

**THE IMPACT OF GLOBALISATION ON THE TEA INDUSTRY,
WITH SPECIAL REFERENCE TO SOUTH AFRICA**

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EXECUTIVE SUMMARY

There are many challenges facing business, industry and its operations, the associated service provision and the supply chain management in the global market today. Simon and Sohal (1995, p.14) acknowledge the dramatic and irreversible changes that the South African business environment has undergone over the past five years, from 1990 to 1995. Such changes are mainly shift of focus from inward-looking import substitution with substantial protection to a globally-oriented open economy. Businesses are faced with a challenge to optimise their operations to compete in the new economy.

Many organisations have not survived the competition, as they lacked the necessary competitive edge. Challenges faced by these organisations varied from unavailability of suitably qualified management through to challenges with local legislation and the impacts of low-cost production imports, which led to closure of some businesses. From a community standpoint, closure of businesses poses a challenge to the socio-economy of the inhabitants of the country.

This research seeks to establish if the closure of businesses and subsequent impacts on the socio-economic status of communities was as a result of the changes during the globalisation era.

Research methodology

To address the objectives of the study, a population of tea “experts” was inferred from data received from DTI (2004). This inference was done through use of a ratio of 1:60 (Manager: Labourers) due to the fact that the industry is labour-intensive. A total of 48 “experts” were identified as an adequate, representative sample for the analysis. These “experts” were from both the private tea industry and the government regulatory departments involved with agricultural activities.

A total of 96 questionnaires were sent to the “experts”, with a return rate of 50% of these, which equated to the required sample size (of 48 completed questionnaires). Data analysis was carried out through using an Excel spreadsheet and converting frequency of responses to percentages.

Objectives

The objectives of the study included:

- To identify issues and strategic challenges facing the global tea industry in the literature and applying them to the South African tea industry;
- Analyse the tea estates in South Africa with specific reference to Magwa Tea Estate in the Eastern Cape, the old Transkei;
- Identify appropriate strategies that may enhance the performance of the South African tea industry;
- Assess the incentives provided by global governments to tea estates and compare them to the South African conditions; and
- Examine the potential of applying some of the global success strategies into the South African tea estate industry.

Conclusions

While one cannot discount the phenomenon of globalisation, it has been shown that some areas in which business was devoid included capable management teams, flexibility on strategies, strengthening of the Rand and Land Claims against land occupied by the tea estates. The result was a collapse in the tea industry. The recommendations below suggest means by which the tea industry may be revived to carry its original mandate of providing jobs to the rural communities. However, the industry requires the development of sustainable competitive strategies.

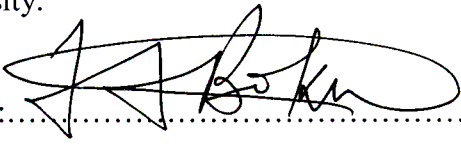
Recommendations

- The organisation should continue to adopt a philosophy in which entrepreneurship is promoted and encouraged;
- Ensure employment of a well-trained management team to develop and lead the strategy;
- Encourage efficiency of operations;
- Encourage government subsidies (especially in the form of regulations on imports to prevent dumping);
- Employ appropriate competitive advantage strategies;
- Root out corruption and mismanagement of the institution;

- Development of an interrelationship between the growers and retailers such that the growing of tea is sustainable ;
- They need to have strong communication skills which must encompass strong negotiation skills.

DECLARATION

I, Tobile T. Bokwe, hereby declare that the contents of this dissertation are my own work, and that all sources utilised, have been accurately reported and acknowledged. This dissertation has not, nor is submitted for any degree / examination at any university.

Signed:..........Date:.....30/11/06.....

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CHAPTER 1 INTRODUCTORY CHAPTER

1.1 Background and motivation

According to Shurchuluu (2002, p.409), “the world today is characterised by constant and rapid changes. It is also an increasingly global world, with high volumes of goods, services and information flowing between countries. The result is greater competition among countries, regions, cities, industries and companies”. The observation that business operations and the service industry were faced with challenges in their macro-environment initiated the researcher’s interest in the phenomenon that has captured these entities. The realization that there are opportunities in the turbulent, changing operating environment requiring flexible and responsive strategies for maximizing market-share suggested that businesses need to craft flexible and responsive strategies for survival under the prevailing operating conditions. According to Thompson and Strickland (2003, p.150) include low-cost production of good quality products; access to intertwining networks with other multinationals as an entry strategy to markets in some countries; the power to focus all resources on field of expertise thus outsourcing non-core business components; high competencies and minimal costs; and the minimization of risk through spreading business to worldwide markets. According to Hill (2003, p.4) these challenges are attributable as a response to a phenomenon known as Globalisation (Hill, 2003, p.4).

In support of these observations, Shurchuluu (2002, p.408) records an accelerated change involving a complex process of “international integration with revolutionary implications for developed and developing countries”. Shurchuluu (2002, p.408) further stated that this change integrates international trade flows and foreign investments and capital inflows. The author acknowledges the role to be played by private sector and government. In conclusion, the author recommended for institutions to improve their capabilities and products/services, by changing attitudes and expectations, and by determining the rules of the game.

Talking about responsive strategies to the change in the operating environment, Barron (2006, p.15) reports on an interview with an ABSA Group Executive, Happy Ntshingila, who stated “The market forces in this country have changed a lot. The

financial world here is changing. BMWs are being bought by different guys today. And you've got to fish where the fish are. You've got to tailor-make your marketing [and] box clever". On the importance of market research, market stratification and differentiation, Barron's interview (2006, p.15) provides the caution "You cannot assume that if you're successful in one particular country you'll be successful in another... you might just fail dismally".

In recognizing the invaluable role played by industry in improving the socio-economic status and provision of jobs to rural communities and nearby areas, the collapse of industries in South Africa has become of particular concern to some people. The realization, by government, that appropriate strategies to invite investments should be developed and implemented, in exchange for employment opportunities, often results in the establishment of "off-setting businesses". The overall success of the entire offset programme depends upon the mechanisms that Government puts in place to carry out this task and to carefully monitor the progress of the investment and counter-purchase projects already identified (South African Government Information, 2000, p.4).

The globalisation of the market has had serious implications for management and productivity in the tea industry. Since this phenomenon has opened all markets and suppliers to global competition, some institutions have been negatively impacted and have not survived the competition, while others have identified and optimised opportunities that arose. The primary aim of this dissertation is to establish whether the tea estate in South Africa has been negatively impacted by globalisation.

The study was undertaken to increase an understanding of both direct and indirect impacts of globalisation on the South African tea industry. Outcomes of the study will assist the South African tea estate, the Magwa Tea Estate in particular, in aligning itself to the current turbulent global competitive market so that it can sustain itself.

1.2 Purpose of study and objectives

The main purpose of the study was to identify the documented impacts of globalisation and examine whether these impacts did have an effect on the survival of

the South African tea industry and the position of the Magwa Tea Estate in particular as a sustainable tea producing operation in global markets. Since the tea estates were an “off-set” initiative for job creation and improvement of socio-economy for the rural communities, these communities can be the greatest advocates as to whether any benefits were attained through projects like these. The communities would also advise on identified trends with respect to the support they were receiving from the tea estates. Therefore sustainability of benefits and economic support accrued by these communities should be captured as a requirement on strategic plans of the industry.

This research focussed on examining factors that are critical to the re-establishment and sustainability of the tea estates in South Africa, and positioning of these estates for their competitive participation in the global market. The findings presented evidence that could assist tea growers in addressing challenges facing their estates and industry in the global markets from a strategic point of view, and may provide some insights into how to improve the performance of the South African tea industry in the global market.

