuring visibility for its brand at national and international sports events by actually sponsoring these events.

The views of theorists like Porter (1979) who hold that “Relative organisational size and count” and “Competitor diversity” have an effect on internal rivalry are continually proven true. It remains to be seen, however, how the Post Office will fare in the new and more competitive environment.
4. Power of Suppliers

The *Power of Suppliers* deals with, amongst other issues, the power of suppliers to change prices. It is measured thus:

<table>
<thead>
<tr>
<th>Metric</th>
<th>Context</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier concentration</td>
<td>If the Post Office’s supplier power concentration is high, then the resultant supplier bargaining power is greater</td>
</tr>
<tr>
<td>Input differentiation</td>
<td>If there is a stronger dependence of product uniqueness, then the supplier bargaining power will be greater</td>
</tr>
<tr>
<td>Supplier switching costs</td>
<td>Higher switching costs increase the supplier bargaining power</td>
</tr>
<tr>
<td>Availability of substitute inputs</td>
<td>Higher availability of substitute inputs for Post Office products lowers the supplier bargaining power</td>
</tr>
<tr>
<td>Input impact on cost or differentiation</td>
<td>If the supplier provides important quality and lost cost to customer then supplier’s bargaining power is reinforced</td>
</tr>
<tr>
<td>Importance of volumes to suppliers</td>
<td>If there is a greater reliance on high volumes, then the supplier bargaining power is negatively impacted</td>
</tr>
<tr>
<td>Costs relative to purchasing industries total costs</td>
<td>If former costs are higher then the supplier bargaining power is minimised</td>
</tr>
<tr>
<td>Threat of supplier forward integration</td>
<td>If the potential for supplier forward integration is greater, then supplier bargaining power is heightened</td>
</tr>
</tbody>
</table>

Table 3.4: Power of Suppliers

Regarding balancing the power of suppliers, the Post Office has invested in the implementation of an electronic procurement system in collaboration with CommerceOne, leaders in this arena. This system is aimed at automating the laborious tendering and
sourcing process that is both time-consuming and hugely flawed. The added benefit of this system is that the Post Office will be able to get competitive pricing for products and services from the various providers linked to the system in a transparent and fair way.

The new e-Sourcing is in its initial use, and according to the Post Office's Sourcing Specialists Magda Branford and Wilhelm Greyling who are involved in the project, it has brought other benefits amongst them: the reduction of paper use, formalised and repeatable tendering processes, provision of a central repository of information, consistent communication, etc.

Because the e-Sourcing system enables the Post Office access to service and price information from a myriad supplier sources, it is in a better position to bargain with suppliers thus reducing supplier bargaining power.

On the other hand, the supply chain process is better streamlined enabling the automatic and online quote generation and order tracking. This is not only convenient, it is a major source of competitive advantage for both the Post Office and the suppliers involved as operational efficiencies accrue to both Post Office and its chain of suppliers. This set up increasingly creates "hooks" for the Post Office, meaning that suppliers are keener to deal with the Post Office now than they were in the past.

Additional to the above, major savings in sourcing are made by the Post Office enabling them to pass these on to their customers, who in most cases have limited resources. The result of this is better cost – and price - differentiation and better value for money in the eyes of the consumer.
5. Substitutes

The Power of Substitutes dynamic is aimed at determining the level of threat of products and service from alternative suppliers. It is measured by the following:

<table>
<thead>
<tr>
<th>Metric</th>
<th>Context</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Relative price performance of substitutes</td>
<td>The better the substitute product/service’s price and value the higher the threat of to the Post Office’s offerings</td>
</tr>
<tr>
<td>- Switching cost of customers</td>
<td>If the Post Office’s pricing on product is comparable to that of substitutes, then the threat of substitutes is higher</td>
</tr>
<tr>
<td>- Buyer propensity to substitute</td>
<td>A higher inclination of Post Office’s customers to search for alternatives implies a higher threat of the substitute product and services</td>
</tr>
</tbody>
</table>

Table 3.5: Substitutes

Because of the monopolistic nature of the Post Office business, price performance of substitutes is limited for two reasons: firstly, the current new players (DHL, FedEx, etc) are only substitutes in so far as the more affluent are concerned. Meaning that since the newer players are aimed predominantly at “cash flush” customers who are unhappy with the level of service at the Post Office they can afford higher prices, which prices the “underserved and unbankable” cannot. This leaves “underserved” with no choice but to continue putting up with the Post Office’s service and products.

Secondly, access to substitute products and services is still to a large extent geography-based. For example, some courier companies will not deliver in townships such as Umlazi, Khayelitsha, etc, areas where the “unbankable” masses are located. Without any competitive substitutes, they are left to deal with the Post Office, as they are likelier to have a presence in these areas. In short, relative price performance of substitutes is limited in so far as the majority of the Post Office’s customers are concerned.
Regarding the switching cost of customers, the Post Office’s pricing on product is comparatively more competitive than that of substitutes, for two reasons: one, Post Office is still a monopoly as decreed by the South African Government, and two, the licence regulations under which the Post Office operates do not allow them to have price hikes higher that the going CPI (consumer price index). What this implies then is that the threat of substitutes is limited and lower than it would be in a case where the industry was not regulated.

It is also for the above reasons that the propensity for the Post Office’s typical customer to look for substitute service and products is limited.

- INTERNAL (SWOT) ANALYSIS

The aim of this analysis is to assess the Post Office resource capabilities. In part this will enable an evaluation of areas where the Information Technology Division’s should focus in to use IM to enable the Post Office to achieve its turnaround.

<table>
<thead>
<tr>
<th>Strengths (S)</th>
<th>Opportunities (O)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visionary leadership in CEO Maanda and others</td>
<td>Designated official digital signature provider and authenticator</td>
</tr>
<tr>
<td>Expansive IT infrastructure and non-IT infrastructure</td>
<td>Positioned to be leading postal service provide in Africa</td>
</tr>
<tr>
<td>Commitment from Government to make Post Office become profitable</td>
<td>Improved service delivery to remote and under-served areas (rural areas, etc)</td>
</tr>
<tr>
<td>Strong brand identity plus its strong historical significance</td>
<td>Become more than just a postal agency – e.g. social services, 3rd party payments, etc</td>
</tr>
<tr>
<td>Weaknesses (W)</td>
<td>Threats (T)</td>
</tr>
<tr>
<td>------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>• Long decision-making cycles</td>
<td>• Entry of smaller and nimble players</td>
</tr>
<tr>
<td>• Hesitancy in exploiting new technologies</td>
<td>• Advent of unpredictable new technologies (new applications for Internet, etc)</td>
</tr>
<tr>
<td>• No consistent communications amongst business units</td>
<td>• Possibility of continued losses and demotivation amongst personnel</td>
</tr>
<tr>
<td>• Limited insight into competition and customers</td>
<td>• Staff turnover as a result of above and possibility of “greener IT pastures” else</td>
</tr>
<tr>
<td>• Lack of innovation re: product differentiation and brand positioning</td>
<td>• Economic downturn may have major consequences for the Post Office and “underserved” markets</td>
</tr>
</tbody>
</table>

Table 3.6: SWOT Analysis
The essence of the model I developed, the IVA, is aimed at "unearthing" areas within the Post Office Value Chain (VC) that Information Management (IM) can add value. In other words we are looking at the Information Value Chain. The value-add can be in:

- Meeting specific "information diets" (Davenport)
- Identifying Information Technology (IT) gaps
- Creating greater information flows
- Using IT and IM to effect better Information Behaviours (IB)
- Ultimately, improving the organisational Information Orientation (IO)

Hence my assertion that \( IO = f \) (IT, IM, IB), meaning that, as discussed previously (kindly refer to "Chapter 1 - Information Management and Strategy Theory"), an entropic organisation's - or any other organisation for that matter - Information Orientation is a function of (i.e. dependent on) the synergistic collaboration of appropriate information technology, the necessary strategic information management and culture (IB: i.e. culture - values, beliefs, etc) of the information users.

Figure 3.1: Information Value Chain Analysis, adaptation of Porter & Millar (1985)
According to Pearce & Robinson (2003), a value chain is a way of looking at the business as a chain of activities that transform inputs into outputs that customers value. And this value derives from three basic sources: activities that differentiate the product, activities that lower cost, and activities that meet the customer’s need quickly. In essence, Value Chain Analysis (VCA) aims at gaining an appreciation of how customer value may be created by examining the contributions of the various operational activities within the business to that value. And by association, an Information Value Chain Analysis (IVCA) is aimed at examining how IM can help the realisation of the afore-said customer value.

**Inbound logistics and Procurement**

According to Noko Ngoepe, Senior Manager in charge of Corporate Systems at the Post Office, the importance of using IT to expedite the sourcing of raw materials, products and services was underscored when, some two years ago, the Post Office started engaging potential IT service providers with the aim of purchasing a robust and appropriate “sourcing system”. At the conclusion of its selection process, a joint venture between the Post Office and e-procurement solutions provider Commerce One SA, the chosen partner, was formalised. A major benefit of the “e-sourcing” system is more competitive procurement by Post Office as it has access to a variety of suppliers to choose from; and this is a source of cost differentiation. Also, given the regulatory framework of the Post Office environment, the system will enable greater transparency to its sourcing activities and give potential suppliers a sense of fair play.

According to Michael Bosman, Managing Director of Online Liquidity, the holding company for Commerce One SA: “…the joint venture is expected to save the Post Office about R100m a year through improved sourcing and procurement strategies.” *(Business Day, 3 June 2003).* Additionally, the new electronic procurement platform will enable the Post Office to develop services based on the Commerce One software. Investigations are ongoing regarding the feasibility of such services as electronic bill presentation and as well as courier services and digital certificates.

As I am compiling this research the Post Office is in advanced stages of the process of sourcing IT products (hardware, software, etc) and services around its financial (payment) switch, a technology that would enable the conducting of a variety of transactions including banking, etc.
Operations, product and service definition

The area of operations and product definition will be another focal point if the Post Office is to be more competitively positioned. Firstly, the Post Office needs to create greater efficiencies within its operational (VC) activities. Secondly, new innovative product and service offerings will determine the possibility of its success going into the future.

As I write this report, the Post Office is addressing issues around operational efficiencies by requesting tenders from potential service providers to help it replace its current automated sorting machines for its main mail centres like Witspos in Ormonde, South of Johannesburg. This is just one illustration of how Post Office is continuously searching for potential technology opportunities the aims of which to create greater operational efficiencies and the resultant competitive advantage.

In the area of product and service definition, the Post Office is using technology to develop new products/services is in the form of Bill Presentment facility: Pay-a-Bill. This electronic facility enables the handling by Post Office of third party payments: electricity (Eskom), telephone bills (Telkom), etc. Not only do such product and service innovations represent new revenue streams (typically, the Post Office should get a percentage of the 3rd party transaction) – something well in line with the financial objectives of the turnaround, they also enable the Post Office to venture into market territories which it would not have been able to serve in the "old economy" were it not for the possibilities new technologies now avail.

Outbound logistics

A key aspect of the Post Office VC is the efficient delivery of products and services to the customer. This is made additionally importance as a majority of the Post Office customer base is in the rural areas, areas that in certain cases do not have the necessary infrastructure for such products and services to be delivered efficiently. This is another area where technology can be of influence. A case in point in respect of the Post Office is its use of technology to enable payment of pensions, provision of banking services at Post Office outlets, etc. All these things are made possible by use of mobile units equipped with the necessary communication and data transfer technologies such as satellite, cellular, etc.
To address issue of rural areas not being “wired”, the South African Government in collaboration with the Post Office is aiming at providing rural areas with access to information services.

“Government’s plan to give rural people access to the Internet and e-commerce took a step forward yesterday with the launch of 100 public information terminal systems around the country. The systems will give about 20-million people access to global information such as the Internet, e-mail, government and educational services, and e-commerce facilities. The public information terminal systems are located in Post Offices and community centres. They are in rural areas which until now had no access to electronic information.” (Business Day, 19 October 2001).

The Government would provide the capital expenditure for the project while the SA Post Office would take care of operational expenditure, including venues, training and running costs. The Post Office saw this project as the heralding of a “new era” in the history of information technology in South Africa. The project would allow people to open an e-mail box and send and receive e-mail. The link to government websites would provide information about regulations, welfare and government news.

