



LEGAL POWER AND PROTECTION

Title

The Assessment of Legal Wise's present & future strategy

By

Jayshnee Thaver

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Supervisor: Name: Professor Elza Thomson

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STUDENT'S NAME..... JAYSHNEE THAYER

STUDENT NO : 202517020

DECLARATION

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096073

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ABSTRACT

Companies in industries around the world are in a race that gets more difficult every year, with bigger, stronger, and more innovative competitors. In addition, the rules of the race are constantly changing with the emergence of electronic business, globalization, disruptive technologies, innovation and convergence of industries. Competitors who have been in other races suddenly join your race with strength, technology, and new approaches to the market – often becoming instant leaders.

Leaders are successfully developing new core competencies that enable them to be highly competitive and valuable today and that bodes well for their longer-term future.

Strategy managers, constantly try to improve the productivity of their systems .A firm that can improve the input – output relationship normally increase profitability. Competitive position, one measure of corporate success is a relative dominance in the market place. Firms commonly establish objectives in terms of their competitive positions.

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CHAPTER 1

INTRODUCTION

1.1 Introduction

Companies need to be fast growing, efficient, profitable, flexible, adaptable, future ready and have a dominant market position. Without these qualities, firms believe that it is virtually impossible to be competitive in today's global economy.

Devising adequate answers to the questions for success is neither simple nor straightforward. Each business strategy is unique. Today's corporate leaders have no choice but to make decisions in a world where the pace and complexity of change have become nearly overwhelming blurring accepted boundaries, of language, of industries and markets, of the public and of private and social sectors. Managers find themselves ill prepared and increasingly frustrated in dealing with the changing rules of the game. Managing in the old way is not working, yet the new way is difficult to comprehend and operationalise.

Organisational competence will be based on past principles of interdependence, flexibility and partnership. Such competencies include ways to engage and inspire people, to evolve teams and partnerships, and to acquire and use knowledge.

Leaders are successfully developing new core competencies that enable them to be highly competitive and valuable today and that bodes well for their longer-term future. Legal representation is becoming an important element in the life of South Africans, and is essential for justice. Demand for legal insurance is growing nationally and globally at a high rate.

The increasing importance of legal representation with the emphasis on justice has enhanced the utilization of legal insurance.

1.2 Background of research

The strategy used by Legal Wise is due largely to the interest expressed by the majority of the South African population. The process was prompted by the need to protect individual rights, rules and laws. Law courts and lawyers are necessary to ensure that the rules are enforced.

In bygone days a lawyer had only one interest, to represent a client and the client decided on how much to pay the lawyer. Things have changed. The lawyer's financial interest in a client's problem has become an important consideration. The more important this consideration became, the more expensive lawyers became, so expensive that they now have become unaffordable to the vast majority of individuals all over the world. As a result it has become virtually impossible for individuals, to enforce and protect their legal rights in a meaningful way.

Despite the widely shared concern over the abuse of rights of people in South Africa, developing a strategy has proved difficult, because of the diversity of cultures, beliefs and opinions in our country.

Legal Wise is an affordable way to get a lawyer on your side when you need it. It is a service that provides legal protection and advice for an individual and his family. With a track record of nearly 20 years, Legal Wise is experienced in the legal insurance business.

Since inception in 1984, Legal Wise has grown to 65 branches countrywide and is served by a highly experienced panel of 1200 affiliated attorneys. When Zak Crafford was asked by individuals to help them for a monthly fee, being naïve and inexperienced, it took him some time to recognise that the public was in fact asking for legal insurance. The story could have ended here but, fortunately the concept of legal insurance crystallized into a business idea and Legal Wise was founded in 1984.

Being exploited is costly but not having a lawyer on your side when needed it is even more costly. As a member of Legal Wise you enjoy access to free legal advice as well as legal expense cover of up to R38 000-00 per insured case – paid directly to the attorney. Legal Wise pays as per the Legal Wise tariff and this includes attorney and advocate fees, expert witness and court costs.

For only R38-00 a month, Legal Wise membership means not worrying about unforeseen legal costs. Customers also get Unlimited Free Access through a 24 hour Legal Line to professional assistance anywhere in the country.

With Legal Wise, customers will always be prepared for legal action, whether they are wrongly sued or wish to sue someone for a wrong done.

❖ **Legal Wise membership covers:**

- Job related problems e.g. unfair dismissals
- Homeowner problems e.g. defective buildings
- Unlawful eviction of tenants
- Domestic and family matters e.g. child delinquency
- Debt related problems e.g. repossessions
- Serious traffic violations (no fine payable)
- Insurance related cases e.g. non-payment of claims

In order to keep the membership fees affordable, certain items are not covered.

These include: -

- Traffic fines
- Political matters
- Matrimonial matters e.g. divorce
- Old disputes
- Any case that came up prior to a members Legal Wise membership.

The protection of South Africans' rights is paramount. People want protection but most South Africans are unable to afford the services of an attorney. The Legal Wise policy has provided a cheaper way to protect oneself legally. The policy has evolved to cater for the growing needs of the South African people. New clauses and diversified policies will be needed to cater for the growing needs of people. Legal Wise has recognised this and the Gold Plus policy has been launched giving the Legal Wise customer a choice of cover. The Gold Plus policy is R49-00 per month and gives a customer R60 0000-00 legal expenses cover.

❖ **Market size**

Market size is everyone who needs protection legally. This is a need that all people need satisfied. At one time or another, an individual requires the advice or services of an attorney. Legal Wise expects the number of policyholders to continue to increase substantially.

❖ **Legal Wise and their strategy**

We examine the strategic capability of the organization results from the resources that it owns and can access. We look at how these resources and competencies have enabled the organization to create the product and service, which is regarded good value for money, and the competitive advantage that Legal Wise has sustained, with the Legal Wise policy.

The analysis of the company's core competence will help us see the skills and capabilities that embody the organization. The value chain, which will be examined, will identify the competencies of the organization. The value chain analysis structures the knowledge of the business so that new insights into the company business can be provided.

The SWOT analysis is a popular tool, which will be used to summarise and integrate a more formal analysis about the external operating environment and the organization's current resources and capabilities. The aim of the SWOT analysis is to maintain likely

external environmental changes with internal capabilities, to test these out and challenge how the organization can capitalize on new opportunities, or defend itself against future threats.

We will consider the strength and weaknesses in terms of current realized strategy rather than just future intended strategy. We will analyze how SWOT can be integrated and enhance other frameworks of strategic analysis, and how it contributes to the evaluation of strategic options.

We seek to challenge the robustness of the organization's current strategy and highlight areas that might need to change in order to sustain or develop its competitive position. The steps that we follow will progressively add insight and value to the managers thinking about strategic issues. The assessment of the impact of the environmental change on the current strengths and weaknesses of an organization can assist us to understand the changing environment, which will allow us to identify opportunities or to recognize threats.

The study will indicate that Legal Wise has provided an appropriate policy for the target market in South Africa, based on a need and market analysis.

This study suggests some key aspects as to the education and training of employees of Legal Wise. It stresses the need to develop a clear vision of what Legal Wise service is about, and where it is going. Strategies are suggested for the future development of the service.

1.3 Motivation for the research

I am presently an employee at Legal Wise. My study towards an MBA gave me the knowledge to identify the strategy used by my company and also provided me with answers for the future success of the company and the strategies the company can implement. The changing business environment has also called for new ideas to be

implemented within the Legal Wise Strategy. Legal Wise has followed suit just to become competitive in a market where it has been dominant, well known and trusted. Legal Wise by implementing the strategies, identified by me for future success, can reap rewards. The strategies chosen if executed, can place Legal Wise in a competitive and first mover position within South Africa.

1.4 Value of the project

A copy of the dissertation will be forwarded to the founder and present owner of Legal Wise. The study will show that all industries are extremely competitive and Legal Wise being in a competitive environment needs to attain competitive advantage in order to be successful in the competitive environment.

The study will also focus on the customers, their demand and what the customer pays for and the level of service that customers expect. Legal Wise falls within a social market. There is a growing recognition of the importance of legal insurance, not only to protect oneself, but for one to have a “voice”. Legal Wise need to develop strategies that ensure improved cost efficiency in the delivery of the service to the Legal Wise customer, while maintaining and improving the service.

In assessing suitability of the options and the methods employed, we will look at the circumstances the organization is operating in-or wishes to operate in. The extent, to which new strategies will be examined, will provide valuable information for the organization. The organization’s resources and competencies for future success will be examined providing valuable information for future success.

The study examines how the Legal Wise Policy has worked in our developing country and how it has assisted the population of South Africa in the protection of their rights. The study also addresses strategic questions such as how Legal Wise is to maintain its position as a leading legal insurance expert company. In essence, this study serves to

provide Legal Wise with valuable, constructive data based on attested theory, models, and concepts to help remodel strategic decisions with greater insight.

The study will assist the organization and provide answers for future strategy that can be implemented to protect its market position and to improve its market position in light of industry driving forces and competitive pressures.

1.5 Problem statement

What is the strategy that Legal Wise has followed and what strategy in the face of constant competition and differentiated needs, will the company follow in the future for its future success.

1.6 Objectives of the study

This study will focus on Legal Wise, a legal expenses insurance company. The objectives of the study can be defined as follows:

- ❖ To evaluate the strategy followed by Legal Wise in light of the constant changing needs of customers.
- ❖ To determine the position that Legal Wise holds and how the company is able to maintain a position ahead of the competitors.
- ❖ To establish Legal Wise's future strategy and its future success factors.

1.7 Research design and methodology

Presentation of case study

As the study is of a qualitative rather than quantitative nature, the approach to the dissertation is one of a case study of Legal Wise, which operates within the South African Environment. The first section of the dissertation will be the case study comprising of a strategic analysis. Marketing plans and strategic planning documents of Legal Wise will

be used to evaluate the present and future position of the company, which will determine its success.

Data collection methods and analysis

This study will require secondary data collation, which will be researched. The sources will be websites, interview with the managing director, business reports, newsletters, Internet searches, books, personal communications, and newspaper articles. This study will also require the collection of data from rivals in the legal insurance sector.

Data analysis to identify models and theory for future success

To identify models and to develop models relevant to focus on factors that Legal Wise must concentrate on for future success. This will require research into the internal and external factors that affect Legal Wise.

1.8 Limitations

This research study can only be applied to the South African Scenario relative to the South African Legal Market and the needs within. Financial data may not be made available, as the company directors have been reluctant to divulge information in regards to budgets and profits.

1.9 Structure of the study

The chapters that will be covered in my study will be as follows:

CHAPTER 2

The study is one of qualitative nature, it assesses the strategies that Legal Wise has used to obtain success and the strategies to be followed for future success. This section will cover the theoretical section of the project. Theories and models will be discussed, which enable the development of a strategic model for Legal Wise.

CHAPTER 3

A case study of Legal Wise will be discussed with respect to the history of the organization, and its current situation in the market. We further examine and analyse the industry strategically in relation to the theories and models discussed in Chapter 2.

CHAPTER 4

The section will examine Legal Wise's position and how success can be achieved, but focusing on the weaknesses of the organisation, and how the organisation can capitalise on its strength.

CHAPTER 5

In this section we evaluate and discuss how the company has achieved success. We further discuss what the company needs to do to be in a successful positive position in the future.

1.10 Summary

The study indicates the aspects that Legal Wise should follow for long-term growth. The focus on business models and strategies for achieving success provides the company with answers for future development and competitive advantage.

CHAPTER 2

A THEORETICAL VIEW ON MODELS AND STRATEGIES ACTIVE WITHIN OUR ENVIRONMENT.

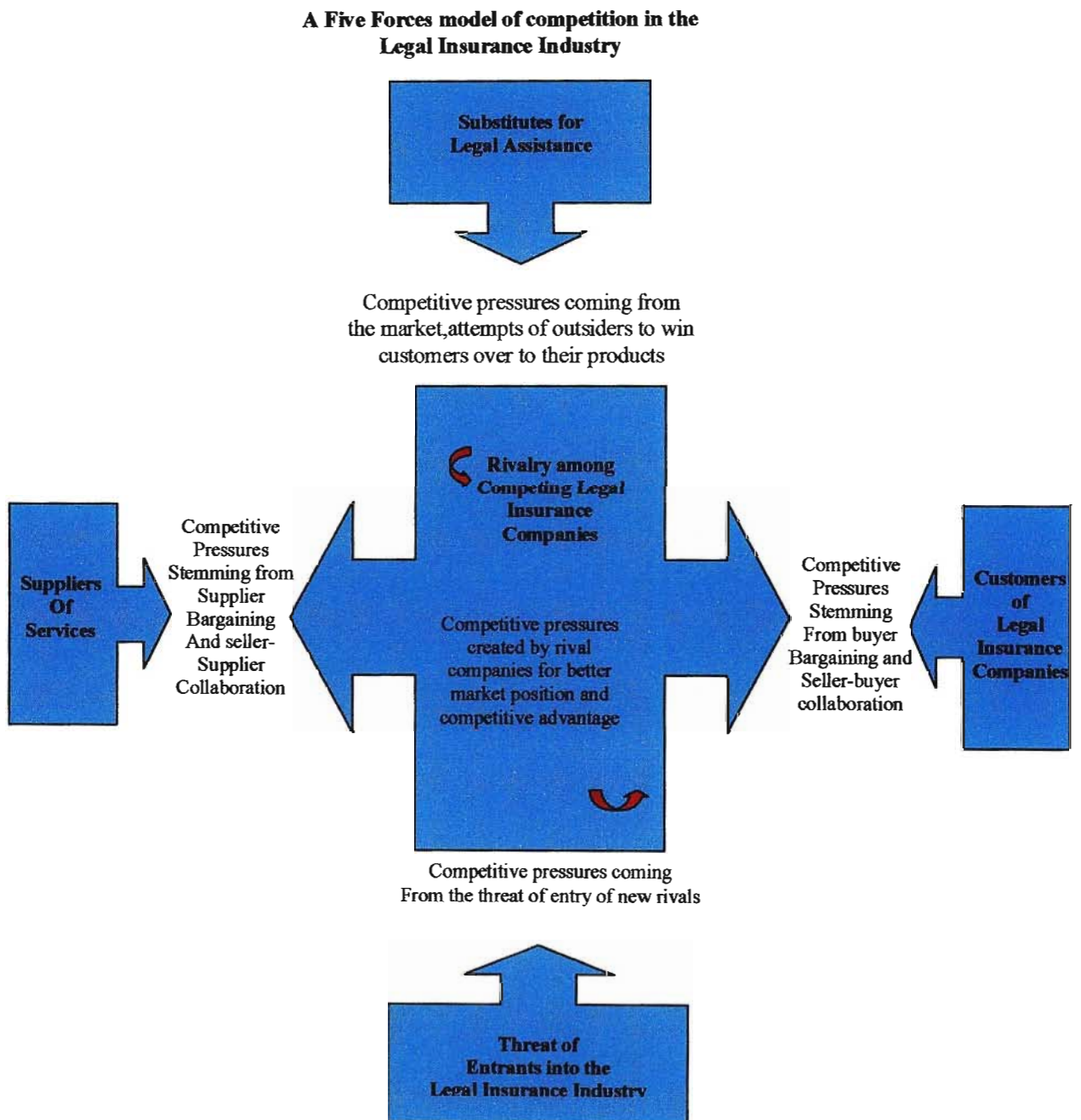
2.1 Introduction

The dimensions of strategy development cannot always be characterised as intentional and planned. Strategy comes about through a number of different influences and processes.

Strategy managers, constantly try to improve the productivity of their systems .A firm that can improve the input – output relationship normally increase profitability. Competitive position, one measure of corporate success is a relative dominance in the market place. Firms commonly establish objectives in terms of their competitive positions.

In a strategic analysis of the environment, there is an immense range of issues that can be explored, creating problems for organisations. The success factors of organisation are resources, skills and attributes of organisations in an industry that is essential to deliver success in the market place.

Figure 2.1 – 5 Forces Model (Porter, 1979:137).



2.2 Overall assessment of Porters 5 forces

(Used in stable environment)

An industry analysis usually begins with examination of the forces influencing the organisation. Much of this analysis was structured and presented by Professor Michael Porter of Harvard University Business School.

This type of analysis is often undertaken using the structure proposed by Porter, his model is illustrated in Fig. 2.1. This is called Porters Five forces model.

2.3 What is competition like and how strong are each of the competitive forces?

One important component of industry and competitive analysis involves delving into the industry's competitive process to discover what the main sources of competitive pressures are and how strong each competitive force is. This analytical step is essential because managers cannot devise a successful strategy without in-depth understanding of the industry's competitive character.

Competitive pressures in various industries are never precisely the same but the competitive process works similarly enough to use a common analytical framework in gauging the nature and intensity of competitive forces (Porter, 1986).

1. Rivalry among competing sellers in the industry.
2. Potential entry of new competitors.
3. The market attempts of companies in other industries to win customers over to their own substitute products.
4. The competitive pressures stemming from supplier bargaining power and supplier seller collaboration.
5. The competitive pressures stemming from seller – buyer collaboration and bargaining.

Porter's five forces model is a powerful tool for systematically diagnosing the principal competitive pressures in a market and assessing how strong and important each one is.

*** The rivalry among competing sellers.**

Rivalry intensifies as the number of competitors increase and become more equal in size and capability. Competition is not as strong in the legal insurance business. The increase in competitors increases fresh creative strategic initiatives within the organization. Rivalry is usually stronger when demand for the product is growing slowly.

Rivalry is more intense when industry conditions tempt competitors to use price cuts or other competitive weapons to boost unit volume.

Rivalry is stronger when one or more competitors are dissatisfied with their market position and launch moves to bolster their standing at the expense of rivals. Rivalry increases in proportion to the size of the payoff from successful strategic moves. The greater the benefits of going after a new opportunity, the more likely that one or more rivals will initiate moves to capture it. Competitive pressures nearly always intensify when several rivals start pursuing the same opportunity. Rivalry tends to be more vigorous when it costs more to get out of a business than to stay in and compete.