Objectives of the research include:

- To identify issues and strategic challenges facing the global tea industry in the literature and apply them to the South African tea industry;
- Analyse the tea estates in South Africa with specific reference to Magwa Tea Estate in the Eastern Cape, the old Transkei;
- Identify appropriate strategies that may enhance the performance of the South African tea industry;
- Assess the incentives provided by global governments to tea estates and compare them to the South African conditions;
- Examine the potential of applying some of the global success strategies into the South African tea estate industry.

1.3 Contribution/Benefits of the research

Research on historical performance of tea estates will provide an insight into several managerial and research implications. The study will contribute to the development of a sound understanding of global behaviours towards tea, as effected by the

phenomenon of globalisation. Due to its fast contraction, coupled with the possibility of popularity of substitute products and changes in social structures, consumption within the global beverage market is shrinking and future growth is likely to be dependent on market segmentation, market penetration and adaptation of other different strategies. This research may help the South African tea estate and its stakeholders, e.g. the Department of Trade and Industry, in providing supportive reference in making effective decisions regarding sustainability of its productions and operations and marketing strategies. The study may also be used by the tea industry to further its investigation into crafting of appropriate strategies for successful competition of tea estates against other beverage producing institutions.

1.4 Chapter plan

The performance of tea growing companies in the South African environment, and the trends associated with their success and challenges, suggest a new dynamic characterized by the potential for market expansion. However, some producers may not utilise such market opportunities due to the associated growth of competition in a global setting. The current study will evaluate tea production in South Africa and consolidate these with reports relating to the management and sustainability of the industry in the global marketplace.

The report commences with a thorough review of relevant literature (Chapters 2 – 4). In Chapter 2, a thorough investigation of the definition of the term “Globalisation”, from various perspectives, will be done. The aspects associated with the concept and their impacts will be investigated. The scope of the investigation will taper from the global entities down to the South African understanding and behaviour of globalisation.

Chapter 3 will focus on factors that are favourable for, and may contribute to the, success of tea industry in the global market. The global tea industry will be compared with other industries, through establishment of relevant statistics, among the tea producing and consuming countries. Production and consumption trends will also be investigated. Chapter 4 will focus on the historical trends, in both production and consumption, of the South African tea. In the process of investigating the trends, the

chapter will review the consumption rates in South Africa, taking into account the extent of imports. In chapter 4, an investigation will be made on the resilience of the South African tea industry to the challenges posed by globalisation. The literature review in Chapters 3 and 4 will be tested against the theoretical base in Chapter 2, in which aspects and impacts of globalisation will have been captured.

Chapter 5 will deal with the research methodology used in the study. Among other sub-topics, the chapter describes the method of data collection to be employed, the integrity of the questionnaire, describes the population and the sample. Furthermore, the chapter describes how the questionnaire will be distributed and collected, and how the data will be analysed.

Findings of the research will be captured and analysed in Chapter 6, for any factors which might correlate globalisation aspects with impacts in the tea industry. Chapter 7 will discuss the results from the data analysis. This chapter will seek to identify and explain reasons why the changes in the global market have impacted the tea industry, if at all. The chapter will also highlight flexibility of management's decision-making ability in the turbulent global business environment.

Following chapter 7 will be Chapter 8 which provides the conclusions made from the discussion. Chapter 9 provides recommendations that could be made from the discussion and conclusions chapters. Chapter 10 provides limitations that the study was faced with. Chapter 11 makes suggestions for studies to be taken in the future to further investigate issues around globalisation and the tea industry

CHAPTER 2 GLOBALISATION

2.1 Introduction

There are many challenges facing business, industry and its operations, the associated service provision and the supply chain management in the global market today. Leibold (2001, p.11) reported changes at the end of the Cold War, in the final decade of the 20th century, to have resulted in a new appreciation of the value of diversity and freedom; significant changes in the way work is being done; and an acceleration of a globally networked society driven by computer and communications technology. Hill (2003, p.4) recognized a shift in the world economy, with a swift change from self-contained entities in national economies towards a business world with no trading barriers. These changes have earlier led Tapscott (1997, p.8) to express a realization that business is subjected to a new economy. He identified twelve themes associated with the new economy, whose understanding forms a precondition of transforming a business venture for success. Such themes include knowledge, digitization, virtualisation, molecularisation, integration/internetworking, disintermediation, convergence, innovation, presumption, immediacy, globalisation and discordance.

Simon and Sohal (1995, p.14) acknowledge the dramatic and irreversible changes that the South African business environment has undergone over the past five years, from 1990 to 1995. Such changes are mainly shift of focus from inward-looking import substitution with substantial protection to a globally-oriented open economy. In support, Shurchuluu (2002, p.408) acknowledges that there has been an accelerated change since the mid-1980's. The change is reported as involving a complex process of international integration, which has resulted in serious implications for the both developing and developed countries. Hill (2003, p.4) also listed some changes in the operating environment, which include crumbling of trade barriers, development of cross-border trade, technology resulting in distance being shortened, advances in transportation that facilitate transportation of products, assimilation of cultures, and the influence of globalisation as a driver of change.

Further than acknowledging a change in drivers of business, Tapscott (1997, p.8) also placed a challenge on leadership as posed by this new economy. The challenge and

advice was for companies to change their strategies and areas of focus beyond cost control and more to efforts of creating value. Shurchuluu (2002, p.408) acknowledges the role to be played by government in providing infrastructure, playing a reducing influence to protect companies World capital markets, to create an educational system since the author states, “To compete in this world, there is only one real source of competitive advantage – the knowledge and skills of the workforce” Shurchuluu (2002, p.408).

Bruggemans (2004, p.9) also identified “changing rules of engagement” resulting from intense globalised competition and globalised operating times as regards technological changes. The impact of these globalised changes as regards technological changes is observed as countries and businesses need to embrace an enormous operating discipline over their way of doing business; forcing finances and cost structures to be created such that they address only the survival mode with no extras; and undoing pricing power and inflation. Since these changes are attributable to technological changes, Bruggemans (2004, p.9) advised companies to be prepared regarding such technological change, even outside their sector, regarding geopolitical events and macro-economic developments.

In recognition of the changes in the world economy, Leknes and Carr (2003, p.31) reported that some organizations have changed their strategies from domestic to global strategies, as dictated by their resources and national comparative advantages. In support, Loots (2001, p.2) mentioned the irrelevance of distance and national borders in undertaking business ventures, the ease with which business with a customer across the globe takes place and the insignificance of nation or state geography in economic purposes, as characteristic of globalisation.

From a business perspective, the global changes in business would be expected to impact the strategies employed by multinationals. Liebold (2001, p.11) stated that traditional strategies of doing business cannot survive in the ever exploding and rapid transition in opportunities and challenges afforded in the global economy. He further observed the fundamentality of what was historically known as theoretical, strategic or visionary to the survival of current days’ enterprises. Thus, in response enterprises

have implemented measures like re-engineering, downsizing, outsourcing, total quality management standards, cost-cutting and productivity improvements.

Borzsony and Hunter (1996, p.22) add by acknowledging the importance of learning partnerships. These authors observe that many organisations have had to rethink because of the ‘continuous, rapid change and turbulence’ in their operating environment. They further acknowledge the inflexibility and hierarchical behaviour of the traditional structures and processes, and hence these traditional structures are unable to provide the ingenuity needed to solve unprecedented problems and grasp unpredictable opportunities. However, these authors acknowledge that some organizations continuously seek alternative ways of encouraging and enabling everyone to learn quickly, so that the organisation can benefit quickly through their decision making. The authors provide an example that some companies, in the Information Technology, see empowerment as central to business development. Hence the ability of individuals at all levels to make informed, independent decisions, enables the business to respond to change quickly and flexibly. This can be seen as a strong motivation for flexibility in decision-making in the organisations, through allowing employees to be “strategic partners”. This can be seen as an example of flexibility allowed at operational levels, as a means of implementing a flexible strategy developed by the organisation.