A customer service initiative linked to the above, and being rolled out, is the idea of the so-called Citizen’s Post Office (CPO), which would generally be located within existing post offices. According to Business Day (27 February 2002), CPO’s would provide services like basic telephony, facsimile services (fax), photocopying, printing facilities, computers linked to Internet, designing of business cards and e-mail facilities. As Post Office spokesman, Bernard Magabe, put it: the project would ensure that citizens in rural areas were not excluded from the information age and its benefits.

More recently the Post Office has moved into the area of “event-ticketing” a service that was traditionally the domain of such players as CompuTicket. This is made possible by the expansive technology infrastructure the Post Office has spread across the country. Another initiative under way was the setting up of a nation-wide ATM (Automatic Teller Machine) network infrastructure that will enable the dispensing of cash and services of the ATM at its “points of presence”.

Page 99 of 160
The above are but some of the projects and initiatives aimed at addressing Post Office’s Outbound Logistics challenges.

**Marketing and sales**

The Post Office’s marketing and sales function is a personnel-based operation supported by a myriad call centres, some based on the Remedy call centre solution. Historically, technology has not had a major impact on marketing and sales as, partly, the Post Office operated on a complacent “we don’t care” basis, an attitude fuelled by its monopolistic business model. Entry into the market of newer players has triggered a change in approach. Plans are now under way to examine how new technologies such as SMS, the web, etc can be put use to effect greater competitiveness for the Post Office.

My recommendations in the section that follows will outline some of the initiatives that can be undertaken to help change the status quo.

**After-sales service**

This is another area where IT can have major impact. At present, there are limited uses of technology in this regard. Human-centred call centres are currently a key focus at this point in time. The future will possibly see integration of the Internet to effect a more efficient technology-enabled after-sales service.

A current project involves the development of a new Track and Trace web-based system that will enable customers to query the progress of parcels. Whilst the system has not been deployed yet, it is a project that can have major benefits for the Post Office in improving its “after-sales” service. An investigation of the systems in place at “world-class” competitors like FedEx could also prove beneficial for the Post Office in its quest for better after-sales service.

Indeed, this is an area that still requires improvements and the strategies in my recommendations will help change the status quo.
Corporate infrastructure

According to then Acting General Manager - IT (also e-Business Manager), Newyear Ntuli, the Post Office has settled on the SAP architecture as Enterprise Resource Planning (ERP) platform of choice. The use of SAP as an ERP medium has enabled greater financial management control and better human resource management. Other technologies in place are electronic mail, database infrastructure, data storage facilities, etc.

An important development was the outsourcing of the desktop environment to Datacentrix, an IT service provider. The aim of this transaction was to enable the Post Office to experience cost reductions by handing over the maintenance of its desktop infrastructure to a third party. A benefit of this would be better service delivery to the end user.

Areas of improvements are better technology-business alignment to enable more efficient information flow and greater exploitation of voice and data communications technologies such as voice mail, electronic mail, Intranets and other collaborative solutions (groupware) such as Lotus Notes, etc.

Human resources (HR)

The use of SAP-centered system called “ManSAP” has provided a level of automation regarding the HR function. There are also initiatives to put in place technology-based training and employee services, these being “e-Learning” and “ESS” (Employee Self Service) respectively.

Technology development

Technology planning and development within the Post Office has historically been the responsibility of the IT Division under the direction of Twiggs Xiphu, ex- GM IT (now Group Executive, in charge of IT, Marketing, etc). Whilst this, in itself, was not necessarily a bad approach, it has had limited success. It has over time become evident to the parastatal that technology has to meet the global organisational needs. To this end, greater collaboration between IT and the many business units has occurred.

According to Noko Ngoepe, Senior Manager - Corporate Systems, previously IT would come up with a proposal for providing a certain solution for a business unit (BU). IT would then
develop the proposed system. As this process was driven from an IT perspective it had its problems, these ranging from limited “buy-in” from the BU concerned, misunderstanding regarding application and business requirements, and sometimes lack of accountability and resistance to pay for services rendered (i.e. BU not wanting to sign off project).

The above problems resulted in IT changing approach: any new projects had to be accompanied by a proper business case building exercise and the full co-operation of the BU concerned. This not only resulted in the necessary buy-in from the BU concerned, it also expedited the delivery of IT services and better alignment between what IT was doing and the business unit requirements.

There are, however, areas of improvements, these include a more innovation and user-centred approach to technology development, and technology-enabled product and service development.

I will now recommend specific IM strategies aimed at addressing the challenges identified in the preceding analyses and resultantly, enable the Post Office to, in part, effect an IM-biased approach to its much-needed strategic turnaround. As will be seen, the strategies fall into three categories: re-enforceable strategies, nascent strategies and non-sustainable strategies.
CHAPTER 4 – RECOMMENDATIONS AND CONCLUSION

INTRODUCTION
The South African Post Office is in urgent need of a turnaround. Government and the majority of its stakeholders (general citizenry, tax-payers, etc) have rightly gone weary of the difficulties Post Office has experienced for well over a decade or so now. Business cannot go on as usual. As their slogan goes “[Post Office] must deliver whatever it takes.”

The objective of this chapter is to highlight specific strategic recommendations. To this end, strategies that have had success will be reinforced; whilst those strategies that have not “delivered” will be discarded, and new strategies will be recommended in their place. The above recommendations will outline “pointers” as to how the organisation should go about finding remedies necessary to place the Post Office in a positive frame.

In outlining the strategies below care was taken to ensure the relevance of the individual strategies in the context of Post Office’s business environment and ongoing research in the field. To this end these strategies can be seen as fresh, and well in line with the goings-on in the global arena. Whilst the strategies outlined below may be pursued individually, greater success is more likely to accrue if they are pursued in tandem as these strategies, because of their inalienable link to the Post Office’s overall corporate strategies (“Big 5”) and the synergistic informational utility they represent; a case of the whole being greater than the sum of its parts.

The following are current strategies that are to be perpetuated. Reasons why are outlined in the corresponding strategy section:
RE-ENFORCEABLE STRATEGIES

The Post Office’s “Small 5” strategies as discussed previously are re-enforceable, yet not entirely in their current form as will be argued later in the section. A case in point is the Service Management Strategy, which is aimed at ensuring that all operational activities the IT Division undertakes, through the use of its infrastructure to the various business units within Post Office, are aimed improving service level management, user or customer satisfaction, re-engineering of business processes, etc.

Then there is the IT Standardisation Strategy, whose purpose is the realisation of conformity to internationally accepted best practices in respect of technology: ISO, etc. To a large extent this strategy has brought about greater information flows within the organisation. The signs are all visible: increasing use of, for example, has enabled the Post Office to communicate more effectively internally and with potential suppliers.

My arguments for a need to reformulate these strategies are thus: Firstly, a major limitation of the afore-said strategies seems to their IT-centred approach to addressing business challenges. This needs to be changed, and a stronger user-centered approach be brought about. Greater global user involvement rather than the current Information Technology Division user-bias must be encouraged.

Secondly, whilst these strategies are aimed at addressing specific business challenges, there appears to be some misalignment with former. My investigations have revealed that the cause of this misalignment between the Post Office IT and the Business Units has been caused by amongst others:

- Lack of inter-organisational communication
- Post Office IT’s “island” philosophy
- Weak “buy in” into and support of IT projects
- Misconception/misunderstanding of the role of IT within Post Office
- Limited information literacy
To a large extent the Systems Integration Strategy has helped the Post Office its goal of ensuring that all systems are aligned to the needs of business and the enablement of a single enterprise system to allow business to make informed decisions. Examples of this are the standardisation on SAP and Microsoft platforms which means integration is more feasible and can be done in efficient ways than was previously possible.

The HR Development strategy, which entails the creation of a wealthy base of IT specialists to meet the demands of business, is an area of great challenge still. Whilst the Post Office is bound by the regulatory framework to have good standing regarding Employment Equity, etc, the difficulty the Post Office has is training its personnel is that the possibility of better employment opportunities in the non-parastatal sector makes it impossible to for the Post Office to retain much-needed skills. A recent case is the loss to the Post Office of Sibongile Shabalala who was a key figure in the running of the SAP enterprise solution. I believe this scenario brings a stronger case of my recommendation, which is discussed later, that the Post Office must look more closely at the attractiveness of outsourcing.

The Innovation Strategy, in its current form, whose aim, according to Newyear Ntuli, Senior Manager – e-Business, is to transform of aspects of the Post Office business to an e-business environment, has limitations. I recommend that innovation should have greater pervasion in the business. It is my assertion that innovation drivers should have a more business and user-focus instead of a technology focus. More discussion in this regard follows later.

NON-SUSTAINABLE STRATEGIES

My research has not identified any specific strategies that should be discarded. However, as was stated above in my discourse on re-enforceable strategies, a stronger user-focus has to be applied to the existing strategies. Another area of improvement is the rescinding of the perception that innovation comes from IT only. Every nook and cranny within the larger Post Office organisation can be source of innovation for IT.
NASCENT STRATEGIES

- INTERNET STRATEGY

A question I continually asked during my investigations was the existence of a clearly defined Internet Strategy at Post Office. This question had a heightened significance, as the Post Office was to become the “Digital Authority” tasked with issuing and authenticating electronic certificates and signatures, amongst other things, as a result of the promulgation of the ECT Act in July 2002. Some of the answers I received gave me the impression that the Post Office was still some ways away from having a practicable and clearly defined Internet Strategy. Others alluded to the existence of some “ideas” around how the Post Office was going about strategising around the Internet as a possible business channel.

For starters, there was still the misconception amongst some senior members of the organisation that the current monopoly the Post Office has in the postal industry would translate into “hands down” competitiveness on the Internet. This is not true, as there are many other international players out there (VeriSign, etc) who are bound to give the Post Office a run for their money.

Also, there seems to be a major difficulty in distinguishing between what is technically practicable and what is strategically desirable. For example, how does the Post Office aim at building any critical business mass regarding e-commerce transactions for the majority of the customers in the rural areas? Indeed the idea is technically feasible; but the strategic desirability — meaning real business value - of such a venture is elusive. My assessment of the scenario is that a lot of effort still needs to go into planning before a robust and sustainable Internet Strategy can come about. I recommend the following as the appropriate strategic framework and approach to doing this:

- Market Opportunity Framing

A careful assessment of the market environment will enable the Post Office to clearly understand the feasibility, and desirability (attractiveness) of a possible Internet Strategy. This requires a fundamental shift in thinking: for the most part organisations who embark on a journey of using the Internet as a business channel embrace the fallacy that if they enjoyed success in the traditional, also called “bricks and mortar”, economy, this will naturally translate into the new, “clicks” economy. As has been demonstrated previously, it is indeed a deadly business fallacy. *For more detail on the subject please refer to Chapter 1 – Information Management & Strategy Theory*, under the section on
Information Management Strategies. The Post Office’s customers will not naturally switch business media to embrace an Internet-based one simply because it is there. Real customer value – “value proposition” is a major driver in ensuring such a shift. It is for this reason, identifying the existence of such customers, that such a market opportunity analysis exercise has to be undertaken.

According to Rayport & Jaworski (2001), there is a five-step market-framing process that a company like the Post Office can follow (see diagram below):

“(1) seeding an opportunity in any existing or new value system, (2) uncovering an opportunity nucleus, (3) identifying target segments, (4) declaring a company’s resource-based opportunity, and (5) assessing the opportunity attractiveness.” This process should form the central basis for making “go/no go” decision regarding a potential Internet strategy.

Figure 4.1: Five-step Market Framing Process, adapted from Rayport & Jaworski (2001)
Step #1: Seeding an opportunity
According to Rayport & Jaworski (2001), this entails opportunity identification and analysis anchored within an existing or a new value system or “playing field” as it is sometimes referred to. The value system here can be seen as the entire value chain, made up of the Post Office’s suppliers, distributors, buyers, intermediaries – and even its competitors. “In the New Economy, the starting point for opportunity identification often is someone with a belief about a value system that can be reinvented or transformed.”

Step #2: Uncover opportunity nucleus for Post Office
This entails the defining an opportunity whose core is the increase of customer satisfaction or the creation of a new, improved customer value. As outlined in the preceding analysis, this is indeed an area where the Post Office can accrue enormous opportunities.