Rivalry becomes more volatile and unpredictable the more diverse competitors are in terms of their visions, strategic intents, objectives, strategies, resources, and countries of origin.

Rivalry increase when strong companies outside the industry acquire weak firms in the industry and launch aggressive well funded moves to transform their newly acquired competitors into major market contenders.

A concerted effort by rivals to turn a weak rival into a market leader nearly always entails launching well-financed strategic initiatives, to dramatically improve competitors product offering excite buyer interest and win a much bigger market share.

*** The potential entry of new competitors.**

New entrants to a market bring new production capacity the desire to establish a secure place in the market and sometimes-substantial resources to compete. Just how serious the competitive threat of entry is in a particular market depends on two classes of factors: barriers to entry and the expected reaction of incumbent firms to new entry. The types of entry barriers for companies are (Porter, 1979:38).

- Economies of Scale - Scale economies have deterred entry because they force potential competitors either to enter on a large scale, which is costly and risky or to accept a cost disadvantage and consequently lower profitability.
- Cost and resource disadvantages independent of size-Existing firms may have cost and resource advantages such as partnerships with the best and cheapest suppliers of raw materials, patents, proprietary technology, not available to potential entrants.
- Learning and experience curve effects - When lower unit costs, are as a result of experience in producing the product; new entrants face a significant cost disadvantage.
- Inability to match the technology and specialized know how of firms in the industry - Successful entry may require technology capability, skills and know how readily available to a new comer.
- Brand preferences and customer loyalty - Customers are often attached to established brands. Establishing brand recognition and building customer loyalty can be a slow and a costly process.
- Capital Requirements - The larger the investment needed to enter the market successfully, the more limited the pool of potential entrants.
- Whether an industry's entry barriers ought to be considered high or low depends on the resources and competencies possessed by the pool of potential entrants - Entry barriers can be formidable for start up enterprises trying to compete against established companies.

***Competitive pressures from substitute products -**

Firms in one industry are quite often in close competition with firms in another industry because their respective products are good substitutes.

***Competitive pressures stemming from supplier bargaining power and supplier seller collaboration-**

Whether suppliers have little or no bargaining power or leverage over rivals whenever the items they provide are commodities available on the open market from numerous suppliers with ample capability to fill orders.

- How collaborative partnerships between companies and suppliers can create competitive pressures - companies are electing to form long-term strategic partnerships and close working relationships with suppliers.

***Competitive pressures stemming from buyers bargaining power and seller buyer collaboration –**

The leverage that buyers have in negotiating favorable terms can range from strong to weak. When buyers are large, gives them enough leverage to obtain price concessions and other favorable terms.

2.4 Leadership

Truly effective leadership doesn't mean following a universal set of guidelines. There is no clear-cut mantra or magic spell that makes one an effective leader. Instead, it is grounded in a high degree of self-awareness and the ability to leverage those personal strengths that set each individual apart.

A significant part of the failure to lead effectively stems from a fundamental misunderstanding of the required leadership style, which is rarely understood by the leader. With pressures of expanding businesses and more confused systems in which we operate, multiple talents are needed, however, no one individual can have all the required traits. Successful leaders like Jack Welch have built a strong team of leaders.

There are fifteen key traits that are important for effective leadership, but nobody can be expected to embrace all of those abilities alone. Instead, individual executives must look within for combination of natural strengths that set them apart-and, just as important, acknowledge that there are skills they simply do not possess. Successful leaders will be the ones who build teams or executives with diverse talents, particularly talents that are decidedly not their own. Effective leadership, in other words, must be embodied in a team of executives, not a single chief executive.

Perfect is best left undesired. It is more practical to build on what one has and not worry about not what is lacking. In today's world, it can be out-sourced.

A few decades ago, a single style of leadership (i.e. command and control) could steer a company through the worst of times. If the country, or even a particular industry, suffered a steep recession, a tough, tenacious leader would guarantee that the company survived, but long, deep crises don't seem to be the threat anymore. The challenge for many companies these days is the endless chain of other issues-a new rival, a new competitor outside the industry or a new type of company, such as virtual companies on the Internet, therefore, there are no clear-cut strategies. Earlier, companies could clearly say that we are into cost leadership or differentiation or being a niche player, however, today companies collide and confront each other. They have to be a mix of all different approaches to marketing.

Therefore, command-and-control leadership that sustained a company in the past will not work anymore. What's needed now is leadership that is fleet of foot and flexible enough to deal with a series of crises, each one different from the one that preceded it.

Moreover, most of us prefer the reassuring company of people like ourselves, who approach problems the way we do, who speak the same language. We want to be around people who make us comfortable. This is a luxury today's CEOs in our company cannot afford. They should deliberately seek out people whose different motivations help provide balance when the company is buffeted by waves of change. This highlights the constructive nature of conflict that can be tapped. Having divergent views allows the team members to grow and synthesise each other's knowledge to take effective decision-

making. An important feature of an organizational field is that the various parties are tied together in ways beyond economic dependency (DiMaggio and Powell, 1983: 147).

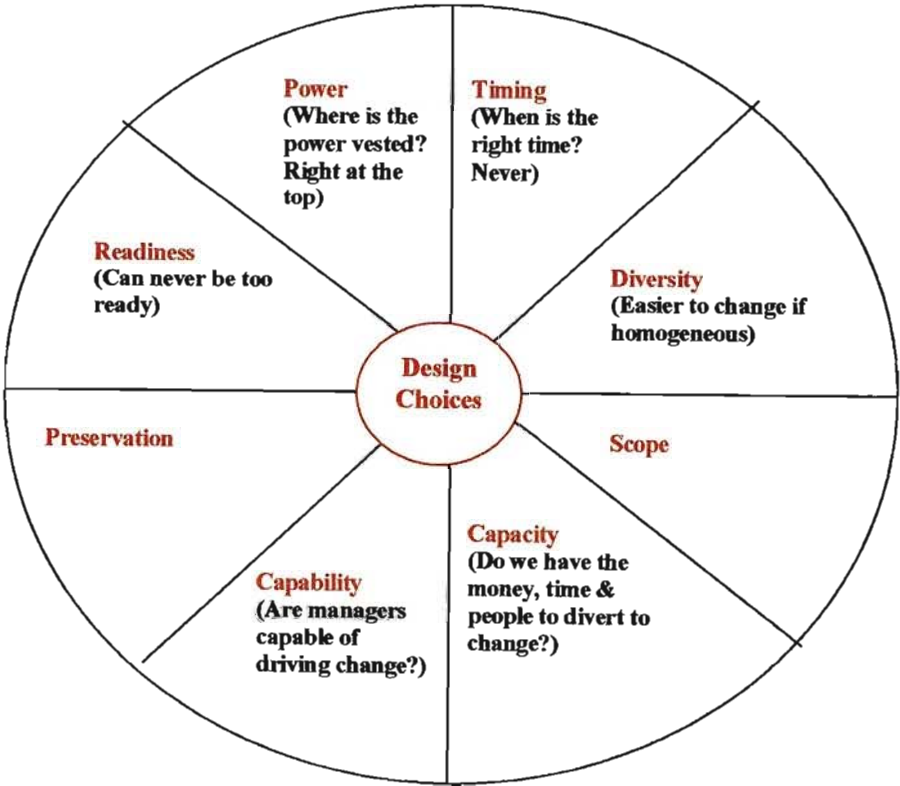
The executive skill that used to be paramount may suddenly become secondary or even irrelevant.

Today’s leaders have a demanding and, in some respects, disquieting assignment. They must not only look within to understand their own motivational forces and the strengths and weaknesses that accompany them, but must also require other members of the executive team to go through the same process. They must make sure that at least some of those who surround them have motivations that are in opposition to their own-motivations that one day may be more essential to the company than their own.

2.5 Managing Change

Leadership task is to adaptive, innovative culture that embraces organisational responses to changing conditions. The Change kaleidoscope as shown in Figure2.2 provides design choices for a company to examine and adapt it to the company, to have a competitive advantage and enabling culture to have an advantage.

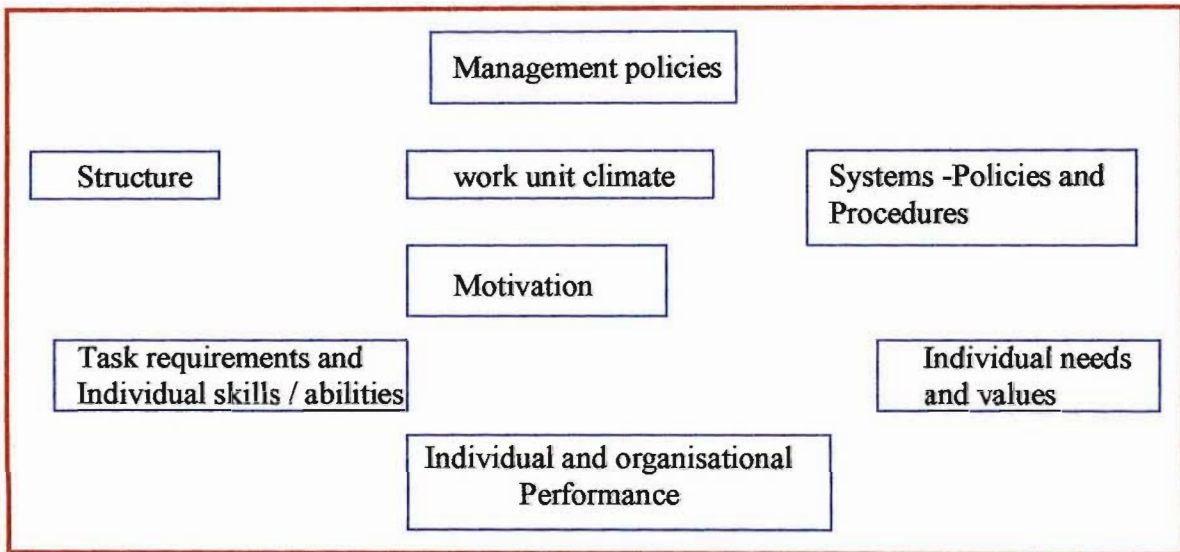
Figure 2.2 - The Change kaleidoscope (Unpublished material).



2.5.1 Transactional factors involved in change

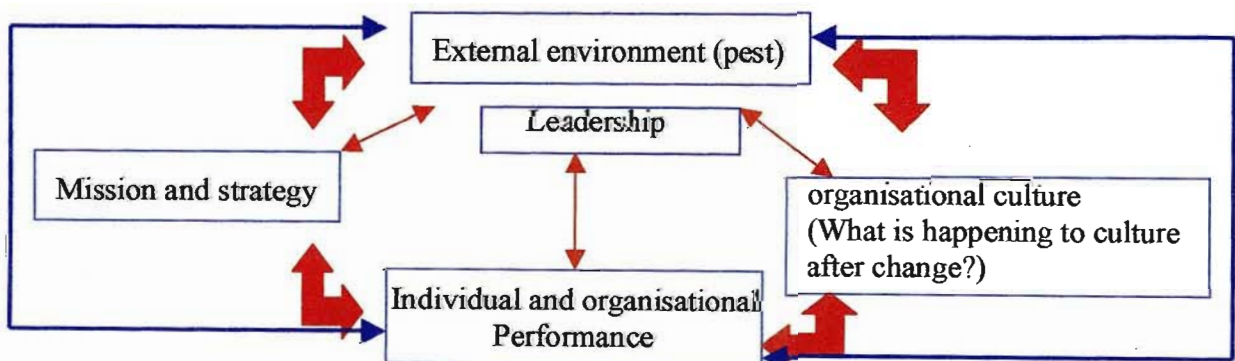
For an organization to display consistently high customer service, the organization is to be committed to enforcing the factors in Figure 2.3

Figure 2.3 - First order of change (Unpublished material).



Leading and the enforcement of the factors as per Figure 2.4 will lead to a company's success.

Figure 2.4 - Second order of change (Unpublished material).



2.5.2 Eight steps of successful change:

1. Increasing urgency
2. Get the vision right
3. Build a guiding team
4. Communicate for buy-in (Make people part of it).
5. Empower action
6. Create short term wins
7. Don't let up (manage the waves)
8. Make change stick

To cope with uncertainties of strategy development those who lead the organization have a key role in guiding, controlling, initiating and employing considered value judgements, to move the strategy process forward (Guinni, 1980).

Change programs are a common feature of today's business landscape. However, declaring victory too soon in a change program can be the death of the organization. Like Kipling says it is better to keep travelling than to declare that you have arrived, therefore, change must continue. Change management initiatives need to go on. A change in the culture of the organization takes long but is necessary and must go on. Change doesn't arrive – it continues thus, anchoring the change is very important.

2.6 Leadership Driven Change

The work of leadership is crucial in the development of strategy and the optimal organisational framework. The authoritarian leader will continue to decide strategy and then define the organisation to achieve this. However, for leaders who have a different, more collegiate style, strategy and organization have more complex interrelationships (Hart and Banbury, 1994: 254).

Leaders generally rely on several key techniques to push change, such as invoking an outside crisis or needing to transform the enterprise to a new operating model. By

articulating a common sense business case for change and frequently communicating with all levels of the organization can, more easily be able to derive change.

2.7 Process Driven Change

Process-driven change pushes the responsibility for driving change into the organization, meaning it no longer rests solely with the leader. A Company with process-driven change typically has mechanisms in place that allows employees not only to implement change, but drive it on their own. These mechanisms include performance measures and incentives that shape behavior and, ultimately, culture. Additionally, decentralized decision-making procedures and policies that encourage employees to acquire new competencies help drive change. A heavy emphasis on communication and organizational structures that foster change are instrumental in the process-driven change within the organization.

2.8 Role of the Leader

In order to understand, the way that purpose and strategy interrelate with leadership, it is useful; to analyse the leadership role however, in spite of extensive study reaching back to the 1950,s, there is no general agreement on leadership analysis (Handy, 1994).

Within an organisation there should be in existence congruence or fit between the set expectations, aspiration levels of the different players and their perception of the ground realities. Unfortunately, this is a qualifier and a winner for the change proposition to work. This backed with constant reinforcement and a leader who “walks the talk” shape a change in attitude. It ingrains in the culture a sense of trust. This is the building block for the next level of change.

Leadership driven change initiatives lay the building blocks of trust, openness and a culture that is amicable to innovation and change. In the process-driven stage, the leader

has a reduced, but still vital, role. With the right processes in place, the leader can challenge others to drive change.

2.9 Culture

Cultural environment entails the perspectives shared and shapes their behavior and the way they see the world. To date the most valuable framework to help managers understand differences between national cultures is the one developed by Geert Hofstede. National culture has a major impact on employees work related values and attitude's, moves employees away from values of individuals (to look after their own interest and towards collectivism, where employees expect others to protect them.

Core Competence: - are activities or processes that critically underpin an organizations competitive advantage. They create and sustain the ability to meet the critical success factors of particular customer groups better than other providers in ways that are difficult to imitate. Core competencies are unlikely to be about how those specific improvements are achieved but about the whole process by which continuous change and improvement occurs.

2.10 The Value Chain

Value chain is an important way in which managers can start to identify the competencies and the links to their competitive position.

The value chain concept can be helpful in understanding how value is lost and created. The primary analytical tool of strategic cost analysis is a value chain identifying the separate activities, functions and business processes that are performed in designing, producing, marketing, delivering and supporting a product or service (Cooper and Kaplan, 1988:96). Where activities are located in the value chain, how they are performed and managed and how they are linked together will determine the value that customers receive in the final product.

An organization's competence can contribute to the delivery of customer value in two ways. First is competence in separate activities, i.e. Second is the competence in linking activities together which includes the ability to ensure that all their separate activities both inside and outside an organization help to deliver the same customer value while not working to different agendas. Value chains and value systems may not be sufficient in themselves to provide the competitive advantage needed by companies in developing their strategies (Porter, 1985).

2.11 Assessing Suitability

Suitability concerns whether a strategy addresses the circumstances in which the organization is operating. Assessing the suitability of the strategic options can be a useful basis on which to screen options before more detailed analysis are undertaken concerning the acceptability and feasibility of those options.

In assessing suitability whether by formal or informal processes there are three types of evaluation criterion, which can be used.

Suitability is an assessment of whether the strategy addresses the circumstances in which the organisation is operating, the extent to which new strategies would fit with the future trends and changes in the environment, or how the strategy might exploit the core competencies of the organisation. Suitability is concerned with testing out the rational of a strategy.

Suitability addresses whether the circumstances in which the organisation is operating or wishes to operate. It can be a useful discipline to ask the champions of new strategies why is this a good idea? It will consist of assessing the extent to which a strategy: -

- Exploits the opportunities in the environment and avoids the threats.
- Capitalizes on the organisation's strengths and core competencies and avoids weaknesses
- Addresses the political and cultural contexts.

2.12 Testing Suitability

Suitability concerns whether a strategy addresses the circumstances in which the organization is operating. The assessment of suitability of a particular strategy is concerned with whether it addresses the circumstances in which the organization is operating or wishes to operate.

2.12.1 Life Cycle Analysis

A life cycle analysis as per figure 2.5 consists of 2 dimensions. The market situation is described in 4 stages, from embryonic to aging. The competitive position in 5 categories ranging from weak to dominant. Each of these resources and competencies require an assessment of the extent to which competencies are:

- Valuable to buyer
- Rare and not easily obtained by competitor
- Complex (e.g. made up of several organizational processes)

Assessing this relationship between generic product / market strategy and the Strategic capability of the organisation (resources and competencies) will also be useful in a more detailed assessment of the feasibility of 1 or more strategies.

A life cycle analysis as shown in Figure 2.5 assesses whether a strategy is likely to be appropriate given the stage of the product life cycle.

Figure 2.5 - Stages of Industry maturity (Ambrosini, 1998).

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

2.13 Positioning

Positioning is a key test of suitability. Suitability concerns whether a strategy addresses the circumstances in which the organization is operating. Assessing the suitability of strategic options can be a useful basis on which to screen options (Johnson and Scholes, 2000). Assessing whether current and future positioning are viable, can be done by asking whether demand is likely to grow or decline.