A business environment characterised by so many changes would create a highly competitive and constantly changing trade environment. Shurchuluu (2002, p.409) stated that “the world today is characterised by constant and rapid changes. It is also an increasingly global world, with high volumes of goods, services and information flowing between countries. The result is greater competition among countries, regions, cities, industries and companies”. Lui *et. al.* (2004, p.67) identified some of the consequences as the creation of an institutional environment composed of key competitors in the international market. Liebold (2001, p.12), however, observed linkages, networks and symbiosis as the order of the day since there appears to be many mergers, alliances, joint ventures, cross-functional project teams and communities in practice. Thompson and Strickland (2003, p.79) suggested that companies should have a clear understanding of the industry’s competitive forces. Such an understanding will help the company to determine competitive pressures and their own strengths in the industry. These authors caution that, without an in-depth

understanding of these competitive pressures, managers cannot develop successful strategies. A thorough knowledge of the business environment may help management in strategising its competitive success against the identified competitive pressures.

The nature and intensity of the competition can be described through a suite of five competitive forces, referred to as Porters Five Forces of Competition (Thompson and Strickland, 2003, p.80). These forces are listed and briefly described below:

- The rivalry among competing sellers in the industry: This involves positioning of the company's product in such a manner that buyers have preference for it. This strategy may include price competition, an offer with the best combination of performance features, products of higher durability and quality, etc;
- The potential entry of new competitors: In this force, it is the ease with which a new entrant penetrates the market that determines the number of competitors. If there are strong barriers to entry, the competition will remain low, and vice versa;
- Competitive pressures from substitute products: Companies may develop products that are similar to the competitor such that their products make good substitutes. It is reported that if the substitutes costs less, while their quality and performance are high, with low switching costs, heavy competition will prevail;
- Competitive pressures stemming from supplier-seller collaboration and bargaining: Suppliers will have a strong bargaining position if they are the only supplier of the product or service or if the recipient's process relies solely on the supplier's product or service;
- The competitive pressures stemming from seller-buyer collaboration and bargaining: Buyers will have a strong bargaining power if they are a major user of the supply or if there are many suppliers of the product or service.

From the discussion above, it may be inferred that for a company to stay afloat and succeed in the globalised business world, such a company needs to develop good strategic management practices. Hannagan (2002, p.3) described strategic management as "decisions and action used by an organization to formulate and

implement strategies that will provide a competitively superior fit between the organization and its environment, to enable it to achieve its objectives". This description agrees with Hatcher (2004) who described strategic management as a process of management needed to enable an organization to move from where it is now to where it wants to be in the future.

2.2 The phenomenon of globalisation

"Globalisation is a complex phenomenon that has far-reaching effects. Not surprisingly, therefore, the term 'Globalisation' has acquired many emotive connotations and has become a hotly contested issue in current political discourse. At one extreme, Globalisation is seen as an irresistible and benign force for delivering economic prosperity to people throughout the world. At the other, it is blamed as a source of all contemporary ills", (World Commission on the Social Dimension of Globalisation, 2004, p.24). As a consequence of this, a number of descriptions exist for the term "globalisation" due to the diversity of its implications.

Hill (2003, p.6) described globalisation as the unification of the world economy through a more integrated and interdependent system. Tabb (1999, p.1) agreed by describing globalisation as referring to the process by which barriers between countries are reduced thus encouraging closer economic, political, and social interaction. Thus, an event in one country may have an impact on another country.

The impact of globalisation may have an impact on natural resources as well, as the need for utilisation of these resources has increased with the more affluent life styles. Todd (2003, p.13) cautioned against serious curtailing of economic growth in developed nations, otherwise there could be a world disaster, as the natural resource base might be destroyed.

On the nature of globalisation, support is provided by Robbins (1999, p.6) who recorded a consensus on globalisation as a process referring to the intensification and expansion of linkages between societies, groups, and individuals, resulting in greater interdependence and interaction. In other words globalisation is seen as a move from "a world in which national economies were relatively self-contained entities, isolated

from each other by barriers to cross-border trade and investment; by distance, time zones, and language; by national differences in government regulation, culture and business systems” to “a world in which barriers to cross-border trade and investment are tumbling; perceived distance is shrinking due to advances in transportation and telecommunications technology; material culture is starting to look similar the world over; and national economies are merging into an independent global economic system” (Hill, 2003, p.4). O’Keeffe (2003, p.233) further stated that a business wanting to increase its market share may employ the strategy of expanding its operations across its natural borders. Other explanations why some multinationals have expanded their operations beyond their country’s borders, is to gain cost advantages over their rivals. Such lower costs could be a function of lower labour costs. Thus it does appear that globalisation is bigger than, and cuts through, cultural, political and economical differences.

In economic terms, Bitzenis (2004, p.406) described globalisation as a term used to express the tendency by which the world economy gets integrated, not only in respect of cross-country trade and investments, but also with regard to the harmonization of laws and regulations of economic activity. In support of this definition, Hill (2003, p.8) pointed to a demarcation between globalisation of markets and globalisation of production. Defining “Globalisation of markets”, Hill (2003, p.6) defined it as a merger of historically separate and clearly distinct national markets into a huge global marketplace. Hill (2003, p.7) described “Globalisation of production” as use of the global supplier market for sourcing of goods and services to take advantage of national differences in the cost and quality of factors of production.

Robbins (1999, p.6) claimed that the process of globalisation has revolutionised world agriculture, among the affected institutions. Innovations in communications technology have offered millions of farmers, processors and traders of agricultural produce instant access to market information and information about new production techniques. Developments in transportation allowed aircraft to deliver fresh produce to supermarkets in industrialised countries from almost anywhere in the world in a single day. Developing countries are becoming more influenced by the business and social culture of industrialised countries. In addition, most developing countries have designed their Structural Adjustment Programmes (SAP) to liberalise both their

internal economies and their trading relationships with other countries (Robbins, 1996, p.6).

Hill (2003, p.186) stated that the initiatives to support free trade (as a result of globalisation initiatives) commenced way-back in the early-forties. The success of the initiatives was sabotaged by a lack of trust between cross-border nations. As a mitigation strategy, sets of rules for co-operative governance were developed and negotiated to which trading nations were expected to comply, by a monitoring independent body. At the international level the process of allowing free trade began with the General Agreement on Tariffs and Trade (GATT) which was first implemented in 1948 as a mechanism to promote free and fair trade among member countries. Several rounds of negotiations of trade rules have occurred throughout the history of GATT. In 1995, this body became known as the World Trade Organisation (WTO). Robbins (1999, p.6) recorded an accelerating trend towards the liberalisation of economies and trade since the establishment of free trade.

The World Commission on the Social Dimension of Globalisation (2004: p.vii) looked at globalisation “through the eyes of the people”. In their investigation, the World Commission on the Social Dimension of Globalisation found that many people recognized the opportunities for a better life as presented by globalisation. However, the World Commission on the Social Dimension of Globalisation believed that such hopes may be realized only if globalisation is subjected to better governance at all levels. Their philosophy is that more people do not want to be left behind by the globalisation train; but they want to be sure where it is heading, and that it is travelling at survivable speed. The World Commission on the Social Dimension of Globalisation believed the dominant perspective on globalisation to be a shift from a narrow preoccupation with markets to a broader preoccupation with people. The social dimension of globalisation is about jobs, health and education – but it goes far beyond these. It is the dimension of globalisation which people experience in their daily life and work, the totality of their aspirations for democratic participation and material prosperity. Developmental globalisation is the key to a better and secure life for people everywhere in the 21st century. The World Commission on the Social Dimension of Globalisation also proposed a process by which such a perspective can be realized at all levels, beginning with empowered local communities and improved

and more accountable national governance; fair global rules applied fairly; and global institutions that are more pro-people.