Step #3: Identify the Post Office’s target customers
This step in the process enables the identification and prioritisation of customers; which could lead to greater insight and appreciation into of a potential customer “frame” – segment for the Post Office. This is also critical in that it avails information and knowledge of what its product offering range should be and how big the market size potentially is.

Step #4: Declare the Post Office’s Resource-based Opportunity
This involves a critical evaluation of the distinct capabilities, competencies and skills within Post Office necessary to effect competitive advantage and a superior customer value delivery. As has already been outlined in the preceding analysis, the Post Office has some strengths and capabilities, which should be fully utilised: visionary leadership, expansive IT infrastructure, Government support, etc.

Step #5: Assess opportunity attractiveness
This fifth step entails an assessment of the market opportunity’s attractiveness in terms of the technological, financial and competitive requirements. Financially, this means the Post Office must interrogate issues around possible market growth rates, profitability, market share, etc.

Finally, once all this five-step process has been undertaken, a decision around whether a potential market should be pursued may be taken. Whilst on the surface, this exercise is
“senior management level” and Marketing Department–specific, it requires greater involvement from the various business units; not least of which is the IT Division.

- Internet Business Model (IBM) Construction
  The challenges of doing business on the Internet, not least the obsolescence of some of the approaches that were being advocated, has lead many to conclude that there is no need for a proper business model, as such a model - some hold – is of limited use in the New Economy. My recommendation that the Post Office invests in a well-defined business model is bases on my research and the arguments of such practitioners as Rayport & Jaworski (2001): “While many believe that Internet businesses in many cases do not have business models, we strongly disagree. There may be poorly articulated models out there, but a business-model definition is essential to compete in this new space.”

There are four essential components of an IBM. Here follows a graphical depiction thereof, and these should form the basis for Post Office’s strategic decision-making around Internet Strategies:

![Internet Business Model (IBM)](image)

**Figure 4.2: Internet Business Model (IBM), based on Rayport & Jaworski (2001)**

As can be seen in the above diagram, the Post Office Internet Business Model should be made up of four key components.
• Value Cluster (Proposition)

The articulation of an appropriate value proposition is a critical aspect in effecting a successful IBM. In essence the value proposition is meant to be the answer when the typical Post Office customer asks, for example “what’s in it for me?” or “why should I buy from you?”, etc. The value proposition has to address three key issues: target market segment, core benefits and a rationale why Post Office is more competitively positioned to deliver the articulated value and benefits better than anyone else in the postal market.

• Internet Offering(s)

This refers to the range and depth of the products and services the Post Office aims at bringing to market. Traditionally, the product and service offering ranges from selling postage stamps (on the product side) to 3rd party bill management and delivering parcels in a turnaround of 24-hours (services). What the Post Office needs to address now is how they can avail some these products and services online, and bring into being additional new ones. This approach will enable the Post Office to achieve what Rayport & Jaworski (2001) refer to as “category-specific” and “cross-category” dominance.

• Resource System

The decision to provide certain value to the customer (“value proposal”) and the offerings used in realising that value (“Internet offerings”) form the basis of a successful and unique resource system. A successful Post Office resource system will be determined by an alignment and efficient and effective utilization of the capabilities, skills and competencies in meeting the needs of the customer. A critical issue in this regard, being the synergistic use of traditional assets and technology.

• Financial Model

The financial model is dictated to by the resource system requirements. Amongst the avenues available to the Post Office are Government subsidies – although these will not be available for a limited period, then there is revenue from advertising, product and service sales (stamps), and bill transactions (Eskom, Telkom, etc).
On the flip side, there is the issue of creating “shareholder value” for Government as its sole shareholder. The Post Office has to maximise its financial resources to create enough shareholder to compensate the Government for the subsidies it avails to the Post Office. This is especially true as providing a subsidy means that scarce financial resources are channeled to the Post Office when they could be used to provide for the general public’s social service needs.

As has been demonstrated, the Internet avails an efficient mechanism for unearthing additional sources of revenue. All these will be determined by the value proposition, the offerings and resource system chosen. In conclusion, the emergence of “clicks and bricks” strategies presents a major source of competitive advantage as has already been demonstrated. However, the success of such strategies will be measured – not in their ability to elicit temporary customer goodwill and providing fleeting economic value - but sustainable competitive advantage and customer value delivery.

Additionally, the success of any strategy is in its successful implementation. The above Internet strategy “framework” provides the necessary guidelines in outlining possible Internet strategies for the Post Office. However, how the organisation goes about implementing its strategies will be a matter best left to the organisation as in part depends on the time-frames, will of the organisation and how the chosen approach is best suited to the needs of the organisation.

- INNOVATION STRATEGY

The practice of innovation in many an organisation tends to have focus towards a specific area or function. Whilst this brings about benefits, mostly to the area or function concerned, my research reveals that the practice of innovation that brings about the most benefits for the company is one that is global to the organisation.

At the Post Office, Newyear Ntuli, Senior Manager: e-Business, holds a view to innovation that is aimed at transforming aspects of the Post Office business to an e-business environment. It is probably because of his position as e-business manager that he has this technology-bias to innovation. This has some limitations.
I now recommend an approach to Innovation strategy formulation that will enable the Post Office to be gain the greatest value from its practice. In essence, I recommend that innovation should have greater pervasion in the business. It is my assertion that innovation drivers should also have a more business and user-focus instead of a technology focus.

- **Leadership-driven**
  A successful innovation approach is driven from the top. Senior Post Office leadership can use their position to communicate more convincingly the value of practicing innovation in all the organisation does.

- **Innovate for competitive advantage**
  The Post Office needs to make the most of innovation possibilities in such strategic areas as product and service development and delivery. Greater involvement of the end customer should also be encouraged and ultimately the customer can make or break a new product.

- **IT as innovation enabler**
  The use of IT in exploiting innovation opportunities will enable the maximisation of the value that can be accrued from its practice. Technology also enables the exchange of ideas amongst employees in the most efficient ways. Greater use of technological collaborative mechanisms and solutions (groupware, etc) made to encourage an innovation culture within the organisation.

- **Use competition as source of innovation**
  The Post Office needs to look for sources of innovation from within its competitive environment. This will where possible require what Peters (1989) refers to as “creative swiping”

- **Every employee as innovation champion**
  As innovation can come from anywhere within the organisation, every employee should be seen as a potential source of innovation. Consequently, every employee should be seen as an innovation champion.
• Incentivise innovation

Finally, innovation should not only be advocated within Post Office, it should also be rewarded, whether financially or by recognition and acknowledgement from the highest levels of the organisation.

- PARTNERING STRATEGY

The GartnerGroup predicts that by the end of the decade, companies are going to find themselves entering into partnerships and alliances as frequently with their clients as they do with other industry participants. These partnerships will combine the best practices in the clients' industry with the providers' in-depth knowledge of the application of IT to create new business opportunities for mutual benefit.

Indeed, partnerships are here to stay, as partnerships are an absolute necessity in today's business climate. According to Berta (2003), there are four reasons why that are specifically relevant to the South African Post Office environment:

• Rapid pace of technological change

The Post Office finds itself in the midst of a technological revolution whose impact has not always been a fathomable phenomenon. For example, the Internet's mass acceptance in the mid-90's was only seen as a passing fad, which could not bring about any fundamental business changes or so they thought. Another technology is Short Message Service (SMS). The increasing use SMS has certain implications for its use as communication and marketing channel; and this has only recently come to the Post Office's attention.

• Demise of the vertical corporation

The "vertical corporation" has seen better days. The modern enterprise is forced to deal with cross-industrial challenges. Inter-industrial synergies have become a source of competitive advantage. This is, indeed, attested to by such collaborations between firms like Microsoft & AOL, IBM and AT&T, etc.

The implication for the Post Office is that there is greater need to seek cross-industrial partnerships with firms in industries not thought "appropriate" in the past. Already the
trend was set: its Strategic Management partnership with Transend (formerly the New Zealand Post) – albeit a failed one, was one such case in point, the not so distant collaboration with Commerce One to set up an electronic procurement infrastructure, amongst other things, is another case.

- **Globalisation of markets**
  The world has become one giant marketplace that is accessible to one and all; thanks to high-impact technologies such as the Internet, satellite, cellular technologies, etc. This not only means that the competitor is nimbler and ubiquitous; it also means that an organisation’s customer can come from anywhere in the world. Additionally, this customer is more knowledgeable about and more specific in what they want. The imperative for such organisations as the Post Office is to undergo a paradigm shift in attempting to understand who their customer and competitor are.

- **Complexity of the business climate**
  All the above issues have resulted in a more complex business climate that requires enterprises to be more adaptive, pre-emptive in their approach to undertaking its day-to-day business operations.

Berta (2003) asserts that it is important to recognize that there are at least two distinctly different classes of partnerships: one between two sellers and one between a buyer and seller. Theses two classes are very different and have totally different qualities.

**Seller to seller partnership**

According to Berta (2003): “There are many instances of successful partnerships between two sellers. For example, AT&T and IBM, where AT&T manages IBM’s global networks and IBM manages AT&T’s data processing. A similar arrangement exists between EDS and MCI WorldCom. HP, Microsoft and others have developed many such partnerships.” The aim of these partnerships is to enhance organisations’ market reach and position. The common element in each of these examples is the companies’ need to expand some element of their business because they know “no one can do it all”.

Berta (2003) outlines several questions the Post Office should ask when considering partnering in this way:
- Capability overlap: what are the overlaps in capability? This is key in that the less overlap amongst the two organisations; the easier it will be to obtain alignment from the respective organisations and their management.

- Target market and customers: do both companies intend to pursue the same markets and customers? If there is a pre-existing desire on the part of each company to independently pursue the same markets and customers, there will be considerably less friction among the sales staff over joint approaches to the market.

- Customer management: The partnership must also resolve the issue of who controls the customer. This is a difficult, but nonetheless crucial, issue in the partnership. According to Berta (2003), control of the customer is always an issue, but it becomes even more emotional when both “partners” have a strong marketing culture. Berta’s suspicion is that most often seller-to-seller partnerships are unsuccessful for this reason. Also, this is the reason why many successful alliances result in mergers or acquisitions. With a merger or acquisition there is only one marketing organization controlling the customer. This implies that, in order of priority, it is most important to agree on the joint marketing approach before the companies become too committed to the partnership.

Let’s look at the other class of partnership:

**Buyer and seller partnership**

Berta (2003) conceded that it is difficult to develop a successful partnership between two sellers, yet it is much harder to do so between a buyer and a seller. This is mostly because the two parties have fundamentally different objectives (“vested interests”) in the relationship. This, however, does not mean to say that a buyer and a seller cannot or should not have a professional, trusting relationship. However, it is not clear if this relationship can be a “partnership” in the truest sense of the term.

An important element of a partnership is the risk and reward sharing with a financial consequence. According to Berta (2003), when applied to the interaction between a buyer and a seller, it is difficult to understand how such an arrangement can work. In most instances, the seller obtained the business as the result of a competitive process. This usually means a cost competition and the resulting margin pressures. Thus, from the outset of the relationship, the seller is probably trying to recover his margins.
Also, as the seller makes improvements and efficiencies, he usually makes some investment. The seller then rightly expects to obtain margins from the investments. It is difficult, in this scenario, to imagine that the seller will want to “share” the margins with the buyer. Also, if the efficient market theory is operating, the buyer received a market price for the services at the outset. (Indeed, what buyer would take any less?) Thus, from the seller’s perspective, there may be little to share with the buyer as efficiencies are obtained.

Berta (2003) considers that from the buyer’s perspective, it is easy to understand the desire for a partnership. The buyer isn’t certain about the financial impact of all the changes the seller is making in the buyer’s organization with regard to cost improvement and margin improvement. Therefore, the buyer would like to have a safety valve, i.e. a “partnership” that allows for increased cost reduction during the period of performance. Long contracts accentuate this desire. Unfortunately, trying to contractually implement such an arrangement is difficult at best. A much simpler way to deal with a buyer’s desire, in this regard, is to have periodic option renewals that allow the buyer to check the market price for the services he is receiving.

An additional challenge for the Post Office is that it requires numerous such partnerships as it has varied needs, and as is sometimes the case, conflict of interest amongst the organisations partnering with the Post Office is likely to occur; especially when partners are providers of competing products and services.