2.14 Portfolio Analysis Matrix

The business portfolio is the collection of products and businesses that make up the company. The best business portfolio is one that fits the company's strengths and helps exploit the most attractive opportunities.

Companies must:

- Analyze its current business portfolio and decide which businesses should receive more or less investment.
- Develop growth strategies for adding new products and businesses to the portfolio, whilst at the same time deciding when products and businesses should no longer be retained.

The two best-known portfolio-planning methods are the Boston Consulting Group Portfolio Matrix (BCG Box) and The Mckinsey Matrix. In both methods, the first step is to identify the various strategic business units. A strategic business unit of a company that has a separate mission and objective and that can be planned independently from the other businesses.

Relative market share is important because in the competitive battle of the market place, it is advantageous to be larger than rivals, this gives room for maneuvering, the scale to undertake investment and the ability to command distribution (Buzzell, 1987).

2.15 The Mckinsey Matrix

The Mckinsey Matrix overcomes a number of the disadvantages of the BCG Box. Market attractiveness replaces market growth as the dimension of industry attractiveness, and includes a broader range of factors than just the market growth rate. Competitive strength replaces market share as the dimension by which the competitive position of each small business unit is assessed (Lynch, 2000).

2.16 Factors affecting market attractiveness within Legal Wise.

Whilst any assessment of market attractiveness is necessarily subjective, the factors, which help determine attractiveness, are:

- Market size
- Market growth
- Market profitability
- Pricing trends
- Competitive intensity / rivalry

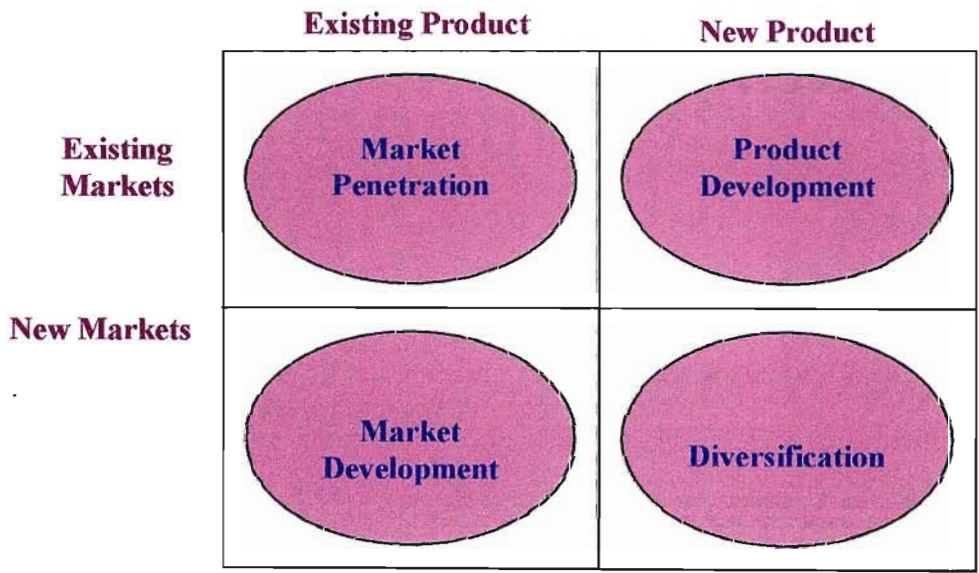
2.17 Factors that effect Legal Wise’s competitive strength are:

- Market share
- Customer loyalty
- Relative brand strength

2.18 Ansoff Product / market matrix

The Ansoff growth matrix as shown in Figure 2.6 is a tool that helps businesses decide their product and market growth strategy. The output from the Ansoff product / market matrix is a series of suggested growth strategies that set the direction for business strategy

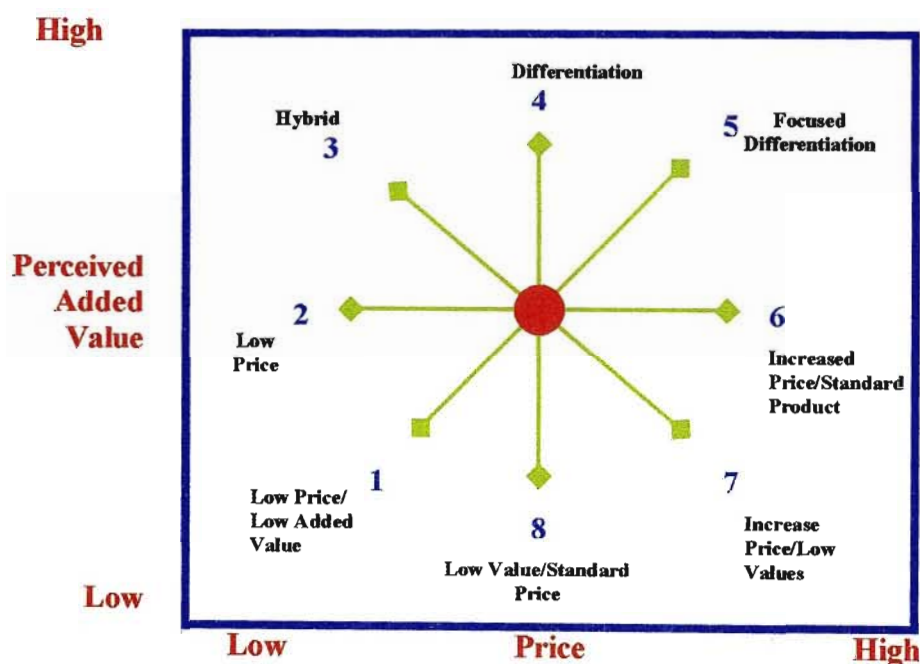
Figure 2.6 - The Ansoff Growth Model (Kotler, 2000).



2.19 The Strategy Clock: Bowman's Competitive Strategy Options

The Bowman's Strategy Clock is another suitable way to analyze a company's competitive position in comparison to the offerings of competitors. As with Porter's Generic Strategies, Bowman considers competitive advantage in relation to cost advantage or differentiation advantage. The six core strategic options as shown in Figure 2.7.

Figure 2.7 - The Strategy Clock: Bowman's Strategy Options (Bowman and Faulkner, 1996).



The Bowman's Strategy options are as follows:

Option one – low price/low added value

- Likely to be segment specific

Option two – low price

- Risk of price war and low margins/need to be a 'cost leader'.

Option three – Hybrid

- Low cost base and reinvestment in low price and differentiation

Option four – Differentiation

(a) Without a price premium

- Perceived added value by user, yielding market share benefits

(b) With a price premium

- Perceived added value sufficient to bear price premium

Option five – focused differentiation

- Perceived added value to a 'particular segment' warranting a premium price

Option six – increased price/standard

- Higher margins if competitors do not value follow/risk of losing market share.

Option seven – increased price/low values

- Only feasible in a monopoly situation

Option eight – low value/standard price

- Loss of market share

2.20 Market Penetration

Without moving outside the organizations current range of products or services, it may be possible to attract customers from directly competing products by penetrating the market. Market penetration should begin with existing customers (Day, 1987: 104).

Market penetration is a growth strategy that companies can focus on when selling existing products in existing markets.

Market penetration and the rewards companies seeks to achieve:

- Maintaining and increasing market share

- Restructuring a mature market by driving out competitors. This requires a much more aggressive promotional campaign.

2.21 New product development:

There are 2 key elements to highlight in the extensive literature on new product development:

- The importance of a genuine improvement in performance, if new products are to be successful (Davidson, 1987).
- The significant contribution to sales and profits from new product introductions across a wide range of industries (Baker, 1992: 328).

2.22 Competitive advantage

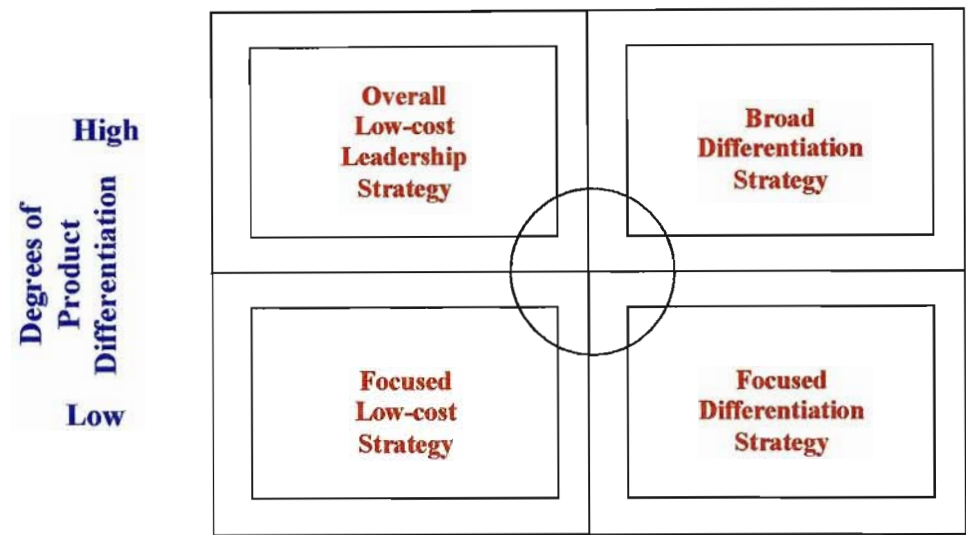
A competitive advantage is an advantage over competitors gained by offering customers greater value by means of reduced prices or with benefits and service.

2.23 The Five Generic Competitive Strategies

Following on from his work analysing the competitive forces in an industry, Michael Porter suggested 5 generic competitive strategies that could be adopted in order to gain competitive advantage.

A company's competitive strategy consists of the business approaches and initiatives it undertakes to attract customers and fulfill their expectations, to withstand competitive pressures and to strengthen its market position as shown in Figure 2.8

Figure 2.8 – The Five Generic Competitive Strategies (Porter, 1980:35).



2.24 SWOT Analysis

SWOT analysis is a simple framework for generating strategic alternatives from a situation analysis as shown in Figure 2.9.

Figure 2.9 – Situation Analysis (Ambrossini, 1998).



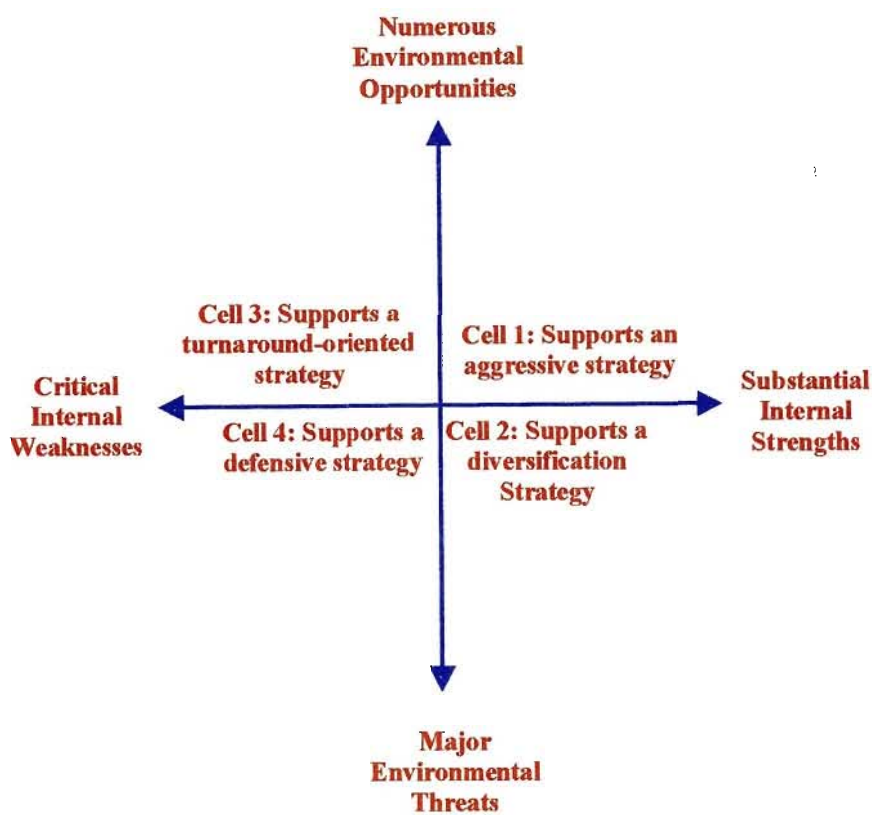
SWOT analysis provides direction and serves as a basis for the development of marketing plans. It accomplishes this by assessing an organizations strengths (what can an

organization do) and weaknesses (what an organization cannot do) in addition to opportunities (potential favorable conditions for an organization) and threats (potential unfavorable conditions for an organization). SWOT analysis is an important step in planning and its value is often underestimated despite the simplicity in creation. The role of SWOT analysis is to take the information from the environmental analysis and separate it into internal issues (strengths and weaknesses) and external issues (opportunities and threats). Once this is completed, SWOT analysis determines if the information indicates something that will assist the firm in accomplishing its objectives (a strength or opportunity), or if it indicates an obstacle that must be overcome or minimized to achieve desired results. SWOT analysis can be used more effectively than is often the case by demonstrating how it can integrate and enhance other frameworks of strategic analysis, and contribute to the evaluation of strategic options (Ambrosini, 1998).

2.25 Elements of SWOT Analysis

Sizing up a firm's resources and weaknesses as shown in Figure 2.10 and its external opportunities and threats, provides a good overview of whether a firm's business position is fundamentally healthy or unhealthy.

FIGURE 2.10 - SWOT Analysis Diagram (Unpublished Material).



2.25.1 Strengths and Weaknesses

As a starting point for the development of strategic options, Professor Kenneth Andrews first identified the importance of connecting the organization missions and objectives with its strategic options and subsequent activities. ‘The interdependence of purposes, policies, and organized action is crucial to the particularity of an individual strategy and its opportunity to identify competitive advantage (Andrews, 1987).

It is imperative that strengths be considered from both the view of the firm as well as from the customers that are dealt with. These strengths should be realistic and not modest. A well-developed listing of strengths should be able to answer a couple of questions. What are the firm’s advantages? What does the firm do well?

Weaknesses should also be considered from an internal and external viewpoint. It is important that listing of a firm's weaknesses is truthful so that they may be overcome as quickly as possible. Delaying the discovery of weaknesses that already exist within a company will only further hurt the firm. A well-developed listing of weaknesses should be able to answer a few questions. What can be improved? What is done poorly? What should be avoided?

The role of the internal portion of SWOT is to determine where resources are available or lacking so that strengths and weaknesses can be identified. From this, the marketing manager can then develop marketing strategies that match these strengths with opportunities and thereby create new capabilities, which will then be part of subsequent SWOT analyses. At the same time, the manager can develop strategies to overcome the firm's weaknesses, or find ways to minimize the negative effects of these weaknesses.

2.25.2 Opportunities and Threats

Managers who are caught up in developing strengths and capabilities may ignore the external environment. A mistake of this magnitude could lead to an efficient organization that is no longer effective when changes in the external environment prohibit the firm's ability to deliver value to its targeted customer segments. These changes can occur in the rate of overall market growth and in the competitive, economic, political/legal, technological, or socio-cultural environments.

Table 2.1: Impact analysis for Legal Wise (Ambrosini, 1998).

OPPORTUNITIES						THREATS					
Environmental changes	Arrival of new technology	Launch of New Policies	Growing Economy	Stable macroeconomic environment	Expansion into new markets	Current state of technology	Substitutes	New Competitors	Lack of accountability	Responsiveness of staff	+-
Strengths											
Geographic Location	0	+1	+3	+1	0	-1	-1	-1	0	0	+5 -3
Knowledgeable Management	+1	+2	+1	+1	+2	0	-1	-1	-2	+2	+9 -4
Assets and Equipment	+1	+2	+2	+2	+2	0	-1	-1	0	0	+9 -2
Good reputation	+2	+3	+3	+3	+3	-1	-2	-2	0	+3	+17 -5
Cost advantage from proprietary know how	+1	+3	+3	+3	+3	0	-1	-1	0	+1	+14 -2
Weaknesses											
Sluggish decision making	-1	-2	-3	-1	-3	-1	-2	-2	-2	0	-17
Resistance to change	+1	-1	-2	-1	-3	0	-3	-3	-2	-1	+1 -16
Inadequate technology	0	-1	-2	-1	-3	0	-3	-3	0	-2	-15
Environment impact scores	+6 -1	+11 -4	+12 -7	+10 -3	+10 -9	-3	-14	-14	-6	+6 -3	

Scale scores range from -3 to +3

Strengths: + strength Legal Wise possesses will help it take advantage/counteract the problem arising from the opportunity/threat

 - Strength would be reduced by opportunity/threat

 - Weakness would be reduced by the opportunity/threat

Weaknesses: - Weakness would prevent Legal Wise from overcoming the problem associated with the opportunity/threat

Zero: strength/weakness would not be affected by the opportunity/threat

2.26 Changes in the Socio Cultural Environment

Social and cultural influences cause changes in attitudes, beliefs, norms, customs, and lifestyles. A firm's ability to foresee changes in these areas can prove beneficial while failure to react to these changes can be devastating.

2.27 Conclusion on the SWOT analysis

In applying the SWOT analysis it is necessary to minimize or avoid both weaknesses and threats. Weaknesses should be looked at in order to convert them into strengths. Likewise, threats should be converted into opportunities. Lastly, strengths and opportunities should be matched to optimize the potential of a firm. Applying SWOT in this fashion can obtain leverage for the company.

2.28 The Gap Analysis

When companies assess strategies for the future, managers usually are concerned with the incentive to change companies must look at the extent that current strategies if left unchanged would fall short of meeting the future goals and aspirations.

The gap analysis looks at the elements of future strategy, which must contribute to filling the gap for success within Legal Wise. Gap analysis helps managers understand the dynamics of the competitive environment. The gap analysis is used to reveal where an organization has weaknesses, where it has strengths in relation to competitors. It is an analysis that assists managers' stay ahead in the market place.