Like all phenomena, the phenomenon of globalisation is accepted in positive attitudes by some while others criticize it. Among the criticisms are the vulnerability of countries' economies to crises in other countries, for example, an economic crisis in Asia may result in a recession in the United States of America (USA); some people are protesting against globalisation because it is seen to be responsible for unemployment in developed countries. This impact may be expected when globalisation is defined as 'intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa' (Renton, 2003, p.222). On a positive note, globalisation has allowed firms to use input material purchased from cheap suppliers all over the world; thus enforcing the understanding that nations depend on each other for economic sustainability.

As far as business ventures are concerned, globalisation has increased the opportunities for a firm to expand its revenues by selling around the world and reduce production costs by producing in nations where key inputs are cheap (Hill, 2003, p.5). Within the organisations, divisions have realised the value of interdependence rather than independence and differences; and have implemented swift and responsive initiatives like simultaneous development processes and engineering, swift manufacturing processes, appropriate resource management networks, and value system management (as opposed to value chain management) (Liebold, 2001, p.12). In the process "markets are being shaped, reshaped and invented as niche-market vendors capitalise on connecting products, services, and businesses in ways unimagined a few years earlier" (Liebold, 2001, p.12). Furthermore, "larger companies experiment with diversification and alliances of all forms, including those with archrival competitors. The notions of independent competitive strategies – although still prominent in government rhetoric – are being diluted by the intense need to collaborate in order to survive" (Liebold, 2001, p.12). Thus, it can be inferred that this philosophy forces all businesses to identify market niches worldwide and compete to their advantage.

With globalisation, the private sector has become the driver of economic growth (Noffke, 2003, p.11). This is because it is the private sector that is often capable of rapid job creation, which is more closely associated with overall economic growth, and also helps in intangible but critical ways (Noffke, 2003, p.11).

According to Noffke (2003, p.11) the International Monetary Fund (IMF) and the World Bank play a critical role in securing policies of economic deregulation; and have a variety of instruments to meet developing countries' concerns about the impact of trade liberalization.

There are problems associated with globalisation of consumer products because of different tastes and preferences, but global markets refers to markets for industrial goods and materials that serve a universal need (Hill, 2003, p.7). Thus globalisation comprises of two main components, namely, globalisation of markets and globalisation of production (Hill, 2003, p.6). Globalisation of markets is described as the merging of historically distinct and separate national markets into one huge global marketplace (Hill, p.6). The current changes in economic world, for example, falling barriers to cross-border trade, encourage the application of this process.

Globalisation of production is described as the sourcing of goods and services from locations around the globe to take advantage of national differences in the cost and quality of factors of production. Companies employing this component seek to minimize their production costs at no compromised quality, thus holding a competitive advantage (Hill, 2003, p.7). El-Agraa (1982, p.2) stated that international economic integration has positive and negative options. "Negative" refers to the removal of impediments on trade between the participating nations or to the elimination of any restrictions on the process of trade liberalization. "Positive" refers to the modification of existing instruments and institutions and to the creation of new ones so as to enable the market of the integrated area to function properly and effectively and also to promote other broader policy aims of the union. In simple terms globalisation has brought about the opportunity for organizations to become multinational enterprises, which Hill (2003, p.19) defined as a business venture with its productive activities in two or more countries. These multinational opportunities have given way to international trade and foreign direct investments (Hill, 2003, p.8).

O'Keefe (2003, p.233) cautioned that the nature of globalisation should not be seen as conducting business across national borders, but it also increases competitive pressures, for almost every type of business or organisation, from both local and multinational organisations, resulting in a multi-cultural market-place. Improvements associated with the phenomenon have included logistics, transport and communication, to name a few, all of which have capacitated the consumers and producers to have access to one another. The choice of resources to consumers have increased widely, allowing the consumer to have wider choices and increasing their sophistication with respect to their needs. Furthermore, consumers' expectations have increased as they require superior service, improved products and lower prices.

At a European regional scale, Cardoso and Ferreira (2000, p.402) refer to economic integration as a voluntary process in which inter-dependence of economies separated by geographical locations are integrated. Such integration manifests itself in many ways, listed below in an increasing capacity, as:

- Free Trade Areas (FTA): This is restricted to industrial goods. The main characteristic is that custom rights and quantitative restrictions between participating countries are abolished. Furthermore, each country maintains its own tariff policy in relation to third countries. Examples of this integration include the European Free Trade Association (EFTA) countries and North American Free Trade Agreement (NAFTA) (Cardoso and Ferreira, 2000, p.402).
- Customs Union (CU): It suppresses discrimination in relation to merchandise movements inside the Union through implementing a Common External Tariff (CET) (Cardoso and Ferreira, 2000, p.402).
- Common Market (CM): Through this advanced integration process, the CM abolishes restrictions related to commerce and the free circulation of people, capital and services (Cardoso and Ferreira, 2000, p.402).
- Economic and Monetary Union, which involves, besides the common market, a unification of the monetary, fiscal and social policies with the establishment of a supranational authority whose decisions are of obligatory deference for the participating states. The EU is an example of this (Cardoso and Ferreira, 2000, p.402).

- Political integration, which refers to countries agreeing on common policies with respect to foreign and defence policies, is the fifth integration strategy (Cardoso and Ferreira, 2000, p.402).

There is a strong debate about the advantages and disadvantages of globalisation, thus resulting in pro-globalisation and anti-globalisation groups. The phenomenon of globalisation is well contested on its merits and de-merits, hence its effects are varied across disciplines.

2.3 Arguments for and against globalisation (Aspects of globalisation)

Loots (2001, p.3) stated that although the existence of both opportunities and benefits of the opening of economies are emphasised by the proponents and supporters of globalisation, there is still uncertainty associated among many policy-makers and economists about the costs and risks involved in the globalisation of national economies as well as the impact of it on future growth prospects.

2.3.1 Arguments in support of globalisation

El-Agraa (1982, p.10) grouped the benefits into customs union/free trade area and economic union level. The motives of international economic integration on customs unions include:

- enhanced efficiency in production made possible by increased specialization in accordance with the law of comparative advantages;
- increased production levels due to better exploitation of economies of scale made possible by increased size of the market;
- an improved international bargaining position, made possible by the larger size of supplies, leading to better terms of trade;
- enforced changes in economic efficiency brought about by enhanced competition; and
- changes affecting both the amount and quality of the factors of production due to technological advances;

while those for free trade areas include:

- factor mobility across the borders of member nations;
- the coordination of monetary and fiscal policies; and
- the goals of near full employment, higher rates of economic growth and better income distribution becoming unified targets

It is generally known and understood that the removal of trade barriers across countries, through globalisation, has resulted in free economic trade between the countries (Hill, 2003, p.22). In this way, each country has the leeway and advantage to focus its production operations on those goods where it holds high efficiency in producing with no limitation on quantities of production. The country can then import those that are cheaper to buy from other countries than it would produce itself. Direct spin-offs from high production are job creation in labor-intensive operations while more mechanization takes place in technologically driven processes. Overall, this allows for increasing economic growth for the country and is predicted by the Theory of Comparative Advantage.

Since globalisation allows companies to compete with other global operators, competition among suppliers is a resultant force. According to Porter's 5 Forces, this gives the purchaser good bargaining position in negotiations with suppliers (Thompson and Strickland, 2003, p.90). With most customers being price sensitive, business might have to compete on prices. For the consumers/users this would stabilize prices. Thus inflation would be kept in control, thereby impacting on the economic growth. This is understood from the point that multinationals reserve the right to produce in areas of less costs, and importing from a 'collection' of cheaper suppliers.

Hill (2003, p.24) further entrenched support of globalisation by stating the systematic support each country offers to another in doing business. Hill (2003, p.24) believed that although some jobs may be lost, an overall picture is a better economy. An example provided states:

"...it makes little sense for the United States of America to produce textiles at home when they can be produced at a lower cost in Honduras or China. Importing textiles from China leads to lower

prices for clothes in the USA, which enables consumers to spend more of their money on other items. At the same time, the increased income generated from textile imports increases income levels in that country, which helps the Chinese to purchase more products produced in the USA.”