According to Berta (2003): “partnering is good and it’s here to stay. However, true partnerships can most likely be achieved only in a seller-seller arrangement, whereas true partnerships in buyer-seller relationships will most likely be problematic.” More than anything, irrespective of the partnerships it pursues, active management and control on the part of the Post Office becomes the key determinant for success.

- TRANSFORMATIONAL STRATEGIC OUTSOURCING

According to Sam Albert of the Outsourcing Institute: “a recent series of high-profile multibillion dollar outsourcing mega-deals — those involving household names such as Boeing and Bank One — have made it clear that the IT outsourcing trend has accelerated.” As has already been demonstrated, this global phenomenon finds added testament to its attractiveness on the South African IT landscape.
The Post Office should adopt the following “stratified” (i.e. multi-layered), IVA-based approach to implementing an outsource strategy as it is aimed using technology to address both the business and operational strategic issues but also the informational diets within the organisation.

Figure 4.3: Stratified-approach to the Post Office’s Outsourcing Strategy Implementation, adapted from Greaves (1999)

It is worth highlighting that as the individual organisational drivers to outsource are different from corporation to corporation, it is important that the Post Office successfully identifies the reasons it should outsource and the benefits it hopes to accrue in the process. According to Greaver (1999), there are three “activity” levels and several drivers for outsourcing. These are also relevant to the Post Office as depicted in the preceding diagram (Figure 4.3). The activity levels are:

- Individual

For the Post Office, this may entail the moving of specific individual activities and/or positions that are difficult to undertake internally when, say, high turnover is a common
occurrence. According to Noko Ngoepe, Senior Manager, Corporate Systems at the Post Office, they are experiencing great difficulty in retaining SAP skills as there are more attractive offers for its SAP personnel in the market. Additionally, their inability to match “going salary rates” results in this head turnover. This is certainly a potential outsource area.

- Functional
The Post Office is structured on a functional cost centre basis, with each organisational Business Unit (BU), have dissimilar responsibilities, operation functional and knowledge. Outsourcing may be undertaken at this level. Specifically, the Post Office’s Information Technology is a case in point.

- Process
The Post Office’s Information Technology plays a key role in enabling how information flows (information dissemination), and products and services are developed through the organisation. At process level the inter-link that should exist between the various activities can make or break a process. It is for this reason that process level outsourcing should be approached with caution.

There is also the need to ensure proper alignment of IT with the business needs. In this regard, Greaver outlines various “driver-based” reasons and benefits that are well in line with the Post Office’s “Big 5” strategies to, amongst other things, improve operational efficiencies reduce costs, achieve break even, etc. These are:

- Organisation-driven
These reasons to outsource should be aimed at enabling the Post Office to focus at what it is – or should be – good at: providing world-class and reliable postal services countrywide. These reasons should also be aimed at improving the adaptability of the organisation in responding to business environmental changes, demand for its postal products and services, technological changes and competitor strategic threats.

According to Greaver (1999), organisationally driven reasons also aim at transforming the organisation, increasing product and service value, customer satisfaction, and shareholder (stakeholder) value, aspects that are very key to the Post Office’s much-needed turnaround.
• Improvement-driven
Now more than at any other time in its history, the Post Office must effect sustainable operational performance. This must be achieved through use of skills, expertise and technologies that are not always within the Post Office’s reach. There is also the need to improve management and the control of the various functions within the organisation.

Additionally, Greaves (1999) points to a greater driver for organisations like the Post Office to minimise risk (risk management), acquire innovative ideas, and, last but in now way least, “improve the credibility and image by associating with superior providers.” All of these issues succinctly highlight for the Post Office to look to outsourcing as a viable solution.

• Financially-driven
The Post Office current haemorrhaging financial has placed a greater need for finding ways to reduce costs. The South African government, as the custodian and sole shareholder in the corporation, has unequivocally made its stand known regarding subsiding the Post Office – it cannot continue indefinitely.

According to Greaves (1999) there are additional reasons to look to outsourcing for a solution to the above problems: firstly, a reduction in asset investments will free up financial resources for other purposes like the expansion of the Post Office’s service delivery infrastructure network to, specifically, “under-served or unserved” rural areas. Secondly, the attractiveness of outsourcing being that cash will be generated for the Post Office through the transfer of assets to the potential strategic outsource provider.

• Revenue-driven
According to Greaves (1999), the revenue-based reasons are aimed at enabling organisations like the Post Office to “gain market access and business opportunities through the provider’s network” and to “accelerate expansion by tapping into the provider’s capacity, processes, and systems.”
The transformational quality is very important as it represents a paradigm shift from being only “cost-reduction” focused to being “money-spinning” focused. Also, the mechanisms for realising this scenario imply that the potential provider is not just a “supplier” – in Post Office-speak – but strategic outsourcer as this requires that the outsourcer be well in tune with the strategic direction of the organisation, its current and future core competencies, structure, costs, performance and competitive advantages.

Additionally, revenue drivers are aimed at enabling increased sales and productivity and the exploitation of the Post Office’s existing skills set (IT and otherwise).

- Cost-driven
  As cost reduction is a key element in the Post Office’s turnaround strategy, the pursuit of outsourcing as an Information Management strategy will be able them to reduce operational costs as the strategic outsourcer is in a position to provider better quality IT services and greater economies of scale.

  An added benefit of the outsourcing strategy will be the turning of fixed costs into variable costs, an occurrence that would improve the Post Office’s current lofty cost structure.

- Employee-driven
  A key driver that is often “under-thought” has to do with the effect of outsourcing on employees. After all, these are the people who do the dirty work. According to Greaves (1999), strategic outsourcing gives employees stronger career paths and increases their commitment in noncore areas.

As can be seen in the preceding section, outsourcing can offer tremendous business benefits to those who pursue it. Its attractiveness to the Post Office is not in its “trendiness” but its ability to realise measurable economic benefits and strategic advantages. However, success in this regard is not a given; it requires great planning and a lot of effort in implementing strategic outsourcing.
CONCLUSION

Business is increasingly characterised by volatility, entropy and unpredictable change. Traditional predictive models have lost their appeal and effectiveness for enabling sustainable strategies and competitive advantage. However, “even in the face of such volatility, some companies continue to prosper. What’s their secret? Increasingly, they have one characteristic in common: They have developed the capacity to respond to change. In fact they are systematically adaptive in their infrastructures, processes and mind-sets” (Chief Executive, May 2003).

It is within the above context that technology and information are continuing to play a strategic role in enabling organisational prosperity. Information Management Strategies provide the necessary “tools” for not only ensuring that the necessary access to strategic information exists; they also enable the culture of information sharing and human and utility-centred approach to Information Technology planning and implementation.

Peters (1992) asserts that information is everything. Information networks will continue to be decisive to relative future competitiveness “...the role of information is becoming more visible. The information element of business is suddenly becoming transparent – and dominant.” Indeed, the sourcing, organising and dissemination of strategic information will continue to play a determining role in terms of the success of companies like the Post Office.

Also, the impact and value of technology is more appreciable if it is targeted at improving product and service quality and reducing the resources – financial, human and others - needed to support the larger business objectives. The days of implementing technology for technology’s sake are long gone. Now organisations like the Post Office are increasingly looking to information technology and information management for innovative and cost-efficient ways to effect competitive advantage.
As has been demonstrated in this research report, the Post Office is in need of a strategic turnaround. This not only alludes to and justifies the need for a new strategic planning orientation, it also necessitates a different approach to strategic formulation, execution and control. Whilst the natural tendency of many an organisation finding themselves in the entropic situation the Post Office finds itself in is to respond – even if unconsciously - with more entropy-inducing mechanisms such as creating more elaborate rules and processes, advocating more convoluted business, functional and technical systems to guide their strategic planning and decision-making, the Post Office will need to actively guard against this, as doing otherwise will not only bog them down; hindering the business growth they so desperately need; it will restrict their ability to navigate the shifting market terrain and ultimately bring about their demise.

There is no doubt that the South African Government’s continued “intervention” by way of subsidies and “avuncular” leadership, are aimed at ensuring that this does not occur, however, the right strategic and support mechanisms need to be in place. The Information Management Strategies recommended in this report are aimed at enabling this process. To this end, I first investigated global Information Management practices and trends, and identified and outlined potential key Information Management Strategies (IMS’s) in use by organisations in similar entropic environments.

Three key differentiators formed the basis of my recommendations, as opposed to the Post Office’s Corporate “Big 5” and IT “Small 5” strategies. These were:

- **Human-centered Orientation**

  The traditional approach to information management has provided limited - if any - success. My recommendations are based on an IM approach that puts the user of IT and “consumer of information” at the centre of the IM strategic management. This approach appreciates the complex “informational diets” of the organisation’s varied information consumer base. In short, information is the ultimate basis of any decision-making in entropic business environments and IM should be focused on this more than anything else.
• **Business Model Considerations**

The evident shift of the Post Office from being a pure “bricks” operation to being one that navigates both the traditional and Internet-based environments requires that a new business model be adopted. The Internet Business Model (IBM) discussed previously addresses this consideration. As has been evidently shown, “bricks” and “clicks” strategies do not have to behave like “water and oil” creating counter-active, “zero-sum” effects. Executed correctly, “duel” strategies can provide the Post Office with the best of both worlds and the resultant organisational sustainability and prosperity.

• **Resource System**

Before outlining my recommendations, the resource system of the Post Office was carefully interrogated. This involved a critical and incisive evaluation of the distinct capabilities, competencies and skills within Post Office that I deemed necessary to effect competitive positioning, strategic advantage and the delivery of superior customer value.

In conclusion, the strategies I have put forward had to find a fair trade-off between being optimistic and being overly cautious. I had to find a balance between what is technically feasible and what is strategically desirable for the South African Post Office. If successfully implemented, the recommended IMS’s will not only enable the enterprise to be adaptive in effecting the strategic turnaround it so desperately needs, these strategies will indeed provide the appropriate operational context, complimentary mindset and predilection necessary to navigate the entropic and shifting business marketspace.
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### APPENDICES

- **APPENDIX A – OUTSOURCING IN SOUTH AFRICA (2002-2003)**

<table>
<thead>
<tr>
<th>Company</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Siemens Business Services (SBS)</td>
<td>Clinched a R1.25 billion, ten-year deal with the Department of Labour. IT services to be provided include: hardware, software, maintenance and support.</td>
</tr>
<tr>
<td>Comparex Africa</td>
<td>Won a R 70 million, three-year outsourcing deal with Nampak that sees the take over the operation of the packaging group’s data centre, helpdesk, LAN and end-user services.</td>
</tr>
<tr>
<td>SBS also won contract in excess of R1 billion from Medscheme.</td>
<td>It is a seven year contract to manage their country-wide desktop and network infrastructure.</td>
</tr>
<tr>
<td>AST Group</td>
<td>Won a five-year, multi-million Rand contract from the OTK Group, entailing total outsourcing its IT services and infrastructure.</td>
</tr>
<tr>
<td>IBM secured the extension of an existing IT outsourcing contract from Gold Fields for another five years.</td>
<td>At R268 million, the contract entails, amongst others, continuing support and maintenance of ERP and other applications, helpdesk, configuration support for payroll and HR systems, etc.</td>
</tr>
<tr>
<td>AST secured a two-year, R240 million a year extension of its outsourcing contract with flagship customer, Iscor.</td>
<td></td>
</tr>
<tr>
<td>Computer Sciences Corporation (CSC)</td>
<td>Signed a seven-year IT infrastructure outsourcing deal with retail giant Woolworths. The deal requires CSC to take ownership and management of three mainframe computers at Woolworths offices in Cape Town.</td>
</tr>
<tr>
<td>AST's SafeGuard IT</td>
<td>Secured the renewal of its Disaster Recovery contract with ABSA at R 40 million for five-years.</td>
</tr>
</tbody>
</table>
- CSC also won a R 30 million deal to perform IT hosting and applications outsourcing for Fedgen.

- T-Systems won a five-year contract worth R 280 million to take over IT systems and operations at agricultural company Senwes.

- T-Systems extended existing contracts with its flagship South African customers, closing two deals worth a combined R 64 million with DaimlerChrysler, and renewing its outsourcing contract with Sanlam in a R 164 million deal.

- Dimension Data won a three-year contract worth in excess of R50 million from Santam for the provision of IT networking services.

- Dimension Data won an upgrade an outsource contract from Parmalat SA worth R 60 million.