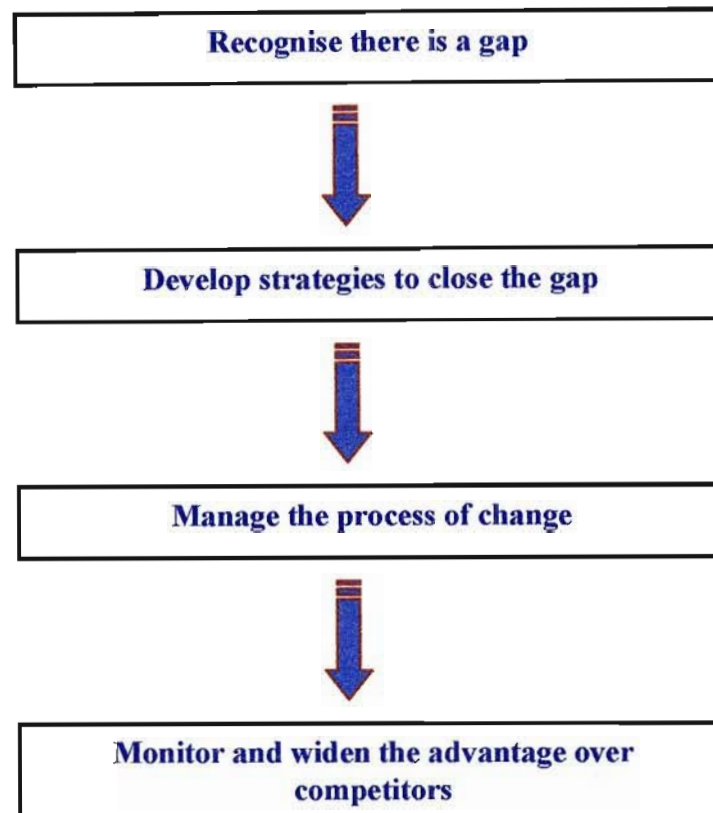
The performance gap analysis

A simple but very powerful approach to the gap analysis centers on:

1. Where are we now?
2. Where do we want to get?
3. How do we get there?

Gap analysis as shown in Figure 2.11 can help the manager better understand the dynamics of the competitive environment. It can be used to reveal where an organisation has weaknesses and where it has strengths in relation to its competitors.

Figure 2.11 – A model Gap Analysis (Ambrosini, 1998: 221).



Performance Gaps consist of three segments:

Improvement gaps, expansion gaps the diversification gaps.

- ❖ **Improvement gaps:** These gaps can be narrowed by internal changes.
How the company can improve service.
- ❖ **Expansion gap:** These gaps are narrowed by internal strategies that increase growth. This is more concerned with market penetration.
- ❖ **Diversification gaps:** When improvement and expansion strategies has been considered and found not to close the gap.

2.29 Summary

Closely related to the concept of strategy is the concept of a company's business model. The fundamental issue surrounding a company's business model is whether a given strategy makes sense from money making perspective. Strategy relates to a company's competitive initiative and business approach. Companies that have been in a business for a while and are making acceptable profits have a proven business model. Crafting, implementing and executing a strategy are top priority managerial tasks.

CHAPTER 3

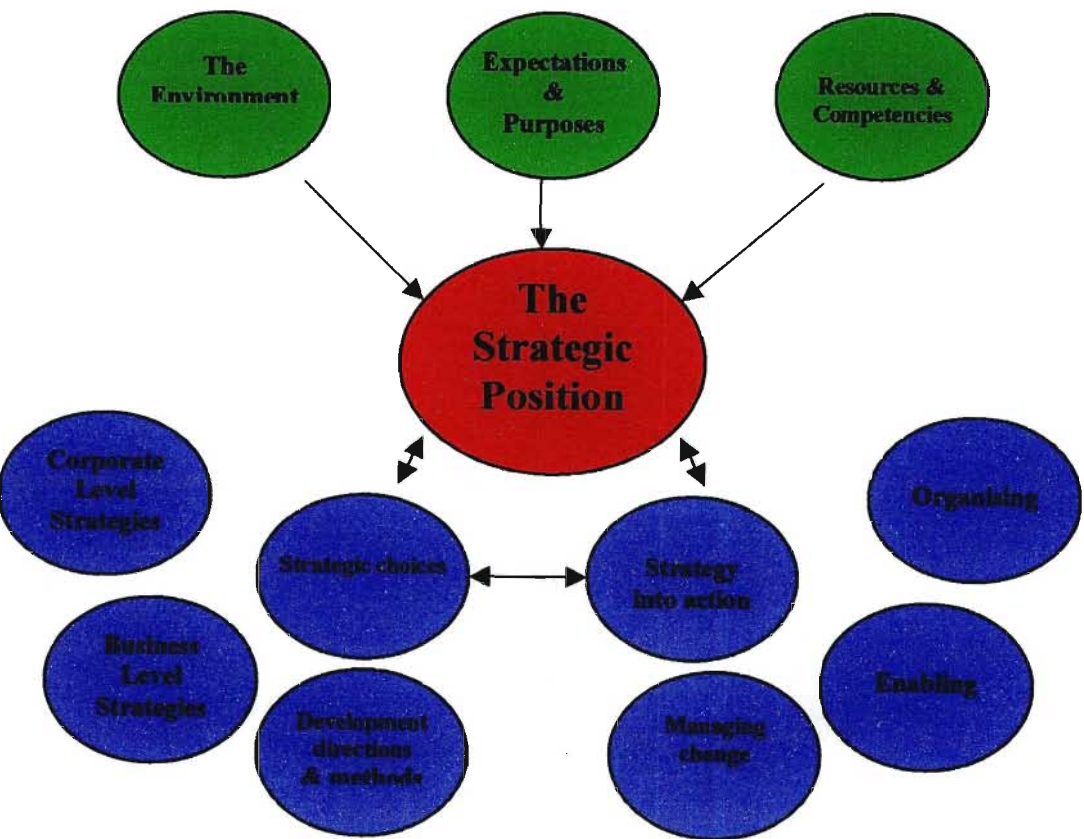
CASE STUDY

3.1 Introduction

This case study is the story of one of South Africa’s best-known legal insurance companies. It presents an opportunity to examine the approaches to strategy development and business excellence. It examines the characteristics of strategic change and shows how strategic innovation may emerge from the periphery of an organization.

Legal Wise delivered the first Legal Insurance Policy in S.A. It is an industry, which has driven great changes in the lives of many.

Figure 3.1 – Strategic position model (Johnson and Scholes, 2002: 17).



The story of legal Wise is of how protection and legal representation became affordable to most South Africans, but the real story about the need for legal representation started a long time ago.

It started long before Zak Crafford, the founder of Legal Wise, worked as a legal aid officer, at the Johannesburg branch of the South African Legal Aid Board. Long before there were systems in South Africa and elsewhere in the world that discriminated against individuals or groups on the basis of values, culture, colour, religion, sex and even social standing.

The story has its origins in the dawn of civilization, when more powerful human forces exploited less powerful groups or individuals. That's when the story started and it will never end unless the scales of justice are balanced.

To protect individual rights, rules and laws became necessary. Law courts and lawyers became necessary to ensure that the rules were enforced. In bygone days, a lawyer had only one interest... to represent a client. The client decided how much to pay the lawyer. Things changed. The lawyer's financial interest in a client's problem became an important consideration. The more important this consideration became the more expensive lawyers became. So expensive, that they now have become unaffordable to the vast majority of individuals all over the world. As a result it became virtually impossible for individuals to enforce and protect their legal rights in a meaningful way.

Because lawyers became so expensive, governments all over the world started setting up state-sponsored legal aid. Very poor and indigent individuals with a legal problem would be sent to a lawyer and the state would pay the fees. When Zak Crafford was asked by individuals to help them for a monthly fee, being naïve and inexperienced, it took him some time to recognize that the public was in fact asking for legal insurance. The story could have ended here but fortunately, the concept of legal insurance crystallized into a business idea and Legal Wise was formed in 1984.

A legal right without a way to enforce it is like owning a car without an engine. It cannot be used and does not serve any purpose. A democracy without effective access to legal representation is not a true democracy. Legal Wise is simply a mechanism that ensures that protection and legal representation are once again affordable and within reach of most individuals. It is complimentary to State initiatives such as the Legal Aid Board, the Consumer Board, the Public Protector, and many other non-profit legal aid clinics and consumer watchdog programmes. The common aim is to prevent exploitation and infringements of the legal rights of individuals.

3.2 Vision

Vision essentially is a dream. In the corporate sense, vision is a dream with deadline. It is an appealing picture of the future that pulls the people working in the organization into the future. To choose a direction, a leader must first have developed a mental image of a possible and desirable future state of the organization. The critical point is that a vision articulates a view of a realistic, credible, attractive future for the organization, a condition that is better in some important way than what now exists (Bennis and Nanus, 1985).

Legal Wise was formed when Zak Crafford invented the Legal Wise product to satisfy an unmet demand and improved existing legal avenues available through innovation. Legal Wise took the product to the customers cost effectively. Legal Wise was formed because of Zak Crafford's vision.

The founders and the leaders of Legal Wise also decided how he would like to realize his vision. This route provided a purpose to Legal Wise. This purpose is the mission of the organization. The mission builds a value system in the organization.

Once the vision and mission were decided, communicated and agreed upon by members of the organization, shared values of the organization were created. Shared values have formed the basis of the organizational culture.

Legal Wise is made up of a group of people working together, for a common objective. “A common objective is the end result Legal Wise strives for. The end result is a sum total of functional goals the organization wants to achieve to be successful on a sustainable basis. The Legal Wise objective is, making legal advice and legal representation affordable to all. As (Mintzberg, 1994) puts it: ‘If you have no vision, but only formal plans, then every unpredicted change in the environment makes you feel your sky is falling in.

3.2.1 The vision statement for Legal Wise

- * State where the organization is going.
- * Differentiate the organization from its competitors.
- * Connect the hearts and dreams of the people working for the organization.

The vision statement has provided clear direction to the organization. An organization without a vision is like a ship without a rudder.

By differentiating the organization from the competitors, the vision statement instills a sense of worthiness in the stakeholders.

“I sincerely believe that this Institution can make a great contribution to protection of the rights of South Africans.” Zak Crafford exclaimed.

3.3 Mission

The purpose of the mission statement is to communicate to all the stakeholders inside and outside the organisation what the company stands for and where it is headed. It therefore needs to be expressed in a language and with a commitment that all of those involved can understand and feel relevant to the company’s own circumstances (Christopher, Majara, and McDonald, 1989: Chapter 1).

Mission is the way Legal Wise wants to achieve its vision. The organization evolves its mission through a process of introspection, which are based on following questions:

*** What is Legal Wise's reason for being?**

Legal Wise wants to bring affordable legal assistance for reasonable monthly premiums. The company wants to protect the rights of the customer whoever the transgressor.

*** What is Legal Wise's basic purpose?**

The basic purpose is to provide legal assistance, serving the needs and interest of its people and country. It aims to ensure that this is achieved by honest and fair means. Legal Wise gives their customers legal power to enforce and defend their rights through professional legal representation.

*** What does Legal Wise stand for?**

Legal power to those that donot have it. Legal Wise stands for justice, fairness and honesty in a democratic society.

*** What business is Legal Wise in?**

The legal business

*** What is unique or distinctive about the organization?**

Affordable monthly premium gives you access to an attorney.

A mission statement, therefore, is a clear and compelling statement, which highlights the values of the organization and serves to unify efforts of all members of the organization to hold these values and reinforce them.

3.4 Objectives of Legal Wise

With the vision and mission in place, Legal Wise has evolved its objectives. This objective is also known as the corporate objective in management literature. It is very

common to define objectives in terms of functional goals or e.g. corporate goals for Legal Wise would be maximization of return on investment.

“Economic Performance is the specific function and contribution of business enterprise and is the reason for its existence (Drucker, 1961:54)

- Making present business effective.
- Identifying the potential and realizing it.
- Making it a different business for a different future.

In other words, Economic Performance as the corporate goal is a dynamic concept, which takes into account the present business, its potential in near future and the capability of the organization to leverage. In spite of Peter Drucker’s optimism that this might be done it has not been done.

3.5 Legal Wise Customers (Members)

Almost without exception, all individuals will experience legal problems during the course of their lives. Legal rights do not distinguish between a highly skilled or poorly skilled person or between rich or poor. Legal problems do not pick their victims. Membership breakdown reflects this reality and cuts across our entire society.

Inequality and disregard for individual rights arise when there is an imbalance of bargaining power. Legal Wise brings that balance of power to the dispute. Legal Wise reputation is such that one phone call from the legal advisors is usually sufficient to bring most transgressors to their senses. Legal Wise utilises, their full resources and, covers the cost of the members.

3.6 Legal Wise Membership Benefits

The story of Legal Wise is not just about the membership benefits offered. Benefits such as a twenty-four hour hot-line service and a low monthly premium of up to R38.000 -00

legal cover per legal situation and branches throughout the country are provided to the customers. The fact that one can use one of the lawyers on the Legal Wise Panel or a lawyer of their choice or that Legal Wise covers the customer and their family are added benefits to the policy. Customers are insured against legal expenses incurred as a result of unforeseen job, home, household, motor vehicle, and administrative and criminal problems.

“ Legal Wise is really a story about the members. People like you and me. People who experience success, failure, life, death, hard times and good times and about what Legal Wise means to them. It means peace of mind. It means knowing that they have a big brother on their side. Having legal power, that’s the real flesh and blood story. The real benefit” Zak remarked. The story of Legal Wise is a story of stability, security and growth. A story that is continuing to unfold.

Legal Wise is the trading name of Legal Expenses Insurance Southern Africa Limited (LEZA). Established in 1984, Legal Wise pioneered the concept of legal expenses insurance in South Africa. A concept endorsed by the association of Law Societies of South Africa and the Black Lawyer’s Association.

Legal Wise has a close association and alliance with the Hollard Insurance Company, renowned for its innovative approach to the insurance industry.

The original founders of Legal Wise continue to control the majority of the issued share capital in the company. Hollard holds 40% of the shares.

Legal Wise currently has more than 380.000 members and over 400 employees. Legal Wise is the only South African Company, which is a member of the International Association of Legal Expenses Insurance (RIAD/IALEX), based in Geneva, Switzerland. Cash reserves to cover reported and future claims are in excess of R40 million. Legal Wise’s head office is in Roodepoort. There are 66 full service branches throughout the country.

3.7 Legal Wise Relationships

Insurance, so the story goes on, is often called a “grudge purchase”. Delivery of the product promise only occurs in times of need. This is only partly true in the case of Legal Wise. At Legal Wise communication with all members on an on-going basis takes place through a newsletter, called WiseUp! Legal Wise does this to keep their members informed of changes in the law and changes at Legal Wise. Legal Wise provides legal articles clearly written to assist members in their daily lives, not just in times of need. The Company’s comprehensive policy booklet includes useful information and explanatory notes. Customers are invited to contact Legal Wise with service suggestions. The Company encourages their members to visit the branch offices to meet and get to know the staff. At Legal Wise you’re not just a customer; but a very important member and friend.

3.8 The Company’s Lawyers

The story of the lawyers is the story of likeminded legal professionals.

Legal Wise provides its members with a countrywide panel of attorneys. Known as the legal Pages Attorneys, each firm is acquainted with Legal Wise’s aims and procedures. They are familiar with members’ expectations and requirements and subscribe to the Legal Wise ethos of providing quality legal advice and service in a user-friendly results-orientated manner.

Each attorney, and there are more than one thousand Legal Pages Attorneys, is a vital component in providing legal protection benefits to members. Their approach is speedy resolution. When required lawyers are flown in by helicopter to assist members in remote rural areas.

3.9 Company's Independence

In a legal dispute there are many potential conflict of interest situations. For this reason, Legal Wise, along with the legal protection industry internationally, accepts that it is not good practice to offer legal insurance with other short-term insurance products. As a result Legal Wise do not offer products that may conflict with legal protection.

For example, if an individual insures a motor vehicle and has legal expenses insurance with the same insurer there is a potential conflict of interest. The conflict arises when, for example, a claim on the motor policy is repudiated. The individual would then want legal representation. A lawyer appointed by the same insurers, who disputed the claim, would hardly be the right choice. To avoid this type of conflict of interest, RIAD-LALEX, the international Association of Legal Insurance, stipulates that only specialist insurers can be members. Legal Wise is the only South African Company that is a specialist legal insurance provider and a member of RIAD-LALEX. The story of Legal Wise is about independence and the ability to act on behalf of our members without fear or prejudice.

3.10 Spirit of Community

The story of the company's community involvement is characterized by two aspects: bringing legal services to people unable to afford legal insurance and providing funds for tertiary legal education of members and their children.

Legal Wise finances the Johannesburg Community Legal Center, Formerly the Legal Aid Bureau. The Bureau first opened its doors in 1937 making it one of South Africa's longest running legal charities. The Johannesburg Community Legal Center (JCLC) continues to assist more than 1500 people per month in much needed areas like evictions, rape, child abuse and divorce.

Bursaries, funded by Legal Wise, are offered at Universities and Technikons throughout South Africa for the study of legally oriented diplomas and degrees. In this way Legal Wise hopes to contribute to the pool of educated, resourceful people in the community.

3.11 The People

The story of Legal Wise people is one of commitment. They offer commitment and seek commitment in return. Legal Wise offers motivating, challenging and sustainable careers in the legal insurance industry. Legal Wise employs people according to their ability to empathise with members.

The story is one of on-going training to ensure quality customer service. Legal Wise's future aim is for employees to have their legal knowledge up-to-date. Legal Wise employees can then be in a position to provide immediate, accurate and appropriate advice and will take practical action in a range of frequently encountered legal problems. Proficiency and immediacy in customer service is emphasized at all times. Experts in various fields of law are available when required. The story is of a world class legal insurance company staffed with people offering a world class service.

3.12 Legal Wises Future

Legal Wise will continue to grow as a formidable force in the protection of peoples' rights and the elimination of injustice. Each new member, each new Legal Pages Attorney, will add to the story that makes the company more powerful and more imposing in the eyes of the public, the community and the business world.

3.13. How Legal Wise has chosen to enter markets?

The competitive arena is local, regional but additional markets need to be penetrated in order to maintain rapid growth.