The overall picture from this illustration is that free trade benefits all countries that subscribe and adhere to it. Hill (2003, p.146) further mentioned the theory of comparative advantage to recommend trade as a positive-sum game in which all countries that participate realize economic gains.

Having discussed arguments for globalisation, it is important for businesses to analyze and understand the benefits to be accrued from globalisation. This understanding will strengthen the organization's business strategies.

2.3.2 Benefits from globalisation

The benefits from globalisation will be discussed along the lines of access to international markets; access to competitively reduced costs of supplies without compromising the quality; access to intertwining networks with other multinationals as an entry strategy to markets in some countries; the power to focus all resources on the field of expertise, high competencies and minimal costs; and the minimization of risk through spreading of business to worldwide markets.

2.3.2.1 Access to competitively reduced costs of supplies without compromising the quality:

Thompson and Strickland (2003, p.90) explained the advantages of having many suppliers from a buyer's point of view as the ability to compare the suppliers and dictate the quality of product or service required. The company will benefit from choosing its suppliers and being able to influence the cost of its purchase. The company may order more stock, on analyzing all factors around inventory, and benefit from economies of scale. Purchase of cheaper high quality products gives the advantage of producing at low costs. Reduced production costs will result in cost

savings for the company. All of these will enhance the company's competitive and defensive ability against rivalry, especially when there are price wars.

2.3.2.2 Access to business in international markets:

This will spread the company's products to international markets, thus increasing the sales. In a study on the perspective on the choice of capital followed by a multinational, Desai *et. al.* (2003, p.23) found that internal capital markets give multinational firms significant advantages over local firms where credit markets are poorly developed. This is these firms can borrow capital cheaper from local or internal sources than external sources, due to the high debt they will suffer. Access to these funds help the multinational avoid high capital costs that are sometimes posed by host countries. Thus a multinational firm has an advantage of being able to source funds cheaper locally and using them externally, thus avoiding high finance costs associated with the external borrowings.

From the discussion above, it can be inferred that from a financial point of view, investors often give credit to multinational organizations as their misconception suggests that multinationals are more stable and less risky. As far as suppliers are concerned the company has greater power to negotiate for lower prices and better quality with suppliers because there is intense competition among suppliers out there. With the advent of globalisation, countries and companies are able to engage in foreign direct investments.

2.3.2.3 Focus of resources on field of expertise, high competencies and minimal costs:

Large global players are emerging as specialists in each and every step of the value chain (Brock and Birkinshaw, 2004, p.8). Companies are able to focus all resources to the company's competencies which pave the way to the application of continuous improvement. This provides the advantage that the company keeps improving its technology before the competition copies. Companies that have patents will also benefit the most because this expertise or intellectual property will be used as a competitive advantage over its competitors. Edwards and Ferner (2004, p.50) stated that international integration has encouraged the development of specialized

knowledge in multinationals beyond the domestic operations, based on exploiting knowledge within host environments.

2.3.2.4 Access to intertwining networks with other multinationals as an entry strategy to markets in some countries:

Brock and Birkinshaw (2004, p.8) acknowledged the expenses often incurred by a company to operate its own distribution and transport system to its entire diverse customer base; thus tapping into an existing network is beneficiary to the company. Networks like these are such that the company forms joint ventures with other multinationals and they share costs of using the networks. Through these existing networks, the company is also able to make reliable arrangements with its suppliers for just-in-time delivery of supply materials. Due to this reliability of the supply networks, supply materials may be received from suppliers in different countries, at the required time of usage. Thus, it does appear that there are cost-savings associated with usage of existing networks. Many multinationals have, however, also voiced the feeling that matrix structures have created complexity and inertia (Brock and Birkinshaw, 2004, p.8).

2.3.2.5 Minimization of risk through spreading of business to worldwide markets:

The environment in which business operates is constantly changing; hence it is important for every organization to keep abreast of these changes. Thus there is always a risk of something going wrong in a country, for example, political and labour unrest as it has recently happened in Zimbabwe, or economic depression as it has happened in the 1930's. An organization that invests in only one country will suffer the consequences if these problems take place in its country of investment. A company that has its operations widely spread minimizes the impacts if these unfavourable conditions occur. This is because if there is labour unrest in one country, the multinational can enforce its operations in another country, thereby minimizing the impacts of the unrest.

2.4 Arguments against globalisation

Globalisation has been unpopular because it is seen as an instrument which encourages the rich countries to become selfish and protectionist (Noffke, 2004, p.22). Furthermore, the whole concept has been described as ‘disorganized capitalism’ (Renton, 2003, p.221) who claimed that states, tariffs, trade unions are all unable to prevent capital from moving wherever it likes because should there be conflict between workers and the multinational employer, the workers will lose because the multinational is capable of moving its production to another country at will. However, there are counter-arguments that factories involve fixed capital which is too expensive to move. Renton further argued that the world economy is not global, instead is in favor of just three large blocks (Europe, Japan and America), which has resulted in Sub-Saharan Africa’s manufacturing output reducing from 0.6 in 1970 to 0.3 in 2000.

From Brock and Birkinshaw (2004, p.8), it can be inferred that the phenomenon of globalisation puts pressure on small and medium-sized firms (SMEs) to develop strategies for internationalization. Further claims are that the SMEs are not yet represented in the international economy as much as the large firms are, even though their internationalization activities are increasing.

Renton (2003, p.229) argued that indeed the world has encountered economic changes recently, with most conventional theories suggesting weakening of the future of democracy. Thus fixed economic processes are inevitably going to undermine the social power of the state. This is further substantiated by the impression that globalisation will result in a major shift from labour to capital intensive production, with implications being loss of jobs.

Globalisation has been put to blame for loss of jobs in developed countries (Noffke, 2004, p.10). This is because multinationals move their operations to the developing countries where labour costs are low (Hill, 2003, p.24), and this does not compromise both the quality and quantity of the products. In the United States this threat is so huge that ‘economic protectionism’ is used as a powerful political weapon (Noffke,

2004, p.10). This issue has been shed after the American protectionist era of the 20s and 30s. This outcry is also currently raised by the Trade unions in Europe.

Although the New Partnership for Africa's Development (NEPAD) programme was established for the development of Africa, Van Wyk (2004, p.8) found that there is no faith in its success in research to determine whether NEPAD would be successful or not. Among the negative sentiments on NEPAD's failure was high rate of unemployment that was seen to have the potential to hamper the economy and the social services. Also highlighted for NEPAD's potential failure was the fact that the same leaders who have been obstacles to Africa's growth in the past are still in power, thus NEPAD can only succeed incrementally.

One of the challenges facing companies in having multinational operations is weighing the benefits of standardizing products across country markets versus adapting them to differences among markets (Subramaniam and Hewett, 2004, p.171-194).

2.5 Disadvantages of globalisation

Economic changes associated with globalisation include the replacement of agriculture and manufacture with industries trading in knowledge and information (Ziehl, 2003, p.325). Unfortunately with the low literacy levels in Africa, employment will be lost by labourers in the declining sectors. The replacement might result in reduced loyalties by employees as there are retrenchments with the introduction of new technologies (Masondo, 2003, p.310).

Since the opening of global markets, companies have had to strengthen their cost-saving strategies. Some companies have even opted to focus on core businesses and outsourcing some support functions. The outsourcing process does not guarantee all employees a job in the new structure (Anglorand Investment Team, 2003, p.8).