- Dimension Data also secured a R 32 million desktop and helpdesk services contract from Clover.


<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Market Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Comparex</td>
<td>38.5</td>
</tr>
<tr>
<td>2</td>
<td>T-Systems</td>
<td>13.4</td>
</tr>
<tr>
<td>3</td>
<td>IBM SA</td>
<td>11.2</td>
</tr>
<tr>
<td>4</td>
<td>Dimension Data</td>
<td>7</td>
</tr>
<tr>
<td>5</td>
<td>AST Group</td>
<td>6.7</td>
</tr>
<tr>
<td>6</td>
<td>EDS</td>
<td>6.6</td>
</tr>
<tr>
<td>7</td>
<td>Computer Sciences Corporation</td>
<td>2.5</td>
</tr>
<tr>
<td>8</td>
<td>CS Holdings</td>
<td>2</td>
</tr>
<tr>
<td>9</td>
<td>Arivia.kom</td>
<td>2</td>
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# APPENDIX B - POST OFFICE'S PRODUCT AND SERVICE OFFERING

<table>
<thead>
<tr>
<th>DOMESTIC SERVICES</th>
<th>PRODUCT/SERVICE DESCRIPTION</th>
</tr>
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</table>
| Advertising Mail  | This is a sale, promotional or advertising service enabling Post Office clients to reach their target market in the most cost-effective way. Advertising Mail is all addressed mail in a minimum consignment of 1 000 articles per size or mass category, of which the content is solely of an advertising or promotional nature. It may, however, not include any additional items related to previous business with the addressee (such as invoices, monthly statements or reference to outstanding payments). Advertising Mail must contain a response device approved by the Post Office, i.e. a Business Reply item, a Freepost address, an addressed coupon response or clear encouragement to reply to the offer by mail. The mail response options should be given equal prominence with any other response mechanisms recommended. Before posting, the regional sales office must approve Advertising Mail. In terms of guidelines, Advertising mail can be used for recruiting new clients, sending questionnaires to clients, sending out information about special offers and sending competition details. Amongst the benefits this service offers:  
- It is the most cost-effective way of reaching a target market personally. It enables organisations to build a unique one-to-one relationship with clients  
- It provides a choice of how articles can be distributed to match the urgency of specific mail.  
- It also allows clients to measure the response and success of their advertising campaign.  
- Advertising mail has a longer life than other forms of advertising since it can be kept for later reference and response. |
| Addressed Promotional Mail (APM) | The APM service ensures that the sales, promotional or advertising message reaches a target market in a cost-effective way. APM is all addressed mail (including teaser/advance mailings) in a minimum consignment of 1 000 articles per size or mass category of which the content is solely of an advertising or promotional nature. As a rule, it may not include any additional items related to previous business with the addressee (such as invoices, monthly statements or reference to outstanding payments). A response device approved by the Post Office is not a prerequisite. The regional sales office must approve Promotional Mail before posting. Also, a complete sample of the mailing must be presented at the time of posting for the Post Office to verify the approval. This category of service also includes the use “Advance mail”. An advance or teaser mail item is a mail item that pre-warns a client of the impending arrival of Advertising or Promotional mail. The item can therefore be linked to an Advertising or Promotional mail package and |
the exclusions would be the same. A response device is not a prerequisite, and the objective of the advance or teaser mailing is to stimulate the percentage response achieved for that Advertising or Promotional mailing.

A complete sample of the mailing must be presented at the time of posting. The regional sales manager has the final say on whether or not articles qualify for Addressed Promotional mail.

To ensure maximum benefits from addressed promotional mail, the following should be noted: the minimum volume of 1,000 articles per consignment and the above definition are the set criteria to qualify for the lower postage rate.

In terms of use, APM can be used for:
- Recruiting new clients
- Sending out information about special offers
- Furnishing competition details
- Making fund-raising requests

Please Note: the Post Office has the right to open a random sample for inspection purposes. In this case, the item will be re-addressed and forwarded to the recipient.

### Business Reply Service (BRS)

BRS is a simple and effective way to obtain a response to one’s direct marketing communication. It enables organisations to offer their clients or prospective clients the incentive to reply without having to pay postage. Two options are available: enclosure of a pre-printed business reply postcard or envelope in mail. BRS postal articles can be used to:
- Stimulate increased response from clients
- Build an accurate list (database) of clients
- Return completed questionnaires
- Renew subscription to publications, and
- Enable clients to submit orders for goods.

Applications for a BRS licence are handled by local post office or regional sales office. Before a licence can be issued, printer’s proofs of the postcard or envelope should be submitted to the regional sales managers for approval. An annual licence fee for this service is payable in advance. A licensee must deposit an amount that will cover the postage and service fee likely to accrue over six weeks. BRS may be used in conjunction with Fastmail (to be discussed later). Also, all BRS applicants should have a private bag or a post office box to use this service.

**Benefits**
- Clients may advertise on the back of the BRS envelope/postcard for exposure at no extra cost
- BRS significantly enhances the level of response to a mailing and provides a valuable service to the recipient.

Please note: Post Office clients who use this service for the first time will
Domestic bulk mail

The unsorted bulk mail service is suitable for individuals and businesses that post fewer than 100 or 100 and more domestic letters. No rebates/discounts are allowed. Mail will only be accepted if an official payment method is used, i.e. stamps, remote meter franking machine mail, postage-paid and postage-included articles. Remote meter-setting mail may only be posted at designated offices; all other payment methods used may be posted at any post office/mail centre.

Letters must be faced and tied in bundles when handed in over the counter. The pre-sorted bulk mail service is suitable for businesses that post large quantities of domestic letters with minimum volumes of 1 000 pre-sorted articles per consignment. All articles in a consignment must originate from the same sender, must be identical in shape, size and mass category and the nature of the contents of the articles must be the same. The articles must contain return addresses. Mail will only be accepted if the official payment methods are used, i.e. stamps, Permit Mail (only pre-sorted bulk mail), Remote meter-franking machine mail, postage-paid and postage-included articles. No rebates/discounts are applicable to letters with stamps as a payment method.

The client must have his/her address database checked by an official Postal Address Management Service Supplier (PAMSS) and the client must provide the official grading certificate with each posting together with the Bulk Mail Delivery Note. The pre-sorted bulk mail must be posted at designated mail centres and mail accepting offices only.

- **PAMMS Checking, Cleaning And Grading**

The database of clients who post volumes of 10 000 or less must be graded once a year. The Post Office and the Postal Address Management Service Suppliers (PAMMS) checks and cleans postal addresses and issues certificates to clients to enable them to qualify for rebates. The benefits of address checking are: it is the most effective way of reaching a target market personally and it enables the building of a unique one-to-one relationship with current and prospective clients. The Post Office has over 1700 distribution outlets (post offices) countrywide.

This service allows one to measure the response and success of an advertising campaign. The domestic bulk posting service applies only to letters posted in South Africa and Domestic bulk mail intended for delivery in South Africa. Postal articles exceeding 353 x 250 mm in size, thicker than 30 mm and weighing more than 1 kg are not regarded as letters.

The benefits of Bulk Mail are:
- It is a cost-effective way of sending large quantities.
- By meeting the specified requirements, clients qualify for rebates on large consignments of letters.

| Fastmail | With the Fastmail service, any standard or non-standard postal article is delivered at least one day faster than the set delivery standard for ordinary mail.

The service allows for:
- Two-day letter delivery in and between major centres
- Three-day letter delivery for all other destinations

Fastmail receives preferential treatment, provided that it is handed in at a post office counter or it is posted in the dedicated blue post box at post offices before the cut-off time. If Fastmail items are posted in non-dedicated post boxes, for example a red post box, they cannot be given preferential treatment and will go into the ordinary mail stream with ordinary mail delivery standards. Fastmail is delivered at regular postal delivery points, for example private post box or street address.

Fastmail postage-included envelopes are easily recognisable and instantly distinguishable from ordinary mail. They are on sale at all post offices in DL maxi, B5, C4 and B4 sizes. Fastmail is for domestic destinations only. Rebate on Fastmail items posted in bulk is granted provided that all the requirements for domestic bulk mailings are complied with. Note: Rebate is only granted on the postage and not on the cost of the envelope.

Postal articles weighing more than 1 000 g and/or thicker than 30 mm and/or bigger than 353 mm x 250 mm will not be accepted as Fastmail items. Also, Fastmail cannot be used in conjunction with the registered letter service, ParcelPlus or Speed Services Couriers (These services are discussed in detail later).

Benefits
- Fastmail speeds up one’s postal deliveries
- Provides convenience of postage-included envelopes
- Fastmail can be used for posting urgent letters and documents, faster payment of accounts and sending monthly statements.

| Infomail | The Infomail service involves the distribution of unaddressed mail. This includes pamphlets, brochures, unaddressed newspapers, trade Samples and household circulars.

The following definitions apply:

*Pamphlet:* an un-enveloped, unaddressed information/advertising item comprising one sheet of paper folded to A5 size (210mm x 148mm). The folded pamphlet may not be thicker than 2mm and weigh more than 50g.

*Brochure:* An un-enveloped, unaddressed rolled or folded information/advertising item not exceeding 353mm x 250mm, 200g in mass and 5mm in thickness.
Unaddressed newspaper (for example local area newspaper): A rolled or folded item not exceeding 353mm in length, 200g in mass and 70mm in thickness when rolled or folded.

Trade sample: An unaddressed sample of a product that does not exceed 353mm x 250mm x 30mm in size and 200g in mass.

Household circular: The street delivery alternative for pamphlet and brochure distribution. Items must be enclosed in an envelope or wrapper addressed to "The Homeowner" or something similar, may not exceed 120mm x 235mm in size, 50g in mass and 5mm in thickness.

There are three distribution alternatives:

- **Local**
  All post offices, postal agents, et cetera, under the control of a specific regional office will be regarded as local and must be charged the local rate.

- **Infomail National**
  All post offices, postal agents, et cetera, under the control of another regional office will be regarded as additional and must be charged the national rate.

- **Street Delivery**
  All areas where the Post Office provides street delivery.

In terms of guidelines, a minimum of 100 Infomail items for local delivery and 1 000 for national delivery must be handed in simultaneously. Consignments must be handed in at the bulk mail counter of the post office. Each consignment (i.e. per post office) must be tied securely in faced (address side up) bundles of 50 Infomail items each and be accompanied by a label. The name and postcode of the office of destination must appear on the front of the label. The wording 'postage paid' and the name of the post office from where it was posted must appear on the back.

**Benefits**

- There are more than 3 million delivery points countrywide
- It enables one to talk direct to one's target market
- Infomail is adaptable to one's specific needs

### Magmail

This is a service specifically designed with a unique logo to address the specific needs of the magazine and newspaper industry. Magmail is all addressed mail in a minimum consignment of 1 000 articles per size or mass category.

The regional sales office must approve Magmail before posting. Magmail refers to all postal articles of which the contents are publications or printed matter intended for public sale or distribution. The publication has to be printed at least quarterly (once every three months), identified...
Registered letter (with insurance option)

The registered letter (with insurance option) is a cost-effective and secure traceable way to post articles of financial value. This service can be used for letters that require a signature on delivery, contain something of value, money or important documents such as share certificates, passport or airline tickets which require tracking and tracing from acceptance to delivery. A registered letter is electronically scanned, enabling it to be tracked and traced on its journey throughout the postal system.

Compensation is payable according to the insurance cover that was used. The insurance cover and Track and Trace facility are applicable only in the Republic of South Africa.

Please note: this service cannot be used in conjunction with Fastmail, Speed Services Couriers, ParcelPlus or Securemail.

This service is available in three envelope sizes:
- Small (DL) 120 mm x 235 mm x 50 g
- Medium (B5) 250 mm x 176 mm x 1 kg
- Large (B4) 353 mm x 250 mm x 1 kg

Basic offering
- Full domestic Track and Trace
- Free insurance up to the value of R100
- Identification and signature on delivery

Remote meter-setting franking

Managing the postal process and expenses of a company has become a challenge for modern businesses. Franking systems support a cost-effective, efficient and secure method of paying postage. Remote meter-setting franking machines are postage meters, which, as the name suggests are reset by telephone, fax or modem, rather than at the Post Office as used to happen in the past.

The franking system enables one to frank, date, seal, print a return address and count the items in the same time as having a stamp affixed, thus saving time and money.