Even though the market has many competitors, there is substantial potential for growth through the acquisition of more clientele. In the event of penetration in international markets additional joint ventures and possible acquisitions will be called for, by the organisation for its future success.

The launch of the Gold Plus policy is turning the industry into a much more competitive business. Rivalry among legal insurance companies is definitely heating up. There is a battle for market share that is unfolding. Industry growth prospects are very good for Legal Wise. Despite the rivalry, the market looks attractive. The industry is not attractive to new entrants as knowledge and capital is required for the success within the industry. The important competitive weapon is customer service.

3.14 The application of Porters 5 forces

The important component of industry and competitive analysis involves delving into the industry's competitive process to discover what the main sources of competitive pressures are and how strong each competitive force is.

3.14.1 The rivalry among competing sellers (moderately weak force).

The legal insurance business is a rapidly expanding market and rivalry is set to get stronger. Legal Wise in the future may indeed have to use all the firms financial and managerial resources just to keep abreast of the growth in customer demand. The company also has to attract rival's customers.

When Legal Wise demand was not increasing as management hoped it would, sales increasing tactics were adopted and Legal Wise went and is still on a major advertising campaign. The future of Legal Wise, if the market demand weakens, will be assisted by the low priced monthly premium, which would heighten competition.

Rivalry is stronger when customer's costs to switch brands are low. The service and benefits that Legal Wise offer makes switching difficult.

Legal Wise has not been faced with strong rivalry, but has protected its position in the market by reacting aggressively by increased advertising and the introduction of the new product called the Gold Plus Policy, which has increased benefits.

Competitors have responded very slowly, Legal Wise being the constant initiator of a fresh competitive strategy has reaped benefits and has gained first mover advantage that is not easily surmounted.

Legal Wise is not faced with a diverse group of sellers willing to rock the boat with unconventional moves and 'rule breaking' market approaches thus no less predictable competitive environment has been created.

Legal Wise is not faced with cross border rivals. The successful competitive strategy employed by Legal Wise has greatly intensified the competitive pressures on other rivals. Legal Wise has not been frequent and vigorous in using competitive weapons at their disposal, which are major determinants of competitive pressures.

3.14.2 The potential entry of new competitors (a strong force).

Legal Wise in the future will be faced with new competitors seeing new opportunity. The barriers to entry which exists for Legal Wise, whenever it is hard for a new comer to break into the market, economic factors put a potential entrant at a disadvantage relative to its competitors.

- **Economies of Scale**

Legal Wise is able to sell the Legal Wise policy for R38 per month, an affordable premium , because of the 380 000-customer base. Entrants may encounter scale-related barriers, in advertising, marketing, financing, after sale customer service and research and development.

- **Cost and resource disadvantages independent of size** - Legal Wise has cost and resource advantages not available to potential entrants. These advantages include the partnerships with attorneys on our panel and possession of existing equipped offices in favourite locations.
- **Learning and experience curve effects** - The low unit costs of the Legal wise policy is mostly as a result of experience in producing the policy. New entrants face a potentially significant cost disadvantage competing against Legal Wise with accumulated know how.
- **Inability to match the technology and specialized know how of firms in the industry** - Successful entry will require know how that is not readily available or easily learned by a new comer. Key patents for Legal Wise has barred entry.
- **Brand preferences and customer loyalty,** - Legal Wise customers are loyal to the Legal Wise brand. High brand loyalty has meant that potential entrants must commit to building a network of service providers and then be prepared to spend enough money on advertising and sales promotion to overcome customer loyalties and build its own clientele.
- **Establishing brand recognition and building customer loyalty can be a slow and costly process** - It is not difficult or costly for a Legal Wise customer to switch to a new brand, only where the pressure of the new entrant has the benefits and service to entice the customers.
- **Capital Requirements** - clientele, and cash reserves to cover startup losses. The investment needs to be large to enter a similar market to Legal Wise successfully. The most obvious capital requirements are associated with obtaining property with favorable locations, advertising, working capital, equipment, sales promotion to establish



- **Whether an industry's entry barriers ought to be considered high or low depends on the resources and competencies possessed by the pool of potential entrants.** Entry barriers are formidable for startup enterprises trying to compete against Legal Wise, a well-established company. Interested outsiders may, given their resources, competencies, see the industry's barriers as relatively easy to hurdle.

3.14.3 Competitive pressures from substitute products (a strong force).

- Firms in one industry are quite often in close competition with firms in another industry because their respective products are good substitutes. Legal Wise is in competition with their very service providers, the attorneys, and others in the market place if the industry's growth and profit prospects are attractive enough to induce additional entry. The answer here is yes, and potential entry is strong.
- Similar legal insurance companies. Just how strong the competitive pressures are from substitute products depends on three factors:
 - a) Whether attractively priced substitutes are available; the prices charged by attorneys are not attractively priced, but other legal insurance companies can pose a threat.
 - b) Whether customers view the substitutes as being satisfactory in terms of quality, performance, and service. The substitutes lack benefits provided by Legal Wise, but the substitute services are similar. The attorneys' fees are high in comparison to being a member of Legal Wise and enjoying the benefits of low legal costs.
 - c) Whether customers can switch to substitutes easily; it is easy to switch. The availability of substitutes inevitably invites customers to compare features, ease of use, and price, customer service and performance.

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3.14.4 Competitive pressures stemming from supplier bargaining power and supplier seller collaboration(a weak force)

The service provided by our suppliers, attorneys, have no bargaining power, as there are many suppliers willing to service legal wise clients as per the Legal Wise tariffs. This makes it easy for rivals to obtain what they need from capable suppliers. Suppliers are likewise relegated to a weak bargaining position, as good substitutes exist. Suppliers of Legal Wise have less leverage to bargain over price and other terms, as Legal Wise pays the attorneys according to a set tariff.

- **How collaborative partnerships between Legal Wise and suppliers can create competitive pressures** - Legal Wise have formed long-term strategic partnerships and close working relationships with suppliers, and have enhanced the quality of service.

3.14.5 Competitive pressures stemming from buyers bargaining power and seller Buyer collaboration (a weak force)

The customers have little leverage in negotiating favorable terms as the

- Legal Wise policy costs a standard fee and rebates given (a reduced premium) to pensioners and retrenched or dismissed employees.

3.15 The competence for the organisation comes from leadership

This competence is considered essential to the corporate survival for Legal Wise. This is unique to Legal Wise and is invisible to competitors and difficult to imitate.

Classic leadership entrepreneur of Legal Wise, Zak Crafford is likely to score high on achievement and autonomy but low on affiliation. He might rank somewhere in the middle on the need for power. Consequently, many entrepreneurs get bored and frustrated and often leave the confines of corporate life-or are moved aside-when their tiny ventures grow into big, bureaucratic businesses.

Zak Crafford does not need to take credit for every triumph or every up tick in results. He doesn't need to be in the spotlight. He is a great integrator with a knack for getting just the right people in the right places, usually doing this from behind the scenes.

Zak has recognized the particular motivations within him and has developed the skills that are compatible with them. He has acknowledged that there are skills he is not likely to master. Zak Crafford has promoted social system stability in the work environment. Results from several studies reveal that congruence between an individuals values and organization values are significantly company related with organisational commitment, job satisfaction, intention to quit and turnover (Krietner, Kninicki and Buelens, 2001).

3.15.1 Skill set by Zak Crafford

Zak has anticipated opportunity creating a shared vision. He has Developed and Empowered, Appreciated Cultural Diversity and Built Teamwork and Partnerships. He has embraced change, showed technological savvy and encouraged constructive challenge, ensured customer satisfaction, enduring a competitive advantage and Shared Leadership. He has demonstrated personal masteries i.e. Live the values, Walk the Talk.

3.15.2 Zak Crafford - The passionate leader

The ideal outcome of self-awareness is a congruence of his strengths and job-that is his role in whatever challenges confront the business at the moment.

Passion is as vital to the organization as it is to the individual. The energy that comes from passion is infectious: When the leader, Zak Crafford is animated, that energy radiates and subordinates.

Legal Wise CEO has surrounded himself with people of diverse talents which is not easy to do. It's human nature to place the highest value on the talents and dismiss those that are dissimilar.

Zak Crafford with a high score on power can manage well enough when the challenge is simply a matter of delivering an occasional rousing speech. But could this leader stay on top if, say the market changed so drastically that the company had to be repositioned or new products had to be introduced in short order? Configuring and executing a robust, speedy, detailed plan, perhaps with radical quality changes, might well be impossible for someone with this leader's motivations.

3.15.3 Role of the leader

The top leadership of an organization plays a significant role in change. The leader's energy and drive are central to success of Legal Wise. It is his drive and passion that motivate the employees. The leader is highly visible and communicates with different interest groups. This style includes holding one-on-one and group meetings with employees at all levels of the organization, and frequently reinforcing the message through a variety of media. The leader sets "expectations" and people tend to try and meet these. It is shown that Zak Crafford has been successful in setting challenging expectations and is able to drive people to achieve higher than average results. This is commonly known as the Pygmalion effect taken from George Bernard Shaw's famous play with the same name.

3.16 Managing Change

It is important to understand the stages and levels of change. As Legal Wise moves towards change, they build three methods of managing change: leadership-driven change, process-driven change and organic change.

3.16.1 Leadership Driven Change

Leadership-driven change within Legal Wise is based on the focus, tenacity and drive of Zak Crafford, like other leaders at the top of the organization

Vision for Zak is an important factor in building leadership-driven change. While Legal Wise's visionary leader may avoid a crisis, a leader who joins a company in the midst of a crisis may formulate or crystallize the organization's vision during the crisis or after it is resolved. The tangible results of the change effort provide a foundation of employee goodwill that the leader translates into long-term beliefs.

3.16.2 Process Driven change

Legal Wise has implemented training programmes to allow employees to implement change and drive it on their own. Incentives that have been made effective have improved performance and shaped behavior of employees positively.

3.17 Principal strategy-Implementing Task

Zak Crafford firmly believed that pay-for-performance motivated people. He practiced this at Legal Wise, and this was one of the reasons as to motivating his staff to achieve the strategic objectives set out. He changed the personality of the organisational culture. A good part of the success can be attributed to this leadership trait, i.e. the leader was aptly matched to the business. Zak Crafford focused on instituting best practices and pushing for continuous improvement in how value chain activities were being performed, i.e. by being extremely attentive to service quality. This assisted in projecting the image of Legal Wise. By employing the person with the right profile as financial manager, and thereafter introducing the new financial information system all enabled company personnel, especially at top level, to make well informed decisions based on accurate financial data, as well as keeping their eye on their budgets.

The empowerment of employees within Legal Wise was advantageous to Legal Wise in that quick decisions were made by those most knowledgeable about issues and problems created work teams generating positive synergy through coordinated effort. Teamwork provided a natural vehicle for employees within Legal Wise to share ideas, to implement

improvement as part of their move to improve customer service. Employees within Legal Wise were rewarded for their job well done. This is an important variable in motivation of employee performance.

In Legal Wise, the legal wise policy has achieved success by fulfilling the following criteria,

- The value in the product or service features, as seen through the eyes of the customer
- The competence leads to levels of performance that is significantly better than competitors, Legal Wise's policy performance, with low premiums and benefits give it a competitive advantage.
- The competence is robust, because of the design of the policy and first move advantage, which has been gained by Legal Wise.

3.18 The importance of linkages

Value of the Legal Wise policy has been created by not focusing narrowly but looking outside the supply chain and the attorneys that carry out the instructions servicing the clients. The individual organization is part of a bigger 'system' of resources, activities and processes that link organizations together. This is called the value chain.

3.18.1 The Value Chain

The value chain concept is helpful in understanding how value is created or lost. The value chain describes the activities within and around the organization, which together create the Legal Wise product, and in the service to the Legal Wise customer. It is the cost of these value activities and the value that they deliver that determines whether or not best value products or services are developed.

The Legal Wise policy a good value product has resulted from how a set of linked activities is performed. The product sustain the ability to provide value, and difficult to imitate economists would refer to the benefits derived from this advantage as the economic (rent).

➤ **Primary Activities:-** are directly concerned with the creation of the product and delivery of the product and servicing the customer.

- Inbound logistics are activities where stock control takes place i.e. printing of the Legal Wise monthly statement and booklets
- Operations transform these various inputs into a final product or service, where the policy booklets are packaged and assembled.
- Outbound logistics store and distribute the Legal Wise booklets, statements, and Legal Wise cards to customers. The tangible products are distributed from the warehouses, and transported to different branches around the country for distribution, i.e. posting the information booklets, to customers.
- Marketing and sales provide the means whereby customers, are made aware of the Legal Wise product. Legal Wise has a separate marketing division called Ugo selling that employs sales agents for the marketing of the Legal Wise policy. This team is also involved in the advertising of the policy and its benefits.
- Service includes all those activities, which enhance or maintain the value of the Legal Wise product. An IT department is set up for the repair and maintenance of computers. Installations and maintenance of other machines are out-sourced to professionals.

- Each of these groups of primary activities is linked to support activities, which help to improve the effectiveness and efficiency of primary activities.
- **Procurement:-** This refers to the processes that Legal Wise has for acquiring the various resource inputs to the primary activities. This occurs in many parts of the organization.
- **Technology development:-** All value activities have a technology, even if it is know how. Legal Wise employs attorneys who act as Legal advisors who go on training. Key technologies, which is concerned directly with the product and the Legal Wise product design.
- **The Human Resource Management:-** This is a particularly important area which transcends all primary activities. This department within Legal Wise is concerned with the recruiting of staff with sufficient legal knowledge, or alternatively knowledge of an area that is required. It's also involved in the training, developing and rewarding of employees within the organization.
- **Infrastructure:-** The systems of planning, finance, quality control, information management are important to Legal Wise's performance, in its primary activities. Legal Wise has an available website, which provides value to customers. The Network has been reconfigured to provide more value and improve customer value or has provided value in different ways, through what, in a world of E-commerce, have become known as new business models (Jeffrey, et al. 2001). In most industries it is rare for a single organization to undertake in house all of the value activities from the product design through to the final product and service to finally the customer. Delivering value for money

It has already been emphasized that if organizations are to survive they must be competent to provide features required by customers. The Legal Wise policy has features that are required by the majority of the population in South Africa, where many of the

customers do not have the money for an attorney. Customers do not value product features at any price. Price, as with the Legal Wise policy, is an important feature therefore Legal Wise has affordable policies, and Legal Wise has been competent in managing cost. The absence of affordable policies would not have enabled Legal Wise to be financially stable.

3.19 Sources of cost efficiency

Cost efficiency is a measure of the level of resources needed to create a given level of value. Customers of Legal Wise benefit from cost efficiency in terms of low price (R38, 00) per month for product features.

The Legal Wise product design influences its cost position. The product design of the Legal Wise policy has contributed to the overall cost competitiveness. Product design has also influenced costs in other parts of the value system, i.e. the sale and marketing of the policy. The Legal Wise policy does not cover divorces, custody, maintenance, and business-related matters, making it a purely personal legal indemnity insurance. This design has helped make it an affordable policy.

3.20 The Legal Wise Policy

The success of Legal Wise is related to how well it has been able to provide the Legal Wise policy with product features that are valued by the customer.

3.20.1 Product features

Effectiveness is the ability to meet customer requirements on product features at a given cost of R38-00 per month. Legal Wise policy has product features such as cost of the policy, which are of value to customer. The understanding of this product feature is and has been a critical success factor.

The drivers of uniqueness within Legal Wise, has been the design of the policy. The Gold Plus policy of R49 per month, which provides added benefits of R60 000 cover has been valued by customers. Customers have placed value on the policy's uniqueness. Customers pay a higher premium for features that they especially value. They will not pay for features that are above their threshold requirement. Since value is often about perception the way in which the Legal Wise policy is communicated is important and constitutes a core competence.

In our fast changing world, competitive advantage is increasingly concerned with service rather than the product. Business processes that provide information to potential customers and the after sales service especially with the Legal Wise policy, is where the difference between competitors might lie.

The assessment of suitability of Legal Wise acquiring two legal insurance companies namely Scorpion and Excalibur addresses the circumstances in which Legal Wise is operating or wishes to operate.

The acquisition exploits the opportunities in that more revenue will be received, the customer base increases, and threats are reduced as Legal Wise increases its market shares. The strategy of the acquisition has also capitalized on Legal Wise's strengths and its core competences as discussed.

Legal Wise finds itself in a strong mature competitive position, which requires. Legal Wise to:

- Attain cost leadership
- Focus on the legal wise policy
- Differentiate from other polices
- Grow within the industry

Legal Wise is positioned in a strong competitive position allowing the organization to follow strategies of their own choice without too much concern for competition

In reference to Figure 2.5 Legal Wise finds itself in mature market, the size of the core market has been reduced by the development of a number of smaller viable niches, the degree of competitive rivalry which exists and the relative competence of Legal Wise in facing competitive rivals. Legal Wise by acquiring Scorpion and Excalibur has increased their core market. Legal Wise's large customer base has enabled it to offer policies and rates cheaper than its competitors.

The uniqueness of the competencies, which underpin the value-added features of Legal Wise product, has determined the suitability of a positioning of differentiation.

A legal Wise policy's unique product, which is different to imitate hence, provides competitive advantage to Legal Wise.

The extent, to which the Legal Wise policy is valuable to the customer, is that it provides legal protection to the customer, giving them legal representation.

Ansoff's product / market matrix suggests that Legal Wise attempts to grow depends on whether it markets new or existing products in new or existing markets.

3.20.2 Market development

Market development is the name given to a growth strategy where Legal Wise seeks to sell policies into new markets.

The way that Legal Wise has approached this, includes:

- Different pricing policies to attract different customers thus creating new market segments. This has been done with the introduction of the Gold Plus Policy which is a more expensive policy and offering more to the customer.
- The Gold Plus Policy customer pays 49 per month.
- The benefits the customer obtains are:
 - a. 60 000 to cover legal expenses, an additional sum of R22 000 cover for a R11 increase of the monthly premium.