Entering and competing in the global market sphere opens greater opportunities in the market, however the risks are also higher. This is because of the large conglomerates against which the multinational will compete. Resource availability and experience

might prove an important requirement to succeed in this market. While there is a larger market, entry barriers may be in the form of culture, value or norms to which the new entrant has to comply. There are also business decisions to be taken on issues of whether the product should be introduced, into a new market or country, as it is in its country of origin (product extension) or whether it should conform to the circumstances of the new market country (product adaption) (Walker *et. al.*, 2003. p.178).

There is a challenge of acceptance of the new entrant by its market, such that multinationals have to employ local management who are already well versed with the situation of their country. However, to capacitate the local managers and employees, some staff is sent from the country of origin. Thus both the local employees and the expatriates undergo training in order to be able to work harmoniously together. This poses a challenge in that a lot of money is spent on training even before the operations commence. This extends the period before returns on investments, while there are no guarantees of success. Project managers sent to manage projects in other countries undergo intensive training on language and cultural issues of the recipient country to ensure easy fit (Hill, 2003, p.617).

Van Laere and Heene (2003, p.249) claimed that globalisation forms the centre of competition today. These authors mentioned that the intensity of the advent of globalisation resulted in the small firms losing their choice of whether to operate locally or compete globally, which they used to enjoy prior to globalisation. When there was low intensity of competition from globalisation, small firms were relatively insulated from international competitive forces (Van Laere and Heene, 2003, p.249). Nowadays, small firms, have to clearly define their market and be globally competitive to survive, as the insulation has opened up. While the global competitive environment is not conducive to small firms, the current interests are still applicable to these firms; such interests may be enormous for the small firms, which are an important source of job growth. Thus, to a small firm, the advantages are seen as smaller than the perceived disadvantages, which include limited possibilities of economies of scale.

Thus, it can be inferred that competing in the global sphere requires that management has a clear understanding of all issues in the global market, and be sensitive to business practices of countries it plans to enter.

2.6 Historical industry behaviours and trends during pre-globalisation

Tisdell (2001, p.577) identified exposure of economies of internal markets from former centrally planned economies (CPEs) to market forces of the outside world as a major challenge. Due to this challenge, virtually every country, worldwide, is caught up in this process of transition such that they have to move their policies from inward-looking economic policies to open-type market policies. The intensity of these global interactions is such that as economic globalisation becomes a more widespread factor in an economy, international competition forces the reform of internal markets (Tisdell, 2001, p.578). The result of the interactive process is that governments of the former centrally planned economies (CPEs) have increasingly lost control over the operations of their economies and are finding it impossible to provide the level of social security and employment previously prevailing in their systems. With the need to increase and improve efficiency in economic operations, the proposed mission was to provide an expansion in the private sector, cause a reduction in the size of the public sector, strengthening of property rights regimes and allowing competitive markets to operate. As a result income and welfare inequality have grown (Tisdell, 2001, p.578).

Another challenge of the globalisation phenomenon is that the market reforms which corporatise or privatise state enterprises will completely undermine the social security system developed by the CPEs. With such current and future market reforms, the state will no longer guarantee the financial operations of enterprises and their ability to meet social security provisions. In the current operating environment, profitability has become a more important goal of productive units as market reforms proceed. Thus enterprises are no longer willing to continue to employ workers with a negative net marginal productivity. They increasingly prefer to employ labour on contract rather than permanently, so avoiding social service obligations (Tisdell, 2001, p.582).

Tisdell (2001, p.583) predicted that pressures to escape social security responsibilities at the enterprise level are likely to grow where new private firms in the transitional economic system are able to avoid social security costs. Furthermore, with globalisation, enterprises in the former CPEs may argue that this type of social security system places them at a competitive economic disadvantage compared to importers. Thus, through competitive pressure generated by economic globalisation, there has been an acceleration of the dismantling of the traditional social security system of CPEs. Tisdell (2001, p.583) also observed a speedy erosion of the traditional social security system, resulting in loss of job security. The consequence has been increasing unemployment, greater socio-economic inequality and a rapid increase in poverty, particularly amongst children and the elderly. In many respects also the socio-economic status of females has suffered severely because women were not accorded the job opportunities accorded their male counterparts, and women's jobs were seen to be easily replaceable or "nice-to-haves". This segregation resulted in creation of a "dependency syndrome" from the women towards men.

Tyler (2003, p.231) stated that over a decade there have been reports on closure of clothing factories and reducing employment numbers worldwide, resulting in re-enforcement of the idea that the industrial sector is in terminal decline. Among the drivers for this trend were availability of low cost manufacturing in developing countries, the globalised structure of present-day companies and the increased profile of marketing and brand management. Some of the major challenges facing the clothing industry were sourcing of overseas manufactured products and goods. Since the fashion industry is a low cost industry, it can be expected that importing of low-cost fashion products will result in the clothing industry experiencing the most impact compared to other business ventures. The low start-up costs for new entrants and increased competitive pressures have increased the challenge for the industry. The industry has adopted the principles of comparative advantage to manage the supply chain, as a response mechanism to the competitive forces.

2.7 Positioning of industry and economy with respect to globalisation

Kauser and Shaw (2001, p.72) observed a dramatic transformation of the world economy. Such transformation has changed the market conditions, resulting in complexity, intensified global competition and continuously shortening product life cycles. Thus firms have to re-examine their traditional methods of doing business. Businesses have realised that it will take more than just their individual resources and strength to always maintain a cutting edge in the ever-widening range of technologies employed for design, development, manufacture and marketing of new products. As a positioning strategy, businesses are embarking on strategic alliances, with both national and international partners. This way the business will always be represented in each market segment internationally.

Therefore, companies have to position their products or services in a strategic position of its market. According to Walker *et. al.* (2003, p.172), the decision on positioning of a product or service is a strategic decision informing the designs of goods and services, while also having implications for the other elements of a marketing strategy.

Positioning is described as “both the place a product or brand occupies in customers’ minds relative to their needs and competing products or brands to the marketer’s decision making intended to create such a position”, (Walker *et. al.*, 2003, p.171), as shown in **Table 1** below.

Table 1: Showing positioning strategies

Competitive scope	Competitive advantage		
		Low cost	Differentiation
	Broad target	Cost leadership strategy	Differentiation strategy
	Narrow target	Focus strategy (Cost-based)	Focus strategy (Differentiation-based)

Source: Walker *et. al.*, 2003, p.171

2.8 Summary

The chapter may be summarised by acknowledging changes associated with globalisation, in the business environment, to include: crumbling of barriers, development of cross-border trade, improvement of technology resulting in distance being shortened, a marked advancement in transportation allowing for facilitation of transportation of products, assimilation of cultures and the general influence of globalisation as a driver of change. From these characteristics, it can be inferred that the world economy has been unified, resulting in an inter-dependent system.

Furthermore, businesses have had to appreciate, and pro-actively respond to, the effects of Porter's Five Forces of Competition, namely, rivalry among competing sellers in the industry; the potential entry of new competitors; competitive pressures from substitute products; competitive pressures from supplier-seller collaboration and bargaining; and competitive pressures from seller-buyer collaborations.

Various authors have argued the need for businesses to change and align their strategies with the changes in their business environment. Under such conditions, it would appear that businesses have had to be sensitised to the importance of Cost-effectiveness and Total Quality Management (TQM) as part of their operating strategies.

The responsiveness of the company to the changing business environment determines the competitive ability of the business in the open markets. Such necessary somersaulting is only possible if management is aware of the changes in their environment of operation.

The changes brought about by globalisation have been received positively and negatively by some. Those that are pro-globalisation identify growth opportunities in the environment created by the phenomenon of globalisation. Those that are anti-globalisation identify threats in the environment created by the inter-dependence of the world economy. In the chapter, arguments in support of each side of the debate are provided.

On a practical note, the significance or magnitude of the pressures applied between large and small institutions, will be different, hence their response strategies may be different. A major challenge for small institutions, operating locally, is their inability to benefit from economies of scale, while on the other hand they are the private businesses mostly responsible for creating jobs.