The total amount of the postage due can be franked onto an envelope or a label, eliminating the time-consuming and irritating task of deciding how
many of each stamp value to buy from any post office. Also, Posting franked mail enables one to claim various discounts from the Post Office. Postage is purchased electronically without one leaving one’s premises.

Machine inspections are done on the client’s premises without interrupting operations to take the machine to the Post Office. VAT can be recovered from the full amount credited to the franking machine.

Security
- With a franking machine, there are no sheets of stamps or postage-paid envelopes that could be stolen
- Access to a franking machine is restricted to key/password holders and the machine is tamperproof
- Remote meter-setting franking systems pose no security risks due to encrypted codes for resetting

Professional image
- High-quality franked printing gives a businesslike appearance to the mail and demands attention
- Date of processing is printed on every mail item ensuring proof to the recipient of the date of dispatch
- Franking systems print customised advertising and corporate logos on every envelope, enhancing one’s company’s professional image

A franking machine client’s licence expires annually and is renewable every 12 months from the date of application. An initial licence fee will also be charged on application for the first time. Also, postal items must be franked at the full official published postage rate. An upfront discount is given when resetting the machine.

ParcelPlus - Domestic Parcel Service
ParcelPlus is the most economical way to send a parcel. Available at any post office outlet, this counter-to-counter service provides for parcels to be delivered to any other post office counter in the country. Any postal item larger than 250 x 353mm and/or thicker than 30mm and/or weighing more than 1 kg will be considered a parcel.

A super-convenient and dependable option whereby a parcel may be sent from one’s nearest post office for delivery to some 2 400 post office counters countrywide. Parcels will be delivered promptly within two to five days, depending on the remoteness of the location. Insurance and COD options.

Guidelines
- Insurance is available at a rate of two per cent of the declared value to a maximum of R5 000
- The COD option provides for money to be collected for the contents of the parcel on one’s behalf
- The sophisticated Track and Trace system enables the sender to locate the whereabouts of the parcel at any stage of the transportation and delivery process.

Benefits
Aerograms are special prepaid airmail letters consisting of one lightweight sheet of paper that can be folded and sealed. They are ideal for short letters, messages and greetings. No enclosures are permitted. Aerograms are only available from post offices and appointed agents countrywide.

Aerograms should not be confused with similar products (such as picturegrams/letters) sold at private retail outlets and tourist attractions. Private aerograms and picture-grams/letters as well as other products that resemble the Post Office aerogram must be prepaid at the letter post postage rate.

Aerograms have the following advantages:
- The postage is cheaper than for letters
- They are sealed, thereby providing privacy
- It is not necessary to buy separate postage stamps, envelopes and paper
- They do not need to have postage stamps or air-mail labels affixed to them (postage is included in the cost)
- They can be posted at any time of the day at any street letter posting box
- They can be registered (in which case they must be handed in over a post office counter)
- They are automatically dispatched by airmail (provided of course, that the destination is served by an air mail service).

Letters may come in three sizes:
- Small letters
  Small letters are suitable for private and business correspondence. The maximum size is 120 x 235 x 5mm and the maximum mass is 50g. Enclosures are permitted to accompany the correspondence.

- Medium letters
  Medium letters are suitable for private and business correspondence. The maximum size is 250 x 176 x 10mm and the maximum mass is 250g. Enclosures are permitted to accompany the correspondence.
- **Large letters**
  Large letters are suitable for private and business correspondence. The maximum size is 353 x 250 x 30mm and the maximum mass is 300g. Enclosures are permitted to accompany the correspondence. Items exceeding these dimensions must be posted at the applicable small parcel post postage rate.

**Important**

Letters containing items such as philately products of a commercial value of less than R2 000 must have a green CN 22 customs label affixed to the envelope. If the value exceeds R2 000, the customs and/or dispatch documents appropriate to the country of destination must be attached. Letters not containing merchandise, aerograms, greeting cards and postcards do not require customs documentation.

**Postcards**

Postcards are a convenient means to convey unenclosed messages and greetings. The maximum size is 120 x 235 mm and the maximum mass is 10 g. Items exceeding these dimensions must be posted at the applicable letter-post postage rate. Postcards complying with the dimensions must not be enveloped.

Postcards must:
- Be rectangular
- Be made of cardboard or paper stiff enough not to make mail handling difficult
- Bear the indication "Postcard" on the front (not compulsory for picture postcards) and
- Have the right-hand half of the front reserved for the address, repayment and service instructions/labels.

Postcards not complying with the above as well as postcards enclosed in an envelope or wrapper will be treated as letters. Samples, merchandise or similar articles may not be attached/affixed to a postcard.

Postcards have the following advantages:
- In most cases, the postage is cheaper than for letters
- They can be posted at any time of the day in any street letter posting box
- They can be registered (in which case they must be handed in over a post office counter)

**Small parcels**

Small parcels are suitable for small quantities of low-mass goods of less than 2 kg at a lower postage rate than other parcels and with simpler customs declarations than for large parcels. Small parcels pass through the customs processes faster than other parcels.

Small parcels containing merchandise or goods of less than R2 000 in value must have a fully completed green CN 22 customs declaration attached to the cover of the item. If the value exceeds R2 000 the customs and/or dispatch documents appropriate to the country of destination must be attached.
The length, width and depth combined may not exceed 900mm and the greatest dimension may not exceed 600mm. If it is in roll or cylinder form, the length plus twice the diameter must not exceed 1 040mm and the greatest dimension may not exceed 900mm.

May be registered but not insured; may be handed in at any post office counter; and should be conspicuously marked with the words "small packet" in the upper left-hand corner on the address side of the packet.

There are no special instructions for making up small parcels, except that they should be securely packed.

Important - the small parcel service is also known as the small packet service in some countries.

**Direct Publishers Bags**

These bags are used for the economical conveyance by air or surface services of printed matter from the same sender to the same addressee at the same address. A minimum price for 5 kg applies to each bag. A customs declaration must accompany each bag. Individual bags weighing less than 5 kg must be charged at the rate applicable to 5 kg. Printed matter consignments of less than R2 000 in value must have a fully completed green CN 22 customs declaration attached to the bag. If the value exceeds R2 000, the customs and/or dispatch documents appropriate to the country of destination must be attached.

The maximum mass is 20 kg (can be increased to 30 kg in exceptional cases), but must not be more than 30 kg. The maximum weight of individual items in a bag may not be more than 2 kg.

Bags are supplied by the Post Office to clients wishing to use the service free of charge at dispatch of items. Clients must prepare the bags themselves and must post them over the counter at post offices designated by the Post Office’s regional sales and marketing section. The appropriate postage calculated according to mass, destination and type of service (surface or air mail) must be indicated.

The sender must ensure the following:
- Bags are clearly addressed (both the sender’s and addressee’s names and addresses must be shown clearly on the address label)
- The address label must be made of sufficiently strong material to withstand the rigours of conveyance through the mail. (In addition to the address label, a bag label must be affixed to the M bag and the letter "M" must be indicated in bold in the top right-hand corner of the bag.
- The address label must not be smaller than 90 x 140 mm and must have an eyelet.
- The bags may be registered at the current rate.
- Each individual item in the bag must bear both the sender’s and addressee’s name and address.
| **Literature for the Blind** | Literature for the blind (international mail) is accepted for dispatch by surface mail free of charge provided such items are:  
- Exchanged between blind individuals  
- Unsealed letters in print (Braille) used by the blind  
- Plates in print (Braille) used by the blind and  
- Sound recordings or special paper intended for the exclusive use by the blind sent by or to an officially recognised institution for the blind.  

Literature for the blind must comply with the following conditions of acceptance:  
- Indication Literature for the blind and the name and address of the sender must appear on the outside of such items,  
- Items must be posted in a cover that is open at both ends to permit quick and easy verification of the contents.  
- Items may not weigh more than 7kg  
- Items may not exceed the dimensions for small parcels  

Important - the normal airmail postage rates are applicable to items intended for dispatch by the airmail service. |
| **International Business Reply Service (IBRS)** | IBRS operates in the same manner as the domestic Business Reply Service.  

Clients must apply for a licence in the same manner as for the domestic Business Reply Service and make a deposit to cover anticipated returns. Costs on returned items are the same as for the domestic service, i.e. postage and service fee.  

Although postal administrations are not obliged to offer the IBRS to clients, they are obliged to return items to the return address appearing on such items without prepayment of postage, provided items are within the following dimensions and do not weigh more than 50g:  

Envelopes  
- Minimum 90 x 140 x 5mm  
- Maximum 120 x 235 x 5mm  

Postcards  
- Minimum 90 x 140 mm  
- Maximum 105 x 148 mm |
| **International Reply Coupon Service (IRCS)** | IRCS enables clients to prepay the postage on a reply from a correspondent abroad. Coupons sent abroad may be exchanged for one or more postage stamps representing the minimum postage pre-payable on an airmail letter.  

Coupons are available at all post offices. |
<table>
<thead>
<tr>
<th>Service</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Registered Mail</strong></td>
<td>This is a separately streamed service with added security for letter post items. All letter post items, including aerograms, postcards, letters, small parcels and publishers’ bags can be registered. In the event of loss or damage, indemnity is paid in accordance with the Universal Postal Union’s conventions governing the registered letter service. The maximum indemnity is fixed at 30 SDR (special drawing rights), which amounts to approximately R330 at the current exchange rate.</td>
</tr>
<tr>
<td><strong>Special Value Added Services</strong></td>
<td>Value can be added to basic international letter post services by buying additional value-added services. These include express delivery, registered and advice-of-delivery (AR) options. As these value-added services are not available to some countries or for some categories of mail, enquiries should be made at post offices to find out if they are available for one’s purposes. Registered items must be posted at post office counters and not in street post boxes. Important - letter post items (aerograms, postcards, letters, small parcels and publishers’ bags) cannot be insured.</td>
</tr>
<tr>
<td><strong>Parcel Post Service</strong></td>
<td>Ordinary parcels are used to dispatch or send goods and material that are too large for small parcels or letter post and may weigh up to 30 kg. (The maximum weight differs from country to country). It is suitable for both private and commercial purposes. Customs documentation varies according to the requirements of different countries. Parcels should always be securely packed and sealed by the sender. The services include the distribution of parcels received from and posted to foreign countries. The maximum mass of parcels accepted for dispatch to foreign destinations varies from 10 to 30kg. The maximum length is limited to one metre and the sum of the length and the circumference to two metres. The name and address of the sender and of the addressee should be printed or written on the cover, as well as on the parcel label of every parcel sent by post.</td>
</tr>
</tbody>
</table>

**Service Guidelines**
- Customs documentation should be attached to all parcels
- Documentation will vary according to the requirements of different countries
- Customs declarations should be described in detail - the exact nature and contents of the parcel, the mass and the value.
- Compensation will be paid only for outgoing parcels if any irregularity occurred while the parcel was in the custody of the South African Post Office.
- Parcels may not be posted in a post box, but should be presented at the post office counter.
- An ordinary parcel can be insured but not registered. See the section on Insured Parcels for insurance.

**Benefits**
Cash On Delivery Service (COD International)

- Postage rates are cheaper than courier rates.
- Customs procedures for sending items are simple.
- It is a tried and proven method of sending goods and merchandise.

The Post Office collects payment for goods on the sender's behalf and a trade charge from the addressee at the time of delivery and returns it to the sender. This service is only available for parcels posted to the SADC countries: Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Zambia, and Zimbabwe.

Benefit
- The Post Office collects payment for the contents of the parcel on behalf of the sender

Expeditied Mail Service (EMS)

EMS is the quickest postal service by physical means. Collection, dispatch and delivery of correspondence, documents or goods are done in a very short time. EMS items are handled separately and receive priority treatment at every point of handling. EMS service standards are higher than for any other Post Office service.

EMS is suitable for the dispatch of goods such as computer material, documents and merchandise when speedy delivery is crucial. EMS items can be traced. Items are delivered to addressees within predetermined times.

EMS items must be addressed to the addressee's physical address to enable delivery. If available, the addressee's telephone number should also be furnished - this will assist with the tracing of addressees if items have been addressed incorrectly.

- Regular EMS
Intended for postal users who dispatch articles on fixed days of the week. The articles are awaited at their destination offices on predetermined days.