- b. Legal emergency fast track. This added benefit gives the customer an Immediate free ½ hour consultation per year with an attorney provided by Legal Wise.

3.20.3 Product development

Legal Wise has implemented a growth strategy, which is aimed at introducing new products into the existing market. The Life Wise funeral policy, which is a new development, was introduced and has appealed to the existing market.

In June 2003 Legal Wise's product development team responded to change in customers needs and developed the Gold Plus Policy. This product innovation aids in Legal Wise's development of new lines of customers. In addition to what the legal wise policy covers the Gold Plus Policy adds R22 000 added legal cover for an extra R11 per month, [R49] per month premium.

3.21 Scope of Business Activities

The differentiation and cost leadership strategies seek competitive advantage in a broad range of market or industry segments, which does not apply to Legal Wise. Legal Wise adopts the differentiation and cost focus strategy in a narrow market or industry.

In the differentiation focus strategy, Legal Wise aims to differentiate within a niche market. The special customer needs of the segments have meant opportunities for Legal Wise to provide products that are different from competitors, who target a broader group of customers. Legal Wise customers do have different needs and wants and there is a valid basis for differentiation that existing competitor products have not met and are not meeting. The Legal Wise policy, Life Wise policy and Gold Plus policy have met the needs and wants of the customers.

The other strategy Legal Wise has focused on is cost focus. Here Legal Wise seeks a lower cost advantage in just a small number of market segments. Legal Wises' policy is basic acceptance to sufficient customers.

3.22 Evaluation of SWOT analysis within legal wise

In assessment of the impact of environmental changes on current strengths and weaknesses of Legal Wise can help the managers to understand the changing environment, in such a way that will allow them to identify opportunities, or to recognise threats which are important.

3.22.1 The Unique value of Legal Wise

A customer-focused SWOT may also uncover a firm's potential weaknesses. Although some weaknesses may be harmless, those that relate to specific customer needs should be minimized if at all possible. In addition, a focus on Legal Wise's strengths in advertising and promotion is important to increase awareness in areas that a firm excels in. This method not only evokes a positive response within the minds of the consumer, but pushes the weaknesses further from the decision making process.

As can be seen, SWOT analysis can be extremely beneficial to those who objectively analyze their company. The marketing manager should have a rough outline of potential marketing activities that can be used to take advantage of capabilities and covert weaknesses and threats. However, at this stage, there will likely be many potential directions for the managers to pursue. Due to the limited resources, it is difficult to accomplish everything at once. The manager must prioritize all marketing activities and develop specific goals and objectives for the marketing plan. Contemporary strengths, weaknesses, opportunities and threats have identified for Legal Wise, on where it is now.

3.22.2 Changes in the Internal Organizational Environment

Various elements within Legal Wise's internal environment can also have an impact on marketing activities. Changes in the structuring of departments, lines of authority, top management, or internal political climate can all create internal weaknesses that must be considered during the SWOT analysis as well as in the development of the marketing plan. Legal Wise has recently been feeling increased competitive pressure from competitors. In order to increase market share, Legal Wise needs to create new marketing campaigns.

3.23 Bowman's Clock and Its Value to Legal Wise

Bowman's Clock as represented in Figure 2.7 aids in the selection of the correct strategy to satisfy the needs that determines customer behaviour. This would enable Legal Wise to be successful in the future by meeting the needs and demands of the customers.

The organizations name lends credibility to the legal solutions offered. The client feels more confident, of the professionalism particularly in obtaining legal power, and a voice to speak out. The client feels confident that the legal advisor would honour the confidentiality of the information gathered. The client knows that there is a pool of resources, which could be tapped into, and is available if needed.

It is evident that Legal Wise clients want all added benefits and are willing to pay the premiums of R38 per month to engage the advise of legal advisors. Having determined what legal wise clients want, it is necessary to determine what unique value Legal Wise offers the clients, as without them there would be no business.

The reputation of Legal Wise has given it a competitive advantage in. The ability of Legal Wise to act as a conduct by which knowledgeable people and those that need their knowledge are brought together everyday. The legal advisors with their knowledge face forward this legal knowledge to their clients ignorant of their rights. The primary value of

the firm is in its ability to marry the needs and expectations of its clients to those of its legal team.

The above competence are identified for Legal Wise and they have been used in determining the following new products * Life wise * Gold plus.

3.24 SWOT Analysis and its value to Legal Wise

The SWOT analysis is a popular tool used by managers as an organizing framework for imitative information and as a means of summarizing and integrating more informal analyses about the external operating environment and an organizations current resources and capabilities.

Legal Wise Alliance with Hollard Insurance Company has given Legal Wise rapid access to new technologies and new products to help resupply Legal Wise's product pipeline.

If this can be managed well it can boost Legal Wise's internal research and development.

The benefits of economies of scale investment and intellectual capital to be realized in terms of:

- * Increasing the sharing of knowledge and capital across the research function and between research and other functions.

- * The strategic management competences, identified by Legal Wise emphasize planning, analysis, evaluations and control.

External and internal operating environments involve reviewing Legal Wise's external operating environment, evaluating competitors and potential partners, developing good relationships with the organizations stakeholders and reviewing Legal Wise's structure and system.

Legal Wise is to establish strategies to guide the work of the organization. This involves helping to create a shared vision and mission to guide the work of the organization, helping to define Legal Wise, its policies and values.

* Evaluate and improve organizational performance is about managing the strategic Performance and achieving necessary improvements.

Legal Wise announced that it has taken action to drive the company towards profitability by the end of 2003/early 2004 and position the organization for the future. While Legal Wise recorded a 38% increase in revenue compared to 2000, the leader in legal insurance services has decided to reposition some projects in order for the company to reach profitability as a near term goal. As part of these prudent business decisions, all operations and activities of the organization were strategically reviewed and realigned as a result of this realignment.

Legal Wise enjoyed many successes, the strengthening of their current product as the Legal Wise policy being called the 'Gold Plus' with added benefits and a higher premium, was launched. As a responsible company, they have listened to their current and future customers, their employees and their strategic partners and decided to continue to align their priorities, focusing on their core strengths/programs while continuing to capture more of the marketplace to ensure they are on track to profitability. They are excited about what they are going to accomplish in 2003.

3.25 Self Reliant Company with a Vision

It was a small company with a few members. The company's focus was only Legal Advising and only one product called the Legal Wise Policy. Legal Wise has consolidated into a funeral and legal insurance policy. Its major business was in the legal insurance market. The founder Zak Crafford was extremely enthusiastic about the business.

3.25.1 Legal Wise Policy, The Flagship product.

The main product of Legal Wise is the policy. The policy has become widely known and well respected.

Legal Wise saw a potential market and started to penetrate more markets. Legal Wise wanted to provide an affordable legal service to their customers. It was far from obvious that legal insurance was a promising future market. There were no indications in terms of market investigations or any other indications that Legal Wise would grow into a mass market. Forecasts underestimated the number of subscribers to the policy.

3.26 Entering the South African Market

Two main acquisitions were made to obtain more members i.e. the acquisitions of Scorpion and Excalibur. Legal Insurance Companies has increased Legal Wise's dominance in the Legal Insurance Industry. Legal Wise continued its aggressive and ambitious ways of doing business.

Sale success and expansion continues as Legal Wise continues to enter into markets within South African Industry. Legal Wise has engaged repeated successes when Life Wise the funeral policy was launched. Legal Wise has managed to increase its market share with the Life Wise policy.

At the beginning the financial results were not encouraging and much work was clearly needed to transform the Company into the organization which was the vision of Zak Crafford. Attention was focused on culminating weaknesses and exploiting strengths. Two of the early key goals were defined as being a rapid increase in sales and market share.

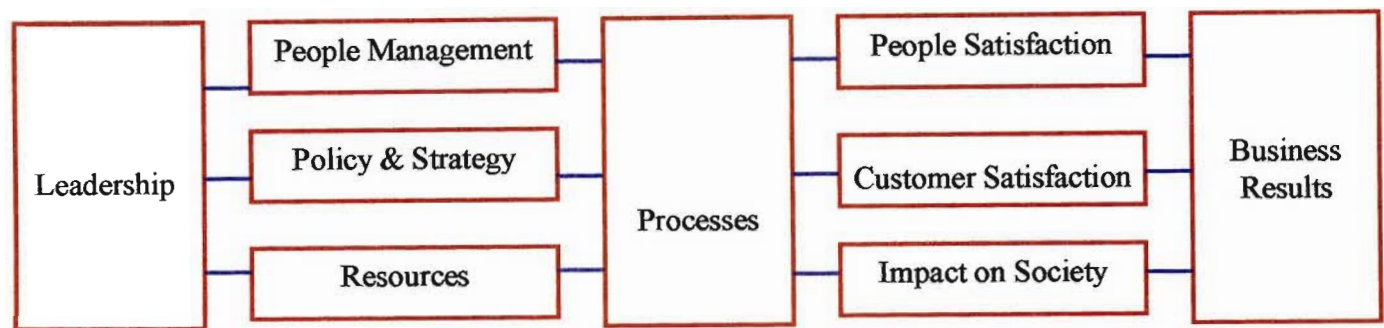
Against the backdrop of a company in the service industry and the constant need to improve service, there is a need to get managers and employees within the company thinking and behaving similarly. Hence in the year 2001 it was decided that customer service training will be given to staff, and Legal Wise should become the champion in this service industry. In the late 1990's it also became clear to Legal Wise that whilst technological innovation was vital to future success, it was insufficient on its ,as many of the customers do not have access to them. The quality customer service training was the chosen route to becoming more customer oriented. Organisations like Legal Wise have come under increasing pressure to improve their customer service, focusing their efforts on customers.

3.27 The Business Excellence Model and Its Values to Legal Wise

The Business Excellence Model as reflected in Figure 3.2 illustrates the key business areas as adopted by Legal Wise, the enablers and the results – typically addressed by Legal Wise striving for superior business performance. This particular model included nine main categories, such as customer satisfaction, people satisfaction, the impact on society achieved through leadership driving policy and strategy, people management, resources and processes, leading ultimately to excellence in business results which legal wise is striving for both financial and non-financial. Financial measures include profit, sales, cash flow, working capital, liquidity and non-financial targets including service level achievements, market share and service delivery times.

Various awards have been set up to encourage adoption of business excellence principles and these provide a platform for measurement or self-assessment. In Legal Wise a process of workshops and discussion groups were held throughout the recent years. In launching these programmes there has been total commitment from the CEO and all executive staff.

Figure 3.2-The Business Excellence Model (Johnson and Scholes, 2002: 621).



3.28 Setting the direction for Legal Wise

There was already in existence a corporate mission statement but it was not closely linked in the minds of the staff with their day-to-day activities. The training programmes have attempted ensuring that employees had the skills to accept the goals and translate them into local action plans. Management was encouraged to recognize achievements at local and national levels. Strong efforts have been made to break down the walls between the various parts of the organization and create an atmosphere in which cross-fertilization was not only accepted but also actively encouraged until it became a way of life. These changes were not easily or readily accepted in all parts of the organization.

Whilst the benefits could be seen on an intellectual plane, at a cultural level some groups found it easier to move faster than others. The difficulty of achieving success cannot be underestimated.

3.29 Approaches to manage and achieve Legal Wise goals

The yearly plan comprised of all the goals and performance the company had to reach during the year. Goals related to sales volume, profit and loss, are generally managed by management control through budget. In order to be progressively competitive, more challenging goals had to be identified each year.

With Legal Wise business achieving only modest revenue and earnings growth throughout the early mid – 90's, the board of directors took steps towards revitalizing the company. The board's succession plan called for outsider Tony Fornali to lead Legal Wise.

Tony Fornali's first task as managing director was rapid growth of the organisation. During Fornali's first year as Legal Wise managing director, money was used to develop new products, increase advertising and increase dividends. Fornali's strategy also called for Legal Wise to improve its image with customers in South Africa, develop new products that could be marketed, and use technology to aid sales representatives in placing and tracking Legal Wise policy sales. Fornali believed Legal Wise needed to create more lucrative income opportunities. Zak Crafford and managing director collaborated in the development and execution of strategies, directed at improving Legal Wise competitive strength, in the legal insurance industry.

The improvement of Legal Wise's image due to the 2002 market research was another strategic initiative advanced by Fornali, had found that many potential customers considered Legal Wise's product to be an inferior product. Legal Wise attacked this with the launch of the Gold Plus Product, and a new advertising campaign which was intended to illustrate the necessity of the Legal Wise product. Legal Wise improved its website under Fornali making it easier for customers to join Legal Wise.

3.30 Customers Demographics

Many of the product innovations in Legal Wise were developed specifically to address the concerns of customers with average disposable income. Product innovations focused on the needs of people who had little money and concerned about the law and the protection of their rights.

Even though Legal Wise is the best known legal insurance company in South Africa, the rivals are many.

3.31 Tony Fornali and Legal Wises's strategic direction

When Tony Fornali became Legal Wise's new managing director, the company's annual sales growth had slowed. Legal Wise was in need of a bold new direction. Fornali called for the launch of the new product the Gold Plus Policy.

3.32 Crafford vision for Legal Wise

Zak Crafford envisioned Legal Wise would be the ultimate in legal expenses insurance. Crafford's view of Legal Wise was that of a company going far beyond selling the Legal Wise policy to becoming a trusted source for almost any type of advice the customer needed. Legal Wise sales representatives were vigilant in protecting their customers and sales and were aggressive in the sale growth opportunities.

3.33 New Strategies to increase sales

Zak's strategies for Legal Wise were intended to grow revenues and market share by correcting many of the company's competitive liabilities, with direct sales force. Zak believes the Internet could be among the best hopes for Legal Wise's future growth.

Legal Wise has gained input from its independent sales reps through multiple surveys and individuals who came to Legal Wise with developed sales skills or a natural ability to sell the company's products.

Sales leadership allowed Legal Wise sales representatives to recruit agents who they believed might have a knack for sales and to share in their successes. It also included training programs, on the policy, which allowed sales reps to receive training in sales tactics.

Zak recognized that the Legal Wise sales force, relied on appealing products to increase sales. As the managing director Zak pushed the company to develop new products and launching appealing products. The company's market research showed that Legal Wise attracted largely working and middle class customers who could not afford an attorney but needed their assistance, and this was possible with a reasonably priced policy i.e. the Legal Wise policy for R38 per month.

3.34 Legal Wise operating strategies and implementation

In examining the operating strategies and their implementation within Legal Wise, it has provided clarity in respect of new strategies that can be implemented.

3.34.1 Marketing transformations

- Higher quality, timely market intelligence
- Category brand, and concept focused marketing strategy
- Flexible product development cycles
- Comprehensive product screening
- Fewer innovation, new products
- Campaign planning
- Brochure creation
- Use of catalogs

3.34.2 Supply chain improvement

- Supplier management
- Leverage supply chain planning tools to reduce cost and inventory levels
- Strong linkages and focus between marketing and supply chain operations
- Product segmentation

3.34.3 Sales leadership

- Faster growth through expanded coverage
- Improved representative earnings opportunities

3.34.4 National

- Sales leadership and training
- National expansion
- Expansion of outlets
- Advertising

3.34.5 E. Commerce and Internet

- Utilization of Internet in sale of policies
- Internet based customer service functions, including contracts such as ,purchase and sale agreements available to clients
- Utilization of Internet to provide representative with sales training.

3.35 Image Enhancement

The transformation of Legal Wise image called for new products, new packaging, and new advertising campaigns. Legal Wise increased the company's expenditures for advertising by 1 million in 2002 and early 2003. The company's advertising focus on its global "Don't talk to me, talk to my lawyer" campaign, which attempted to portray Legal Wise as a voice for the people. Management has seen the company's endorsement by

Arny Bekker, from LA law as an embodiment of Legal Wise's values of empowerment and self-fulfillment. The company also designed Legal Wise brochures to better reflect the legal industry.

Changing Legal Wise's image and developing national campaigns will involve new approaches to market intelligence, marketing strategy, new product development and market planning. Zak calls for better and more timely market intelligence on various customer groups. Zak requires Legal Wise marketers to integrate their decisions with others in the organization, including product developers. The product development effort calls for shorter development cycles and more highly innovative products, and more frequent development of breakthrough products.

Once new products are developed, Legal Wise marketers create campaigns in shorter time flows so that products could go to the market earlier. Market research and slight increase in policy sales have indicated that Legal Wise efforts to enhance the brand image have achieved some modest success by December 2002.

3.36 The Gap Analysis and its value to Legal Wise

The following gaps have been recognized in Legal Wise's Strategy, namely:

- i) Improvement
- ii) Increase member/customer base

Where is Legal Wise now?	Limited member base
Where does Legal Wise want to go?	Increase customer base, improve service
How does Legal Wise get there?	Investment, improvement in infra-structure, analysing the competitive industry

➤ Performance Gaps

- Improvement gaps (effectiveness and efficiency) – increase capacity, technology and innovation.
- Expansion gap – to increase growth, penetrate new markets product development, target new market – new markets to conquer.
- Prior to implementing the above two – the diversification gap needs to be closed.

The potential in Legal Wise market has remained static for too long. In order for markets to grow, Legal Wise should implement innovative product differentiation and add new policies.

Increase in industry market penetration –

- Product Line Gap – Policies create new policies.
- Distribution Gap - expand coverage in South Africa.
- Usage Gap – Stimulate align users of product – encourage usage of Legal Wise product.
- Competitive Gap – By diversification, different products can be introduced to the line.
- Current Sales – Defend market shares – must be more competitive.

3.37 Summary

This chapter focused on how a company can achieve or defend competitive advantage through the strategy and business models it employs and its management of the value chain.

We further examined how the company has followed the route of competitive advantage, the most basic is to provide buyers with what they perceive as superior value, good product at a low price.

We examined the leadership task and the gaps that exist within the company.

CHAPTER 4

IN THIS CHAPTER INFORMATION IS EVALUATED IN AGAINST THE MODEL DEVELOPED AT THE END OF CHAPTER TWO.

4.1 Introduction

Legal Wise has used resources at its disposal to compete and develop an advantage by introducing products, which are innovative and differentiated. Legal Wise has obtained marketing approval, and the company has demonstrated the value of the Legal Wise policy to cost conscious payers.