In the following chapter, Chapter 3, the global tea industry is investigated with respect to the conduciveness of the climate for tea cultivation and processing. Furthermore, the global industry will be evaluated for the size, and attractiveness of tea to the global market. The chapter will assess whether there is a need for specialist skills in the operations. The impacts of globalisation, as defined in this chapter, on the global tea estate industry will be evaluated through establishment of both production and consumption trends. The production trends will be investigated for potential of comparative advantages in which a business decides to specialise in production of those products that it produces efficiently, and purchase those products it would produce less efficiently from other countries. Also, tea consumption trends will be investigated and aligned to the globalisation phenomenon. These trends will be compared to any other products that may result to Porter's Five Forces of Competition.

CHAPTER 3 LITERATURE REVIEW ON GLOBAL TEA INDUSTRY

3.1 Introduction

This chapter deals with the dynamics of the global tea industry. The chapter addresses the growing of the tea plant, and defines the countries of production. In addition, the need for skills specialisation in the tea estates is investigated. The chapter further deals with trends in the production and consumption of tea in the global market, and in the export and import business within the industry. An investigation on whether the identified trends are related to the phenomenon of globalisation, is also addressed. Furthermore, the chapter identifies products that are being used as substitute products for tea.

In the preceeding chapter, the phenomenon of globalisation was explained and discussed; and the changes, to the macro-environment, associated with it were investigated. The changes associated with this phenomenon were described to include crumbling of trade barriers, resulting in the global market and business operating as a single integrated unit. With this phenomenon distance, between centres of operation, is reduced to a point in which carrying out of business ventures is not compromised. This is because the integrity of logistics and their management is of a high standard in the global environment. Literature review on the subject provides that the phenomenon has support from some and is unacceptable to some.

Since businesses operations function at different sizes and levels, it was also observed that the impact on these business operations differs based on factors like the ability to benefit from economies of scale, and the abilities to benefit from comparative advantages.

From the literature, it was observed that survival of businesses in the global environment hinges on the ability of the business venture to undertake its production in an efficient and cost-effective manner, in its cutthroat operating conditions.

Literature also reveals that, with the globalisation of production, businesses have to adopt strategies to penetrate new markets, even beyond the boundaries of the country with their operations. Strategies for the penetration include a decision on whether to market the product as it is from its country of origin (product extension) or to change the product to suit the conditions in the new market (product adoption).

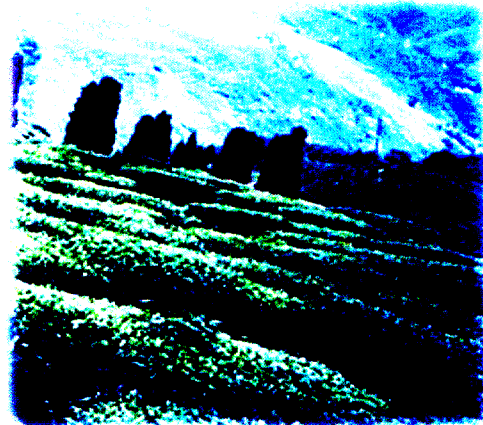
3.2 Growing of tea

Cafedirect (2006, p.1) described tea as a member of the Camellia family (*Camellia sinensis*), an evergreen tropical plant that grows best in warm humid climates. Providing support, Dadotea (2006, p.1) further summarised that the critical characteristics of a tea growing environment include elevation, climate and soil. Tea grows best in mountains with high elevations above sea level; with many of the world's best teas being grown at 4,000 feet (1,220 meters) above sea level. Tea plants require a minimum annual rainfall of 100 cm per year and can grow from sea level to an altitude of 2100 m.

The optimal climate for the growth of tea is sunny days, moist and cool nights and clean and fresh air. The quality of the soil is equally critical to the growth of tea. The high elevation and cool nights are reported to contribute towards slow growth which aids in concentration of more flavour in the tea leaves. However, depending on the local climate and weather conditions of a given year, the quality of the tea can vary from year to year (Dadotea, 2006, p.1). Below are pictures depicting tea estates.



Young tea plants in a nursery (Cafedirect, 2006)



*Tea Plantation – Darjeeling, India
Tea plantation in the external (Dadotea, 2006)*

The cultivation of tea commences with the tea bushes being grown from cuttings in nurseries until they are ready for planting in the field. The bushes are trained into a fan shape, with a flat top called a 'plucking table'. The bushes take 3-5 years to come to maturity, and are normally kept to a manageable height of about 1.2 metres. If properly looked after, the life span of a tea bush can be over 80 years.

3.3 Skills required for the estate

Once the tea trees are a year old, they are pruned to shrub height, which is the height allowing for ease of picking of new shoots during plucking period. The pruning produces concentration of young shoots, which are the source of tea (Dadotea, 2006, p.1). The actual growing of seedlings requires skills in the agricultural fields. However, the plucking and pruning are skills that can be imparted onto employees, even the unskilled ones (Mfolozi, *pers. comm.*). The ease of training of the unskilled labour is shown by the numbers of local community members that get employed during the time for plucking, without necessarily looking for workers with previous experience in estates. As examples, Khuzwayo (2004, p.1) reported Magwa Tea Estate to have the capacity to have a permanent staff complement of 1000 workers, and 2500 workers employed at the required season. In support, the Eastern Cape Development Corporation (2005, p.1) provided the statistics that Magwa Tea employs more than 2000 workers during peak season, and 1100 throughout the year.

3.4 Globalisation and impacts on trends

The advent of globalisation has been seen as a force contributing to changes in the operating environment, which include crumbling of trade barriers, development of cross-border trade, technology allowing distance to be shortened, advances in transportation making it easy to transport products and similarity in material cultures. Thus, an operating environment with so many changes would create a highly competitive and constantly changing trade environment (Hill, 2003, p.4). As a result, under the WTO guided international trade regime, the countries are expected to open up their borders for trade.

With the dynamic global operating environment, requiring efficient operations, the tea industry across the world is experiencing large-scale restructuring (Centre for

Education and Communication, 2004, online). Other changes include disintegration and disengagement at the plantation level, with consolidation at brand level. Further challenges in the industry include lack of transparency in pricing as observed along the tea value chain. Also resulting in misery is a disproportionate value accrual at the higher end of the tea value chain and unrealistic price realisation at the lower end (Centre for Education and Communication, 2004, online).

3.5 Trends in global tea industry

3.5.1 Trends in global tea production

The Centre for Education and Communication (2004, online) reported international tea producing countries to include Bangladesh, Nepal, Vietnam, Indonesia, Kenya, Malawi, Malaysia, Uganda, India, China and Tanzania (2004, online). Among these countries, India is the world's largest tea producer with an annual production exceeding 850 million kilogrammes (mkg) (Devraj, 2003, p.1). Panwar and Kumar (No date, p.1) provided support and also reported India as the dominant force in the global tea market currently, producing more than 31 per cent of the world's total tea output. Nair (2004, p.1) pointed out that tea in India is sold at auctions, and points to challenges associated with production costs compared to auction price. In the period 2002-2003, the auction price of tea dropped from R41.62/kg to R40.28/kg, while the cost of production was estimated around R63 kg.

According to Devraj (2003, p.1), members of Indian Tea alliances, such as Tata Tea and Hindustan Lever, have been accused of manipulating prices at tea auctions so that both planters and workers are hit adversely by low prices. The manipulations have resulted in a fall in the price of Indian tea by 18.73 percent in 2000, while the price of Indonesian tea actually rose by 13.55 percent. Kenyan tea prices rose by 13.48 percent and Sri Lankan tea by 7.86 percent (Devraj, 2003, p.1). Cavaliere (2006, p.62) further provided that Chinese figures indicate an 8.7% increase on the production of tea (*Camellia sinensis* [L.] Kuntze, Theaceae) in 2004.