- On-demand EMS
A contract must be concluded between the Post Office and the sender. This service is suitable for articles dispatched from time to time (non-scheduled basis).

No contract is concluded with the sender, but the Post Office undertakes to deliver articles at predetermined times.

Service guidelines
- Articles sent by EMS cannot be registered or insured
- Items may be opened for customs inspection
- Enquiries about missing items should be made within two months of the date of posting
- The latest times for posting are determined by the departure times of domestic and international flights on which articles are dispatched and differ from post office to post office
- No compensation is paid for the loss of or damage to EMS items
<table>
<thead>
<tr>
<th>Items</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Items should be handed in at the post office counter.</td>
<td>The service uses a wide postal network</td>
</tr>
<tr>
<td></td>
<td>In most cases, incoming items are delivered to the addressees’ street addresses</td>
</tr>
<tr>
<td></td>
<td>EMS is competitively priced</td>
</tr>
</tbody>
</table>

Important - EMS articles are currently available to 55 countries worldwide and can be posted at the following main post offices in South Africa: Cape Town, Durban, Johannesburg, Kimberley, Pretoria, etc.

### RETAIL PRODUCTS

**Payouts**

It is a safe and convenient way to pay out or transfer money at a post office. The service comprises pensions and money transfers.

The Post Office acts as payment agent for pensions for the following institutions: Department of Social Development, Department of National Treasury (civil and military), and Transnet Pension Fund.

Types of social grant paid at the Post Office for the government departments are:
- Social grant for the aged
- Social grant for the differently abled
- Social grant for war veterans
- Foster child grants
- Care dependency grants
- Child support grants

**Benefit**
- Pensions are paid at all post offices, postal agencies and community halls.

**Money Transfers**

Money transfer services provide a safe and convenient way to the client to transfer money from one person or company to another.

- **Money orders**
  Electronic money order (a reliable way to transfer funds in South Africa and participating foreign countries). A notification that a money order is available is sent to the recipient. Electronic money order to and from a foreign country PIN money order: the purchaser must notify the recipient that a money order will be available. The recipient must have the money order number and PIN to enable him to redeem the money order.

- **Postal orders**
  A postal order is made payable to a specific person or company and may be redeemed at post offices and banks.

There are two types of postal order: South African Post Office postal order and the Foreign postal order (issued in certain foreign countries and may be redeemed in South Africa).

**Benefits of using Money and Postal orders:**
- It is a simple and reliable way to send funds
- There is no limit to the number of money/postal orders purchased
- The orders can be redeemed at any post office, outlet and bank and in some participating foreign countries
- It is easy to post
- There is no minimum value
- The orders can be for any value up to R2 000,00

- Telegraphic money orders.
Money may also be sent by the telegraphic money order service. On receipt of a telegraphic money order at the office of payment, the recipient is immediately advised to collect the money at the post office.

<table>
<thead>
<tr>
<th>Banking</th>
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</thead>
<tbody>
<tr>
<td>Postbank is a savings institution that operates as a division of the South African Post Office. Postbank aims to provide banking facilities for the people of South Africa who previously had very limited access to financial services. Postbank offers its products and services through the Post Office branch network.</td>
</tr>
<tr>
<td><strong>Mission and mandate</strong></td>
</tr>
<tr>
<td>Postbank is the bank of first choice, offering the people of South Africa a range of essential banking services - Easy and affordable banking, for one’s convenience.</td>
</tr>
</tbody>
</table>

Here are the benefits of the three savings products Postbank offers:

- **Flexi Card**

The Postbank Flexi Card, formerly known as the Telebank account, is a card-based transaction account. It can be used as a convenient medium to deposit and withdraw salaries and other payments. Postbank Flexi Card transactions are made over Post Office counter terminals and at over 7 200 ATMs of other banks. The minimum amount to open an account is R10.

- **Smart Save**

Formerly known as the “book-based” savings account, it is increasingly trusted as a preferred way to save money for emergencies, to build up cash reserves or to keep money in safe custody while getting interest on the funds put aside. The minimum balance to open and maintain an account is R50. The Postbank Smart Save account offers one the opportunity to deposit and withdraw one’s money in every post office countrywide.

Differentiated interest rates are applicable, depending on the balance held in one’s account. There are more than 1,8 million Postbank customers.
The Postbank Maxi Save used to be the Savings Bank certificate. This enables accountholders to maximise their profits and get attractive interest rates.

The minimum deposit is R1 000 and funds will be available on contract maturity. The minimum period to deposit one’s money is six months. One receives a certificate confirming all investment details for one’s convenience.

There are more than 2 000 Post Office outlets throughout the country that offer Postbank services and the network is currently being restructured so that postal and financial services should be available to everyone. Over and above these benefits, Postbank intends broadening and diversifying its product range by offering new products that will meet customer demands and financial service needs.

Other Post Offices Products

The products currently available at post offices are:

- **Phone cards**
  A phone card is a prepaid card for use in public card phones. R20, R50, R100 and R200

- **WorldCall Universal calling card**
  A WorldCall Universal calling card is a prepaid card that enables clients to make local, national and international calls. R20, R50, R100 and R200

- **PrepaidFone vouchers**
  A PrepaidFone voucher enables a client to activate private telephones for making calls. R80 (starter packs), R35, R60, R100 and R150

- **Vodago products**
  A Vodago airtime voucher is a voucher for use with cellphones. R55, R110 and R275

- **Revenue stamps**
  A revenue stamp is a payment mechanism for stamp duties on legal documents. All denominations up to R200

- **MTN products**
  An MTN airtime voucher is a voucher for use on cellphones. R45, R60, R90, R180

- **Telephone directories (different regions)**
  A telephone directory is a white and yellow phone book (separate or combined in one telephone book) containing the telephone numbers of telephone subscribers. 19 telephone directories (one per Telkom exchange area countrywide)

- **Telkom phones**
  A telephone order form enables a client to apply for a new telephone service or a change or addition to a telephone service. Residential and
business

- Cell C Products
  A Cell C Easy Chat recharge voucher for use on cellular telephones R35 and R70

Benefits
- There is a countrywide network of post offices and postal agencies to choose from
- The wide range of products and complementary services gives the client a variety
- The product range is standardised nationally

E-filing

The Post Office also renders a service of capturing specific information as required by companies and government departments for the use of licence applications such as SABC television licences, surveys and any other information to be captured electronically.

The applicable company will request clients to approach their local post office to apply for services or licences such as angling licences. The client needs the applicable information as required by the company or government department with which he wishes to deal.

Benefits
- Clients are offered a local or larger choice of where they can do these types of transaction
- The data is captured and submitted electronically which speeds up applications
- Some post offices and Post-points are open later than normal business hours and some are even open on public holidays, making account payments easier.

National Lottery

The purpose of the national lottery is to assist the government in meeting the priorities of transformation and national development by generating substantial resources while providing entertainment value of the highest standard.

Currently, the national lottery has two products on the market. Anyone over the age of 18 years may buy a lottery ticket or scratch card.

The first game launched is known as Lotto and features six numbers between 1 and 49. Anyone over the age of 18 years may buy a lottery ticket. A player can choose his own numbers, enter them on an entry coupon or request them verbally.

It will cost R2,50 per board. Each entry coupon has eight boards and can also be played for 10 draws. A player has the option of playing the game by electing the terminal to generate six numbers randomly, known as Quick Pick. However, Quick Pick tickets are only sold in the following denominations: R5, R10, R20 and R50.

The draw of the six winning numbers will take place live on television on the day of the draw. There are two draws per week, one on a Wednesday...
The second product launched was scratch cards. Currently, this product has seven different games on the market. These games provide instant fun and winning. The tickets are available in R2, R3 and R5 denominations.

The Lotto tickets are available at selected post offices. These post offices can be identified as a lottery outlet if the official national lottery indicator/signage appears on the office building.

Benefits
- All lottery outlets are obliged to pay prizes up to R50.
- Only selected outlets will pay prizes above R50 to R50 000.

XPS

When XPS (an acronym for express) started its operations in 1984, a mere seven parcels were moved on first day. In 1989, a Hub and Spoke system was implemented, which is modelled on the international giant FedEx. Today, through an efficient fleet of vehicles and aircraft, Post Office reaches 3 200 destinations daily with parcel tracking at every stage ensuring total control of one’s freight.

The following are the Post Office delivery options:
- XP 1
  Overnight delivery by 10:30 the next business day
- XP 2
  Overnight delivery by 17:00 the next business day
- XP 3
  Delivery within 48 hours
- Prepaid solutions
  Delivery by 17:00 the next day. Quality packaging and early-morning delivery option provided

Additional services
- XPX
  Collection and delivery of abnormal or incompatible consignments on the same day
- Drop box service
  For clients in main centres who need regular after-hours collections
- After-hours service
  Collection and delivery of parcels after hours
- 8 am delivery
- Brokerage
Collection and delivery of abnormal or incompatible consignments

- Saturday delivery
- Liability cover
Optional coverage against loss, damage or pilferage

- Proof of delivery
Verbal proof of delivery supplied on request. Another unique system application offered by XPS is the proof-of-delivery/imaging system. All delivery documents are electronically captured and are available as images on the website. Clients can receive images of POD’s either as hard copy or on CD, as well as on the XPS website at www.xps.co.za.

- Hold for collection
Convenient for early collection from local branch

- International service
This is provided through the Post Office’s alliances with the reputable international courier and freight service provider, FedEx

- Delivery to remote areas
Post Office delivers to all outlying areas throughout Southern Africa

- Liability cover
XPS’s liability cover is limited but covers a maximum value per parcel. Should the cover for goods against loss or damage be increased, a premium will be assessed to meet individual requirements.

SPEED SERVICES

Services Couriers provides the most extensive domestic overnight express courier network in Southern Africa. The Post Office operates a dedicated air carriage network, allowing route capacity and timing to interface effectively with the Post Office’s road network. This unique logistic capability ensures minimised handling, flexible route and timing management, effective cost management and end-to-end control. In 1997, the Post Office received SABS ISO 9002 certification, which guarantees that they improve and maintain consistent quality performance throughout all its services.

Service options:
- Counter-to-counter delivery
From the post office, for overnight delivery to the receiver’s PO box, private bag or nominated post office counter

- Counter-to-door delivery
From the post office, for door delivery by 10:30 the next morning

- Door-to-counter delivery
Collected from the sender’s door for overnight delivery to the post office counter, receiver’s PO box or private bag
- **Door-to-door delivery**
  Collected from the sender’s door for overnight delivery to the receiver’s door by 10:30 the following morning

- **Same-day courier service**
  Door delivery on the same day as the collection. Collection from a post office or door. This service is only available between major centres and is subject to flight availability.

- **Early bird delivery**
  From the Post Office or door and delivered to the receiver’s door by 8:30 the following morning

- **Saturday service**
  Door collection or delivery between 8:00 and 12:00 on a Saturday. Unless this service is selected, items brought in on Fridays will be delivered on Monday.

- **After hours**
  Door deliveries or collections after 18:00 on weekdays, 12:00 on Saturdays to 8:00 on Mondays and public holidays. This service is only available in major centres.

- **International courier**
  Door delivery (only) to over 200 international destinations. Documents and parcels (non-documents) up to 30 kg per item may be sent.

Additional services:
- **Track and Trace**
  All items are computer-coded and tracked to their destinations. A unique bar-code number is all that is required to trace an item through the Post Office system.

- **Insurance and liability cover**
  While every care is taken during handling and transport of goods, all items are subject to Speed Services Couriers’ trading conditions. Maximum liability is limited. Additional liability cover is available at nominal rates.

- **Proof of delivery**
  Proof of delivery is available through the Post Office’s help line consultants, who provide telephonic or hard copy confirmation of time, date and receiver’s details. No PODs are available for PO box or private bag deliveries.

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**PX COURIER**

In January 2001, the Courier and Freight Group (CFG) acquired Fast Forward’s business from Transnet. At that time, it comprised a distribution business for both containers and parcels. In the latter half of 2001, CFG readopted the original logo recreating the original corporate image of PX by relaunching the product with the sole focus on the mini-container business (PX Container).
This brand’s focus is on moving consolidated loads of up to three tons between larger centres in Southern Africa. This unique concept is updated by ongoing innovations focused on client needs and keeping pace with modern freight trends. PX services every aspect of clients’ distribution and consolidated loads requirements. By focusing on this market, The Post Office are able to offer clients a personalised and specifically tailored freight distribution facility. In this regard, the Post Office are, without doubt, their clients’ most important link in their product marketing and distribution chain. They believe that this approach makes them unique in the distribution market.