Legal Wise acquisition of Excalibur and Scorpion two legal insurance companies, was a successful deal for Legal Wise. The companies were seen as potential partners of choice because of the business that complemented Legal Wise portfolio. One of the pillars of achieving the strategic goals was the formation of strategic alliances.

Proponents of organic growth claim that marketing success develops from the right skills, resources and competences rather than from sheer size of sales force. Legal Wise should improve internal performance, which is a superior alternative, because many companies suffer from high employee turnover, poor use of technology and sale techniques, that don't appeal to today's employees.

Extensive promotional techniques were concluded and reinforced Legal Wise's momentum as the leading legal insurance company in South Africa, through a generation of substantial brand awareness and customer flow for the business.

4.2 Experience

Within Legal Wise there exists an organisational way of doing things to the business idea, but this has not been done in a planned fashion. The business idea, which originated in the mind of entrepreneur Zak Crafford has been developed over many years through trial and error as the entrepreneur grew the business and experienced success and failure. Over time and through experience the business idea developed. The delivery of the Legal Wise idea gradually became embedded in the organisational process and routines around which people learned to cohere.

The experience of individuals and groups of people working together gradually built into a culture reinforced by success (Johnson and Scholes, 2002: 256).

The experience lens emphasises the importance of history and culture. Legal Wise has been successful as a result of developing ways of doing things. The business idea for Legal Wise has become routines of the organisational field and Legal Wise has come to be taken for granted. The embeddedness of this cultural business idea means that it is very difficult to change. For future strategies to be developed effectively there must therefore be means of questioning and challenging, that which is taken for granted.

The deeply embeddedness taken for granted, everyday routines has made up the basis for success. Outsiders have found it difficult to identify them. The message from the experience lens is that a reliance on analysis and planning for making sense of complexity might well underestimate the problems of managing the business idea. Challenging the taken for granted components of that idea may well be an important way of understanding the strategic situation, the organisation is in and deliberating on ways to go forward. It needs to be recognised that it will not be easy to do. Executives who wish to do so will need to invest in substantial time, not only of their own and other senior executives, but also of people in the organisation whose day to day lives are engaged with such processes.

4.3 Idea Lens

Looking through the idea lens, there is an acceptance of the way in which the Legal Wise business idea has become embedded in the culture of the organisation. The idea lens helps to explain innovation, and how new business ideas have come about.

The successful idea for Legal Wise being the Legal Wise policy has proved to be more attractive to the conditions of the environment. The environment within South Africa called for justice and the affordability of an attorney. Legal Wise has heard these calls and this business idea has proved successful to investors, employees and most importantly to the customers.

In a context in which the environment is changing rapidly and innovation matters, the competencies that are really core in achieving competitive advantage, are those of innovation and the development of new ideas (Johnson and Scholes, 2002: 260). Legal Wise has been successful with the innovative Legal Wise policy, funeral policy called Life Wise and the most recently released Gold Plus policy.

Legal Wise although successful with the above-mentioned policies, has failed to recognise potential successful ideas from lower down in the organisation.

The idea lens suggests that Legal Wise should explore more lap down management as there will be a variety of ideas within and between business ideas. Imperfect copying and deviations from the business idea will throw up new ideas for Legal Wise.

The challenges are for managers within Legal Wise to accept that they cannot control everything within the organisation. Legal Wise management should cultivate the potentially positive effects of the imperfection and deviations in and around the organisation.

Legal Wise management needs to have an overall view of the environment. Legal Wise has failed to and has been unsuccessful in recognising how different forces internal and external to the organisation interlink and are integrated.

The business idea should not be looked at as a fixed system, but needs to be seen as an adaptive one.

4.4 Sustaining Low Price Advantage

Legal Wise success has been achieved by the organisation sustaining reduced prices over competition, which has helped it achieve cost advantage.

The experience curve effect has also been important, where Legal Wise move fastest down the experience curve such that it achieved market share position significantly greater than that of competitors by the time the market has become mature.

Legal Wise has benefited from the low cost position, by reinvesting profits into basis of innovation, with the Gold Plus policy.

Porter actually defines cost leadership as the low cost service provider in its industry, low cost service provider must find and exploit all services of cost advantage. Legal Wise success has been borne by it achieving competitively low cost by careful examination of capabilities and competencies in parts of the value chain.

4.5 Competition and Collaboration

Collaboration by Legal Wise with fellow attorneys is a crucial ingredient in achieving advantage and avoiding competition. Collaboration between competitors has been advantageous in that costs have been lower than operating alone. The collaboration has improved cost efficiency, quality, reliability and improved service

4.6 Product Development

Changes in the business environment create a demand for new products and services. Legal Wise has failed to be successful in bringing new products to the existing markets. Product development for Legal Wise has only been in respect of two policies for more than a decade.

Legal Wise has failed to follow the changing needs of customers by introducing additional product lines.

Legal Wise has not recognised the need to respond to change of emphasis amongst customers concerning the importance of service features. Today's customers have become more experienced at judging value for money.

Legal Wise alliance with Hollard Insurance Company has been one of mutual advantage and trust. This network has been enduring and has provided considerable mutual benefit to the organisations.

The factors influencing the alliance for Legal Wise with Hollard is one where Legal Wise found itself operating in a business environment where the alliance has secured Legal Wise's success for over a decade.

The alliance matches Legal Wise's situation where assets do not need joint management and capital, expertise and know how has come tag for Legal Wise success. Hollard being in an alliance with Legal Wise is the underwriter, which is part of Legal Wise's operation as a whole.

Legal Wise has operated in a situation where the expectation that alliance is the preferred development method. The alliance has diluted the risk for Legal Wise and Hollard Insurance. Stakeholders have preferred this as it spreads the financial risk.

4.7 The ingredients of Legal Wise successful alliance

Trust has been the most important ingredient of success and magic reason for Legal Wise's success. Trust has been competence based in the sense that each other is confident that the other has the resources and competencies to fulfill their part in the alliance. The competences in business processes are decision-making, motivation of staff as well as operational competences. Trust with Legal Wise and Hollard has also been character based and concerns their trust with each other's motives and is compatible in terms of attitudes to integrity, openness, discretion and consistency of behaviour.

Legal Wise and Hollard have allowed the alliance to evolve and change rather than prescribing it too parochially at the outset. This has included agreements between Legal Wise and Hollard that regular reviews be undertaken of how the partnership operates with the purposes of agreeing changes or adjustments to the main operation.

Hollard and Legal Wise has operated under the above mentioned circumstances in that upon Legal Wise embarking on the new improved policy i.e. Gold Plus policy, the Life Wise funeral policy, and the clauses for cover in the funeral policy has been supported by both parties. An understanding of customer needs and how they differ between segments is crucial to developing the appropriate strategic capability in an organisation. Legal Wise has not provided policies to different market segments.

However, perceived customer value has been understood. In this market segment where customers value price, Legal Wise has identified this and the legal wise policy was borne.

Product features were also expected from Legal Wise into this segment. Legal Wise has provided customer quality service and good value for money product features that has suited Legal Wise clients needs which were especially valued by customers in this segment for Legal Wise to be successful. Value is useful in understanding customer needs and how they differ between segments, this approach is shown in Figure 4.1 and 4.2.

Figure 4.1: Perceived Value Model (Johnson, Bowman and Rudd's, 1998).

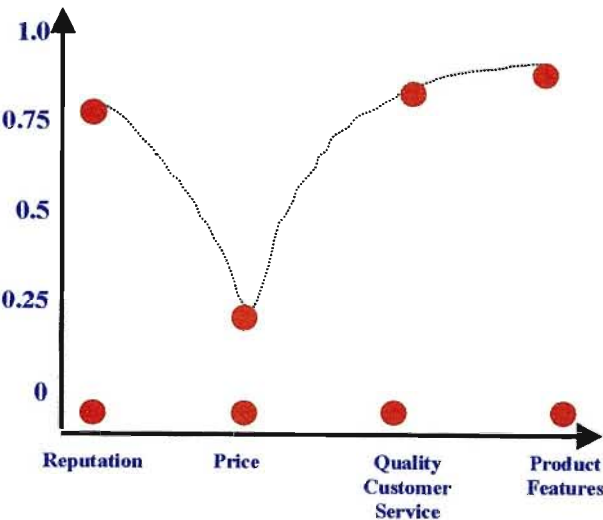


As per Figure 4.1 reflecting customer's importance of perceived value, it is evident that Legal Wise clients value price and customer services.

Legal Wise has focused only on a specific segment demand i.e. low price and customer service and appealing to only this specific segment.

For success in other segments, Legal Wise should focus on additional product features and more expensive, differentiated policies.

Figure 4.2 – Product Feature Model



As shown in Figure 4.2 knowledge is important to Legal Wise as it finds itself in a knowledge-based economy. Knowledge is defined as awareness, consciousness or familiarity gained by experience or learning.

Within Legal Wise, the Legal Advisors are to be knowledgeable of clients' rights, new labour law, new acts and promulgation within our ever-changing legal systems. Customers value knowledge, as it is important to resolve their disputes and problems.

Knowledge links to resources. Legal Wise is in possession of resources to send Legal Advisors on training to be knowledgeable of new developments within the legal system to meet customer requirements.

Knowledge with Legal Wise is the organisations core competence in that it provides competitive advantages and future success. Legal Wise has neglected to identify that Legal Wise employees need constant knowledge training for future success.

The theme of knowledge and knowledge management process is an important source of competitive advantage

Figure 4.3 - Critical Success Factor Model (Johnson and Scholes, 2002: 158).



Knowledge maybe captured by a system or a business process, which may be an important competence. Since important knowledge will rest outside an organization the process which integrates knowledge between organizations are important. This is a threshold requirement for doing business. Unlike resources, which might dispute over time, knowledge based competencies are likely to improve with time, as experience is accumulated (Peteraf, 1993: 179).

4.8 Summary

This chapter has examined how Legal Wise has used its resources at its disposal to compete and develop an advantage. We further examine how future success can be obtained in the Legal Insurance industry and the features of products valued by customers.

CHAPTER 5

RECOMMENDATIONS FOR THE ORGANIZATION WHAT IT HAS DONE WELL AND HOW IT HAS REINFORCED THE ASPECTS AND WHAT IT HAS NOT ATTENDED TO.

5.1 Introduction

Corporate strategy is the pattern of major objectives, purposes or goals and essential policies or plans for achieving those goals. It is stated in such away as to define what business the company is in or is to be, and the kind of company it is or is to be (Irwin and Homewood, 1971:28).

Companies in industries around the world are in a race that gets more difficult every year, with bigger, stronger, and more innovative competitors. In addition, the rules of the race are constantly changing with the emergence of electronic business, globalization, disruptive technologies, innovation and convergence of industries. Competitors who have been in other races suddenly join your race with strength, technology, and new approaches to the market – often becoming instant leaders.

Nonetheless, it is possible to lead in this race for long periods of time and to create significant value for shareholders and employees. To do this, companies need a strategy that sustains their strong position in the race, anticipates changes, and helps them continue to lead.

The rules of the race are simple:

- Competitive advantage is short-lived.
- Today's competitive advantage is tomorrow's competitive requirement.
- Companies without a competitive advantage should expect, at best, zero return.

More generally, Professor John Kay (1993:367) has argued that competitive advantage is more generally based on stability and continuity in relationships between different parts of the organization

5.2 The new corporate strategy

For a variety of reasons, Legal Wise has underdeveloped strategies. With the pace of business today, industry leaders need to think through and plan for the next industry lifecycle or risk being dethroned. It is possible in today's environment to fully engineer Legal Wise from a strategic point of view in a way that was unthinkable five years ago. Advances in technology, combined with worldwide deregulation and decontrol of product and financial markets, allows new flexibility in the implementation of company strategies. The key to implementing this type of strategic structure are managers who have competency and understanding in the broad strategic and tactical issues facing each functional area of Legal Wise. These managers are able to implement strategies based upon creating value from cross-functional processes. An effective strategy development process begins to recreate this general management perspective and builds a general management learning competency among top executives at business and enterprise levels.

5.3 What is strategy?

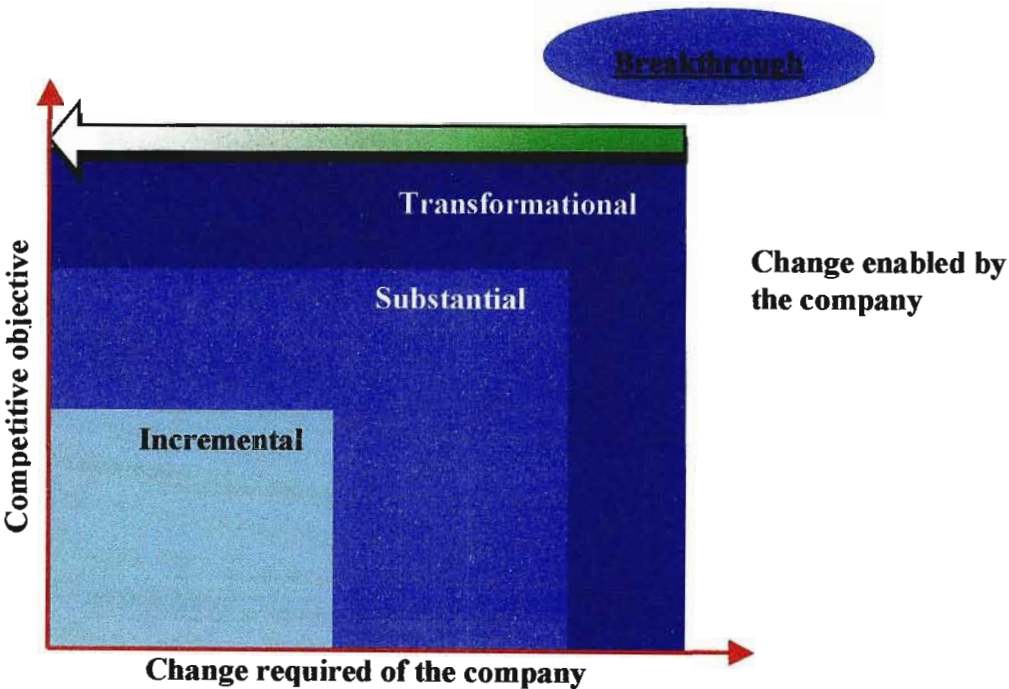
Strategy is what Legal Wise does to sustain and grow its business value into the future. Over the years, strategy has evolved from the traditional financial planning of the fifties to asset management in the nineties. Legal Wise strategy requires investment in thought leadership, in order to remain a step ahead.

5.4 Redesigning the playing field

Sustained value creation in today's highly competitive market will involve a breakthrough strategy – one where Legal Wise wins by changing the rules of the industry

in which it competes and is rewarded by a disproportionate increase in sustained value. Identifying breakthrough opportunities is difficult because they imply major change and risk for the company. Implementing them is even more difficult. This is why breakthroughs are well rewarded in the market. In this context, the job of a contemporary strategist for Legal Wise is to structure a continuous management process that relentlessly seeks and achieves value for Legal Wise. Too often, management finds that it is unable to gain a broad perspective on their business, and assess in a coherent way the range of value creation opportunities available to them.

Figure 5.1- Breakthrough Model (<http://www.ibm.com>).



Consider three grades of change: incremental, substantial, and transformational. Incremental change involves better “blocking and tackling.” Substantial change involves calling new plays, perhaps with new players. Transformational change redefines the game, both within the company and its industry. The company needs to break through the conventional wisdom of competitive parity to first capture and then sustain an advantage.

5.5 Legal Wise's approach to strategy should be based on 5 core principles:

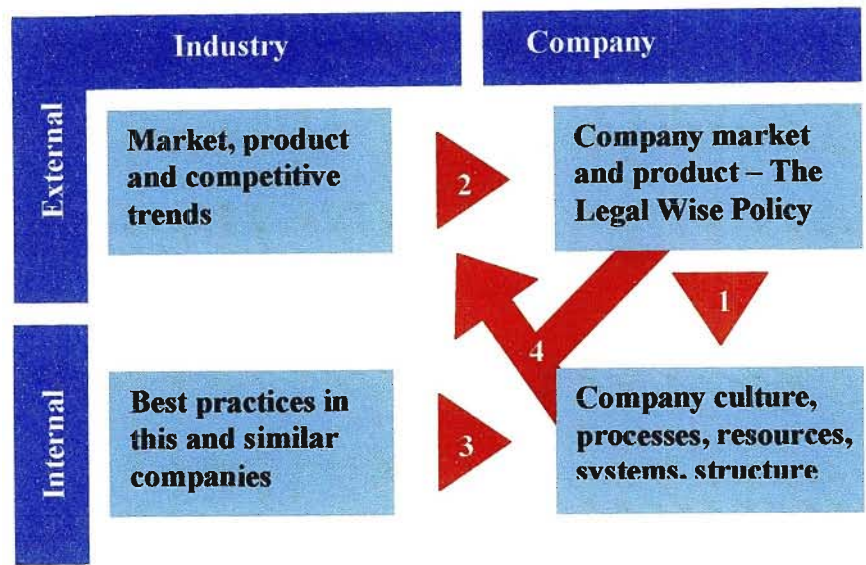
1. Find value across the company
2. Have a bias for rapid implementation
3. Bring industry-specific expertise
4. Be customer-driven
5. Create a strategic management competency

The breadth and speed of endeavor implied by these principles position breakthrough strategies within the realm of possibility.

The first critical step towards reaching the level is to understand external and internal issues from the perspective of Legal Wise and also from the broader perspective of the company's industry (including customers, competitors, suppliers, and possible new entrants). Fact-based insights gained from a comprehensive understanding can form the basis for good strategic thinking.

The breakthrough framework model as per Figure 5.2 organizes this comprehensive understanding into four categories, and specifies the current and future state of each. This framework is more than just a convenient way to ensure a thorough review of the company's competitive situation. The power of the framework lies in exploring the space between the quadrants as shown below:

Figure 5.2- Breakthrough Framework Model (<http://www.ibm.com>).