In accordance with clients’ logistical needs, the Post Office provides cost-effective, reliable distribution and related time definitive services. They do this through highly focused product lines and by utilising their extensive network coverage in South Africa and bordering countries. World-class IT solutions and system applications together with committed and well-trained staff and effective after-sales client services complete the service loop.

PX Containers provides a reliable door-to-door standard and guaranteed service for unit loads in tailor-made containers to destinations within South Africa and cross-border countries. The mini-container is a lightweight, versatile means of transporting consignments. Made from reinforced fibreglass and stainless steel, it can carry loads of 1 400 to 3 000 kg. It has double doors on both the front and back for easy access. It is easily delivered right on one’s doorstep. There are five types of mini-container.

Service options:

- Standard (coded “CM”)
  Any commodity in a standard mini-container, except goods of a sensitive nature, such as dangerous and perishable goods

- Dangerous (coded “CD”)
  Certain goods of a hazardous nature

- Ventilated “CV”
  Goods of a perishable nature to maintain the freshness for a limited period only. This service is available on a guaranteed transit basis.

- Insulated “CV”
  Specifically developed to distribute frozen goods. Insulated sides and doors to limit temperature loss during transit for a limited period. Guaranteed priority transit.

- Shelved “CS”
  Fitted with shelves to facilitate loading of certain commodities where stacking is an option.
<table>
<thead>
<tr>
<th>OTHER SERVICES</th>
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</thead>
<tbody>
<tr>
<td><strong>3rd Party Payments</strong></td>
</tr>
<tr>
<td>Over the past few months the SA Post Office has developed a secure internet site, for the sole purpose of allowing its customers to download data in a secure way. To make use of this facility the following will be required:</td>
</tr>
<tr>
<td>- The client must be involved in a formal contract with the SA Post Office</td>
</tr>
<tr>
<td>- A Working Internet connection/contract with an Internet Service Provider</td>
</tr>
<tr>
<td><strong>Change of Address</strong></td>
</tr>
<tr>
<td>This is a service provided by the Post Office whereby clients will be enabled to inform the Post Office that they have moved and/or changed their addresses and request the Post Office to forward their mail to some new address.</td>
</tr>
<tr>
<td>- Redirection service</td>
</tr>
<tr>
<td>This is a service whereby mail is redirected at the client’s request for a specified period to an address provided by the client.</td>
</tr>
<tr>
<td>- Conditions</td>
</tr>
<tr>
<td>The application for the change of address or redirection of mail must be in writing on the relevant form, which is available from all post offices. Also, the registered post box holder or the head of the family on behalf of his/her household must make the application. No middleman or third party who renders a service for remuneration may hand in an application for change of address or redirection of mail on behalf of a client.</td>
</tr>
<tr>
<td>A request for the change of address for more than one person must only be acted on if the signature of each person has been furnished, except where an application is made by the head of the family on behalf of his/her household.</td>
</tr>
</tbody>
</table>
Direct Mail Centre

Benefits
- Assurance that mail addressed to the old address is forwarded to the new address
- Mail is delivered according to the Post Office's delivery standards
- Assurance that mail reaches its correct destination

The Direct Mail Centre is an advisory service for businesses. It provides guidance, training, workshops, presentations and above all personal consultations on direct mail.

Personal consultations enable the Post Office to tailor advice to suit unique customer requirements. There is also a reference and library service covering aspects such as case studies and examples of previous mailings.

Benefits of Direct Mail
Direct mail has unique advantages other media cannot offer. Direct mail has proven itself because it is:

- Targetable - mail is sent to a list of customers within a target market. A given area can be covered or selected individuals can be addressed by name
- Interactive - prospects can respond in a number of ways
- Personal - have one-to-one contact with a prospective customer the minute mail is read
- Measurable - results can be quantified and measured accurately and quickly
- Flexible - direct mail can be tailored to customer needs
- An added bonus is the fact that one can build a database with valuable information to help the sales force generate new business as well as do more effective, targeted mailings
- Affordable - mailings will be tailored to suit budget. Unproductive areas and names can be omitted from mailing lists
- Targeted direct mail gives one the opportunity to provide the detailed information required to motivate one’s customer to visit one’s website
- Cost-effective - a standard mail piece is still cheaper than a cellular phone call and land lines
- Creative - only limited by one’s own imagination in creative execution
- Branded - sending out direct mail items is a great way to promote
one’s brand.

**Direct Mail Products and Services**

The Direct Mail centre offers the following products and services:

**Direct training** – Exposes staff and customers to the profitable advantages of direct communication. Basic, advanced and specialist courses are regularly held at the Direct Mail Centre. Provides a first-hand, professional insight, at affordable prices, into how it works, why it is so successful and how it can help to expand one’s business.

Mail room management training – training which offers end to end mailing solutions from the beginning of the postal process right through to the accurate delivery of a mail item to one’s customer. The course on offer is designed to skill people involved in mailroom management and the processing of corporate mail, including bulk and direct marketing mail. It takes delegates through the practicalities of receiving, sorting and distributing mail in a cost effective and efficient way so the Post Office incentives, rebates and discounts are maximised while costs are minimised.

Workshops – experts teach how to put an effective direct mail package together. Also, they go through every stage of the process, from planning and creative execution to production and final evaluation.

**Suppliers Directory** – As a value-added service to customers, the Post Office are in the process of compiling names and contact details of industry suppliers. From marketing strategy and creative execution to production and final evaluation, customers will be able to use the directory to access any product or service they require, to help them assemble their direct mail campaigns.

Presentations – the Post Office regularly invites guest speakers and industry leaders to share their expertise. Seminars cover important developments and topics, ensuring clients keep ahead of the pack when it comes to choosing their own direct mail approach.

Personal Consultations – Post Office consultants are highly skilled direct marketers with access to wide resources.

**Direct Mail Library** – The centre offers access to a comprehensive library of the latest marketing publications and textbooks, marketing case studies and samples, access to statistics and modelling, marketing audit reviews, legislation, as well as access to both local and international Internet sites. Textbooks and direct marketing products are also available for sale.

Facilities – The Direct Mail Centre offers private workstations, meeting rooms, a conference area accommodating around 30 delegates, as well as a spacious exhibition area. Also give access to copying, faxing and telephone facilities, all at a reasonable cost.
Stamps

The Philatelic Services of the South African Post Office is responsible for producing South Africa’s postage stamps and other stamp-related products. The Post Office prints more than 380 million postage stamps a year. These stamps do not only reach every corner of this country, but also the rest of the world. Although stamps are produced mainly to serve as prepayment for postage, their beauty and historical significance have inspired people to collect them since the first postage stamps were produced in England in 1840. Over the years, many of them have become valuable collector’s items.

Stamps are tiny ambassadors for the country reflecting:

- The beauty of our nature and wild life
- The diversity of our culture and people
- Our history, and
- Significant national and international events.

For this reason and because every stamp is also a miniature work of art in its own right, great care is taken in the design and production of each stamp issue. Stamp issues are divided into two main categories:

- Definitive stamps
  A definitive stamp series is issued every five to seven years and comprises a set of designs in a full range of face values to provide for the country’s postal needs. They usually reflect a particular theme such as the seventh definitive series, colourful South Africa which depicts fish, flowers, birds and butterflies.

- Commemorative stamps
  A commemorative stamp-issuing programme is compiled each year and between 12 and 15 commemorative issues are produced per year. Their themes and issue dates often coincide with a particular event such as National Heritage Day, National Marine Day, World Post Day, etc.

Pay a Bill

N/A

It is a service whereby the Post Office accepts payments on behalf of third-party clients countrywide (Eskom, Telkom, etc), in this way rendering a one-stop shop to clients to pay their household accounts. By using the latest technology, the data of the receipts are then forwarded to the companies and government departments to update their consumer records. The accounts payable at any post office counter are municipality, telephone, retail stores, financial and government departments. The account statements bear a South African Post Office logo indicating that
the account can be paid at one’s nearest post office.

Guidelines
Clients are requested to take their account statements to their local post office for payment. If clients would like to enjoy an easier and faster means, they may attach their cheque payments to the account statements and drop them off in one of the Post Office’s cheque boxes inside the office.

Benefits
- It is a one-stop shop to pay a number of accounts at one place
- One can save on banking costs by writing one cheque for a number of account payments
- Whether one is on holiday or away on business, any post office in South Africa will be able to accept payments.
- Some post offices and Post-points are open later than normal business hours and some even on public holidays, making account payments easier
- It is a safe, reliable service
- Some larger offices are equipped with self-service terminals that can accept payments electronically for those clients who do not want to queue.

**ELECTRONIC POST OFFICE**

<table>
<thead>
<tr>
<th>PIT (Public Information Terminal)</th>
<th>The Public Information Terminal (P.I.T) service represents a radical new step in bringing the benefits of Information Technology within everyone’s reach. Launched in 1998 as a joint project between the Dept of Communications and the SA Post Office.</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>The new introduction of P.I.T will entail multimedia kiosk-style P.I.T terminals being located in post offices and other access sites around South Africa.</td>
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<td>A simple, effective, two way communication service which are designed to provide benefits to South African citizens and Businesses. Significant social benefits are provided for the individual by making information and technology accessible and within everyone's reach.</td>
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<tr>
<td></td>
<td>Services Overview</td>
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<tr>
<td></td>
<td>- Banner and Screensaver advertisement with countrywide footprint</td>
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<td>- Business directory for business advertisement</td>
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<td>- Hotlinks on selected pages</td>
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<td>- CV creation</td>
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<td>- Access to Government forms and information</td>
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<td>- Communication via E-mail</td>
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<td>- Internet browsing</td>
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<td>- Goods and Services</td>
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<td>- Access to Educational Services</td>
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| Citizen's Post Office (CPO) | The Post Office is planning to establish Citizens Post Offices which will provide a dedicated, specially designed space inside an existing post office, especially in rural areas, where communities will have access to both traditional communication services and new and emerging services. These services include basic telephone, fax, photocopying, printing facilities, computers linked to Internet sites, e-mail facilities and designing of business cards. To date seven of these facilities have been established at Soshanguve, Nongoma, Flagstaff, King William’s Town, Thaba Nchu, George and Elim Hospital. Essentially the project provides a bureau service with facilities such as photocopying, laminating, faxing and internet access. Great trouble was taken to put these offices in areas whose citizens would otherwise never have had access to these services. By enabling businesses in these areas to have professional-looking documentation and allowing them to communicate with the world out there, the project will support and promote business, promote tourism to these areas and an awareness of tourism among inhabitants. The ultimate goal is to ensure a sustainable digital communication infrastructure, services and related user support and training to previously disadvantaged small towns and rural areas. It will also ensure that citizens in rural areas and small towns are not permanently excluded from the information age and the potential benefits of this era. The Citizens’ Post Office is a joint venture between the Post Office and the Department of Communications. |
| Digital Signatures | On Tuesday, 31 July 2002 President Thabo Mbeki electronically signed the Electronic Communication and Transaction Act into law. The signing was done using the Post Office’s authentication services – and that was a world first for South Africa. This was the first Act in the world to be signed into law using an electronic signature. The South African Post Office, as “preferred authentication service provider” as stipulated in the Act, is perfect for providing the “face-to-face” identification procedures necessary for issuing electronic signatures. These identification procedures will make possible absolute confidence in payments that use the Post Office’s advanced electronic signature to positively identify individuals on the Internet or when using any e-service. The Electronic Communication and Transaction Act also enables the South African Post Office, in its role as universal service and access provider, to further develop and extend its service delivery to all citizens, even those in the remotest areas. The Electronic Communication and Transaction Act seeks to create an environment of trust in order to promote the use of electronic services |
and the internet as a transaction medium by the widest possible sector of the population. To this end, the South African Post Office, in collaboration with the Department of Communication, is rolling out its Public Internet Terminals (PIT’s) and Citizens Post Offices (CPO’s) that provide free on-line access and services to all South Africans.

| TRACK AND TRACE | A service that enables customers (senders) to track the whereabouts of parcels using the Internet. |

Table B.1: Post Office’s Product and Service Offering