This framework suggests four types of strategies:

- | | |
|--|--|
| 1. Operations alignment:
“Right sizing” | 3. High performance organization:
Beyond best practice |
| 2. Repositioning:
New market/product focus | 4. Breakthrough:
Change of the industry |

5.6 Transformational Change

Breakthrough is transformational. In the other three strategies, competitive conditions in the industry are more or less assumed to be fixed. The strategies involve understanding and responding well to these conditions to the point of being able to anticipate them.

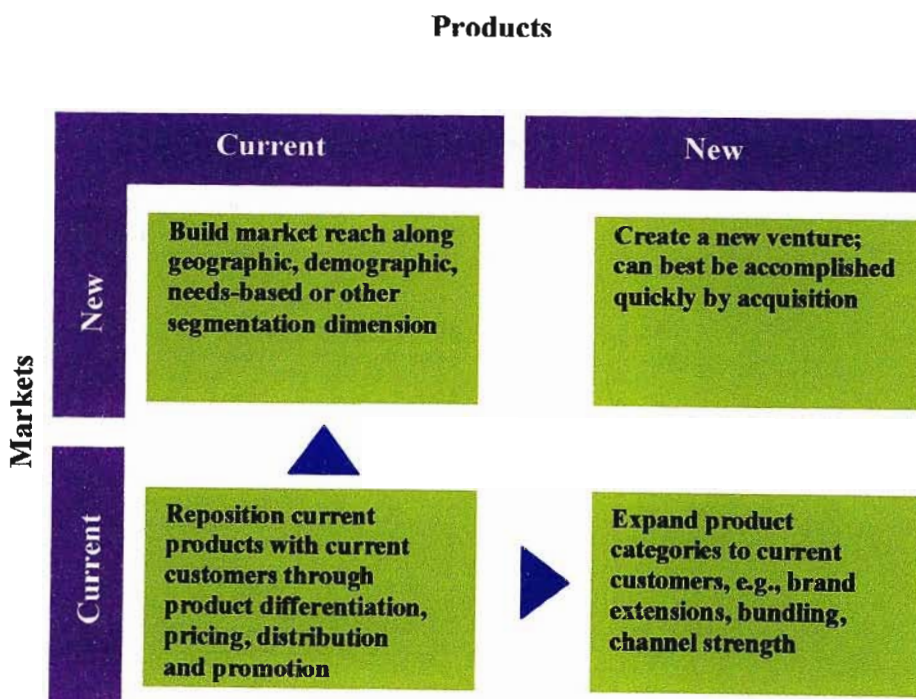
A breakthrough strategy combines the other three, and adds a dose of entrepreneurial zeal with the intent of changing the rules, and hence the competitive conditions of the industry.

Breakthrough strategies are often “resource based” in that the company builds a core competence which transcends current industry practice and thus creates new and attractive market/product opportunities. The breakthrough strategy shown below – new markets and new products – is not really repositioning rather, it implies a new business. Experience has shown that trying to do this organically has a low probability of success. Acquisitions fare somewhat better although the burden of proof is heavy as the need for a strategic fit and economic pay back. Given that the acquired markets and some products are new to the company, the strategic fit is often tenuous, while the economic projections vary widely on shaky assumptions.

Resources need to be developed with a clear vision and intent for the company’s economic exploitation on behalf of shareholders. Agreeing on an incremental, substantial or transformational strategic objective is not even half the battle. There are usually several viable alternate routes to achieving the objective. The key initial challenge is to develop a shared strategic vision among the management team.

It is necessary to explore a number of positioning areas. This is outlined in the Figure 5.3 the positioning matrix. In the development of customer strategy customer analysis will often move rapidly to an examination of market segmentation

Figure 5.3- Positioning Matrix Model (Aaker,1992:48).

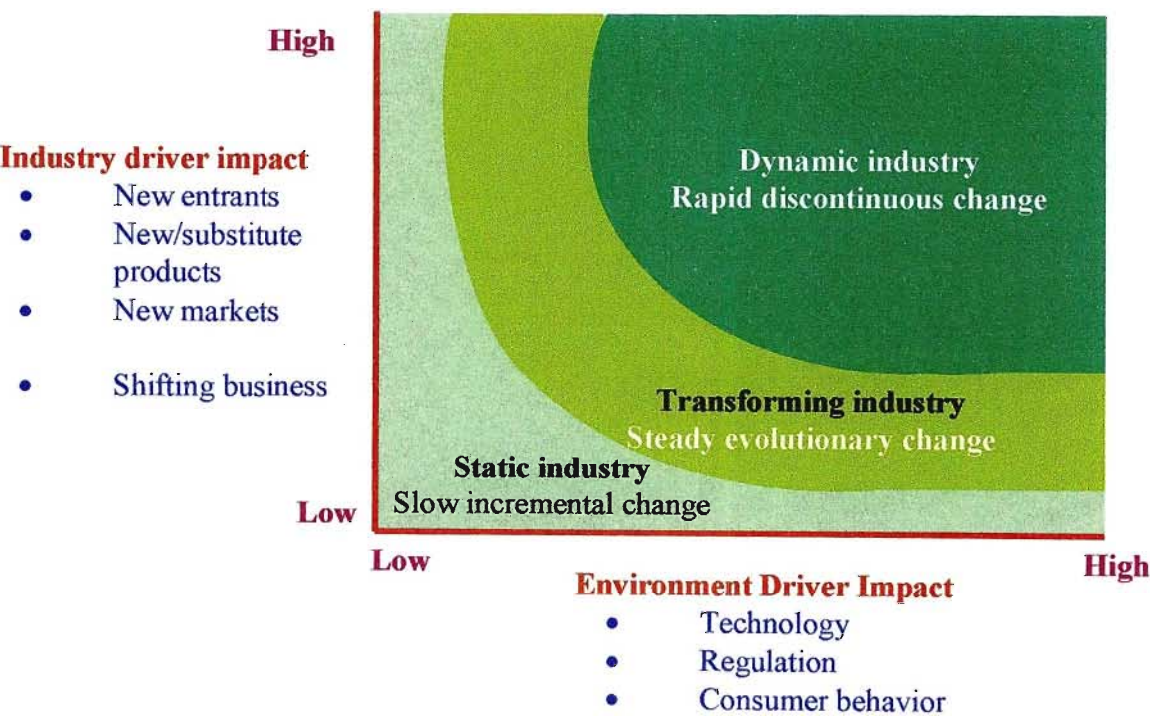


5.7 Breaking Away in Rapidly Changing Markets

The future of many established businesses entails for them to be armed with new technology and skills, to solicit their customers with alternative product and service offerings.

Such is the phenomenon that is beginning to occur as a result of innovations in technology, greater accessibility to information and more sophisticated consumers. Traditional methods of industry analysis and forecasting cannot anticipate customer demand for products based on technologies that don't yet exist. An new approach is needed to plan strategically in rapidly changing environments.

Figure –5.4 Positioning Matrix Model (Aaker, 1992).



5.8 Vision Into action

While specifying a winning strategic vision is important, the vision alone will not produce valuable results unless it is implemented rapidly. Successful strategy implementation starts with the selection of the strategy team. This team should include key decision makers, operators, and those with significant influence over strategy direction. In addition, management must promote intensive communication of the vision to all others to influence business performance across the organization. This communication builds understanding, develops consensus, and encourages commitment.

As the vision is developed and communicated, the process involves key implementation players at all levels of the organization in developing operating targets and action plans. People must come together in crossfunctional project teams to specify what the company must do day-to-day to succeed with the new strategy. They are then positioned to implement their plans using operating measures and targets to manage against the strategy, which they helped, create.

In successful strategies these “frontline” plan to be integrated into an economic model of the strategy and a business plan, which outlines the investments and payoffs, expected from the strategy over the next five years.

At the same time, in order for Legal Wise to be successful it must recognize that because competitor and market conditions can change rapidly, strategy development must also include the refocusing of general management processes to quickly understand changes and rapidly adapt to them. A solid strategy development process should lead to ongoing strategic management of the company.

Even when correct strategic thinking is shared at the executive level, failure in management can lead to incomplete or flawed implementation. Instead, correct strategic thinking and implementation success should not be independent events. Good strategic

thinking requires operating experience; success in implementation depends on key issues being surfaced early in the strategy development process.

In addition, implementing strategic change means getting people across the company to change their behavior. It is critical to identify, measure and reward behavior early through key performance indicators. In addition, these indicators must be linked to value drivers as well as to the company's competitive objective.

The implication for strategy consulting is that the process of developing a strategy is as important as the correctness of the solution.

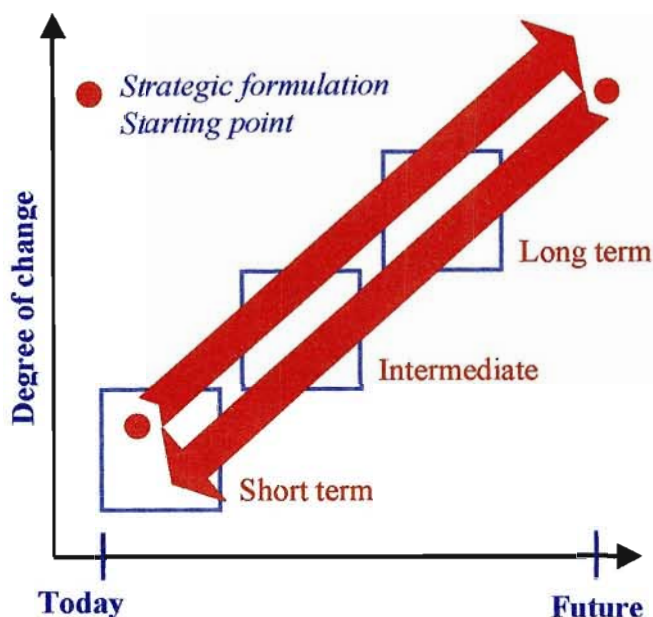
Rather than just looking at existing strengths and trends, as is typical of traditional corporate planning, a new approach called Scenario Envisioning can help Legal Wise develop a new vision of an industry's possible future.

Scenario Envisioning is a future-based vision approach that allows Legal Wise decision-makers to rethink how the driving forces of their industry might combine in surprising ways.

In these new models of the future, executives should test their current strategy and develop and explore other options. They can practice operating and understanding their business in states that current rivals don't expect, making decisions today that will enhance their organizations chances of succeeding tomorrow.

Scenario Envisioning develops customized pictures of a company's future markets that are distinctly different from the present, and yet quite possible. These visions form the basis for developing optimal strategic options.

Figure 5.5 – Traditional Strategic Planning vs. Future Vision –Based Strategic Planning Model (<http://www.ibm.com>).



In order to close the gaps Legal Wise needs to generate and evaluate strategic options, to identify initiatives that will operationalize the strategies; and prioritize and fund these initiatives based on their expected value impact.

5.9 Developing Strategies that Create Value

This will enhance future growth for the company and create benefits for the employees.

5.9.1 At the foundation of our approach to developing strategies that create value are three key tenets:

First, there is an intrinsic link between strategy and finance despite the fact that many companies allow these two domains to operate independently. In reality, strategy should be at the heart of financial results, in Legal Wise.

Second, strategy is about choice. Legal Wise should consciously choose which of their current markets to invest in, where they will compete now and in the future, and how they will develop and maintain positions of advantage. Different choices have different value consequences and any strategy the company considers should be measured against its ability to produce value than another strategy.

Third, value is actually when Legal Wise bridges the critical gap between strategy and operational management – when they develop strategies with the objective of maximizing value and then aligning the company and focusing on employees to make these strategies happen.

It follows that the approach to value management, unlike others based solely on value metrics, puts strategy at the core and integrates strategic, financial and operational planning through five mutually supporting value processes. All of these processes must be addressed to achieve the desired results of business performance.

- ***Corporate strategies and goals*** – Linking vision, objectives and strategies with value.
- ***Resource allocation and planning*** – Dedicating resources to develop required capabilities and harvest capital from unproductive uses.
- ***Compensation*** – Aligning reward systems.
- ***Performance management*** – Managing operational execution.
- ***Value communication*** – Reinforcing key value messages.

We use a variety of techniques to assist in the development of value realization strategies:

- ***Value driver sensitivity analysis and external benchmarking*** help to identify the best areas to target improvement initiatives.
- ***Value mapping*** indicates the relationship between the value of a business (or segment) and the capital invested. (It is typically performed using both internal plans and market expectations of the corporate and business unit results). It

highlights areas of strength and weakness from a return on investment perspective and brings gaps between current and desired performance into critical focus, for the company.

However, good strategy development is seldom so linear. Hence, the real value is in the breakthrough strategy approach that the methodology builds upon. This approach is used when working with senior management teams to develop and implement winning business strategies. It is also a model of the way we think and work with clients to create and implement-winning strategies focused on the best alternate for shareholders.

5.10 Building strategic resources for strategy formulation

Legal Wise confronted with increased complexity in their markets, products and value chains, has responded with classical division of labour approaches.

This has led them to create highly “functionalised” organizations populated by narrow specialists who work across many market segments. General managers are a scarce resource in many large corporations, although the title may appear on many organization charts. The problem with this typical approach is that a customer-driven view of a business usually argues for a process-based (i.e., crossfunctional) organization focused on quick, effective response to customer demand. What is needed are functional “generalists” who specialize on specific market segments.

The strategy formulation approach assembles cross-functional teams of managers to develop and implement a new strategic vision. In this process, managers develop their own general management skills to continuously update and improve their strategy – be it through repositioning, scenario envisioning or other types of strategies.

As these management skills are extended throughout the entire organization, the company can re-evaluate its management processes so that responsibility and authority for strategy (i.e., profit creation) is pushed as far towards the frontlines as possible.

5.11 Characteristics of Strategic decisions

The strategy of Legal Wise is concerned with the long-term direction of the organization. Legal Wise has embarked on a path with its interests in the people of South Africa. Strategic decisions are about trying to achieve some advantage for Legal Wise over competition. The acquisition of Scorpion and Excalibur was justified in terms of increasing Legal Wise's database of members. Acquisitions are the most popular means of diversifying into another industry. However finding the right kind of company to acquire sometimes presents a challenge (Porter, 1980: 354-55). The acquisitions have provided a major advantage in the Legal insurance decision to the extent that it has transformed the way in which legal insurance is sold and distributed. The strategic advantage is also seen in providing better value for money services than other providers.

The issue of scope of activity is fundamental to strategy because it concerns the way in which those responsible for managing Legal Wise conceive the organization's boundaries. This has included important decisions about product range for Legal Wise. The broadening of scope activities is an important reason for Legal Wise implementing Life Wise a funeral policy.

The notion of strategic fit is developing strategy by identifying opportunities in the business environment and adapting resources and competencies so as to take advantage of these. Here it would be seen as important for Legal Wise to achieve correct positioning, in terms of the extent to which it meets clearly, identified market needs. Legal Wise has achieved this by meeting a market need for legal services.

The future strategies for Legal Wise may require major resource changes as decisions for expansion geographically into other developing countries have significant implications in terms of the need to build and support a new customer base. This might be seen as high risk, where there is strong competition. Strategies need to be considered not only in terms of the extent to which the existing resource capability of Legal Wise is related to

opportunities but also in terms of the extent to which resources can be obtained and controlled to develop a strategy for the future.

Strategic decisions are likely to affect operational decisions, where the Legal Wise strategy requires a whole series of other decisions. After the acquisition of Scorpion and Excalibur, new structures and management controls, were needed to deal with the much more diverse set of activities. Human resource policies and practices were reviewed. This link between overall strategy and operational aspects of Legal Wise is important for two reasons. If the operation, aspects of the organization were not in lines with the strategy, then the organization would not have seen success. Secondly it is at the operational level that real strategic advantage was achieved. Legal Wise has been successful not only because of a good strategic concept, but also because of the detail of how the concept was put into effect in terms of logistics of accessing and serving customers. Legal Wise “Knowledge of how to provide service to the” not so wealthy was seen as particularly attractive.

The strategy of Legal Wise has been affected by values and expectations of those who have power in and around the organization. In some respects, the strategy for Legal Wise can be a reflection of the attitudes and beliefs of Zak Crafford who has most influence on the organization.

Strategy is the direction and scope of Legal Wise over the long term, which achieves advantage for the organization through its configuration of resources and then a changing environment and to fulfill stakeholder expectations.

5.12 Levels of Strategy

The corporate level strategy is concerned with the overall purpose and scope of an organization and how value will be added to the different parts (business units) of the organization. This includes diversity of products/services or business units, and how resources are to be allocated between the different parts of the organization to Legal

Wise. The most important corporate issues were about how new opportunities could be created by the acquired companies, and the innovative product called life wise. The corporate center needed to play a crucial role in determining how Legal Wise should be structured and how resources should be allocated in setting targets and reviewing performance. The corporate center should be asking whether there are other ways in which they can add value to the separate business units within the company.

The 2nd level is in terms of business unit strategy, which is about how to compete successfully in particular markets. The concerns are therefore about how advantage over competitors can be achieved, what new opportunities can be identified or created in markets and which products and services should be developed. The extent to which these meet customer needs be positioned to achieve the objectives of the organization the long-term profitability and market share growths.

Legal Wise's reason for acquiring Scorpion and Excalibur were as a result of the companies being structured around legal expenses insurance. The customer bases of the two companies were added onto Legal Wise customer's base. The logic of the acquisition indicated that bundling these services for similar customer groups was the basis of competitive advantage.

5.13 Summary

Understanding the strategic position is concerned with impact on strategy of the external environment internal resources and competences. What changes are going on in the environment and how will they affect the organization and its activities? What are the resources and competences of the organization and can these provide special advantages or yields new opportunity. What is it that those people and groups, organization managers, shareholders or owners, unions, and others who are stakeholders in the organization aspire to? And how does this affect what is expected for the future development of the organization? These are clearly all important issues for Legal Wise to forge, requiring careful consideration about consumer behaviour and their needs leading

to views about future demand for new services in the market. The key reason understanding the strategic position is to form a view of the key influences on the present and future well being of Legal Wise and what opportunities and threats are created by the environment and the competencies of Legal Wise.

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