According to Cavaliere (2006, p.62), the acceleration of tea production was attributable to maturity obtained by newly planted tea bushes, inefficient state-owned farms transferring to output-conscious entrepreneurs, and to the favourability of

government policies promoting tea industry growth. There are predictions that China will soon overtake Sri Lanka and Kenya, in 2005 and 2006, respectively, as the world's largest tea exporter by tonnage. Meanwhile, the tea super-producing country of India continues to battle aggressive competitors including China. Cavaliere (2006, p.62) presented information provided at an Intergovernmental Group on Tea meeting in Bali (in July 20-22, 2005), to have reported an increase in global tea production in 2004, by which time output grew by 2% over 2003 volumes to reach an estimated 3.2 million metric tons.

Cavaliere (2006, p.62) recorded further challenges facing the future of Chinese tea business to include unpredictability in weather patterns, threats of land erosion, and an increasing demand for certified organic teas. There is an observed stagnation of the global market, resulting in difficulty to predict future levels of tea production. Cavaliere (2006, p.62) stated that there is a slow increase in tea consumption among the Chinese, although these high grade Chinese teas are increasingly popular among the Japanese and the Americans. There has, thus, been an accelerating increase in exports of Chinese green tea to Japan and the United States. It is reported that the Japanese use most of these tea to manufacture ready-to-drink tea beverages. China, like much of the global tea producing industry, is viewing the United States as an emerging market for better quality specialty teas, which command significantly higher dollar volumes than their conventional counterparts.

On the Indian tea market, Goswami (2005, p.1) reported an increase in domestic tea production in 2005, which was deemed to provide a significant contribution to the global tea output. The estimated increase in global tea output was expected to show an increase of 70 million kg by the end of the calendar year, 2005 (from the previous calendar year, 2004). Of the total increase in output of 2005, the total Indian tea contribution was estimated to increase by 50 million kg, at 920 million kg higher than the previous calendar year. The author also indicated that tea trade is one of the largest contributors to India's economy. Goswami (2005, p.1) further stated that there was an uptrend in tea consumption in India, which was against a misconception of a decrease. From the discussion on Indian tea, it can be inferred that the observed increasing tea consumption is on tea produced locally (i.e. tea produced in India).

Panwar and Kumar (No date, p.1) supported the notion that tea operations are labour intensive. Their argument was that, due to India being the world's single largest producer of tea, it required a large supply chain network from the gardens to the stores, comprising of tea producers, retailers, distributors, auctioneers, exporters, packers, and many more intermediaries. This has made the Indian tea industry to have one of the largest workforces. Pawnar and Kumar (No date, p.1) also confirmed India's position as a dominant player in the global tea industry. Their rankings on the performance of the tea industry suggest the production hierarchy of countries following India to be China, Sri Lanka, Kenya and Indonesia.

3.5.2 Trends in global tea consumption

The CEC (2004) listed major tea consuming countries to include Germany, UK, The Netherlands and France. Devraj (2003, p.1) noted, however, that the sales of the Indian production have been declining due to a steady shrinkage of its traditional markets in the countries that made up the former Soviet Union. As Devraj (2003, p.1) reported the decline in tea exports to range from 99 mkg in the 2001-2002 fiscal year to 71 mkg in the 2002–2003 fiscal year. Such a decline represented a 28 percent drop in what was a major export earner for the country. Cavalier (2006, p.62) also recorded that experts who attended a meeting of the Intergovernmental Group on Tea in Bali (which was held in July 2005) made an observation that tea consumption showed a generally flat trend worldwide, with a few exceptions.

According to Devraj (2003, p.1), the loss of export is also attributed to the plucking mechanisation, as it is deemed inaccurate compared to the traditional hand-plucking, thus compromising the quality of the produce. The impact of substitute products (Thompson and Strickland, 2003, p.80) is also felt by the industry due to lessened domestic consumption of tea to manufacturers of bottled beverages, transnationals like Coca-Cola and Pepsi, since their introduction into the Indian market. Domestic consumption accounted for 673 million tonnes in 2001 (Devraj, 2003, p.1).

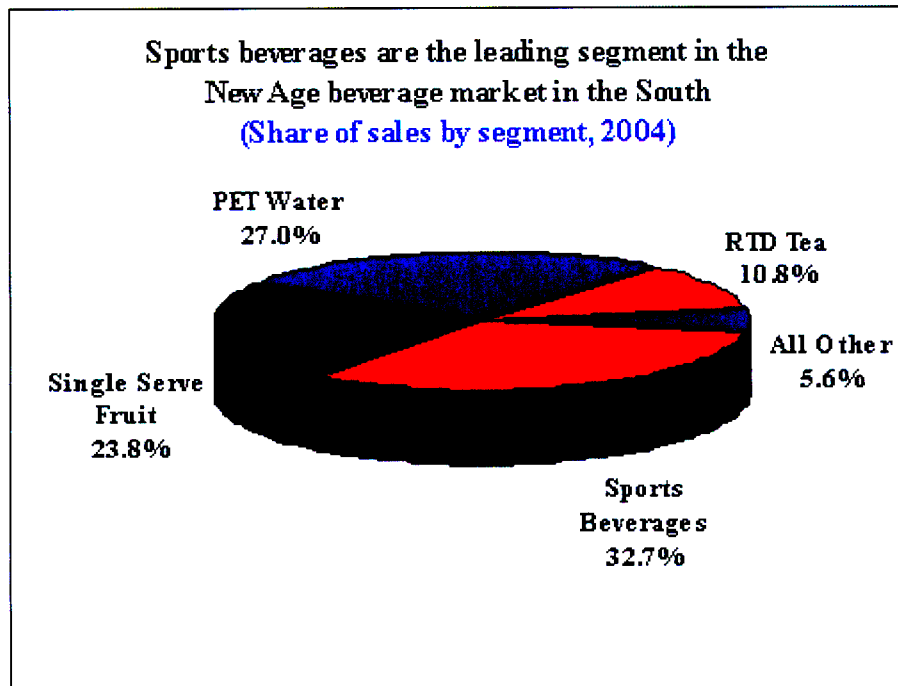
On tea consumption in China, Cavaliere (2006, p.62) reported a yearly growth of only 2%. This slow increase is attributable to the effects of substitute products (Thompson and Strickland, 2003, p.80) to tea consumption. Cavaliere (2006, p.62) reported

evidence that Young Chinese citizens, in particular, have been showing a preference for other beverages, including coffee and Coca-Cola. Cavaliere (2006, p.62) predicted continued ease of entry of new competitive beverages into the Chinese markets if the Chinese continue to switch and show preference for substitutes (Thompson and Strickland, 2003, p.80).

Pawnar and Kumar (No date, p.1) observed that the per capita tea consumption in the country is one of the lowest in the world, despite the Indian domestic market being large. Therefore, to sustain themselves, Indian growers, processors, and traders tend to focus their attention to cultivate and expand the domestic market as a buffer against the results of export performance. To undertake this and ensure a successful competitive strategy, the first step for the Indian tea industry might be an understanding of the valuation that consumers place on various quality attributes of tea, a typical positioning strategy (Walker *et. al.*, 2003, p.171).

In implementing strategies for infiltration of the Indian market, Dr Mridul Hazarika of the Tocklai Experimental Station (TES) is reported to have said “*We are working on a project which is aimed at selling tea in bottles just like mineral water. It will be as refreshing as conventional tea*” (Bhaumik, 2006, p.1). On the diversification of the packaging of the product offering, Bhaumik (2006, p.1) further stated, “*The bottled tea — being a healthy beverage — is expected to be more in demand than mineral water in the near future. It will be just like cold tea in taste and flavour.*” Bhaumik (2006, p.1) further stated that products like bottled tea have already gained popularity in China and Japan.

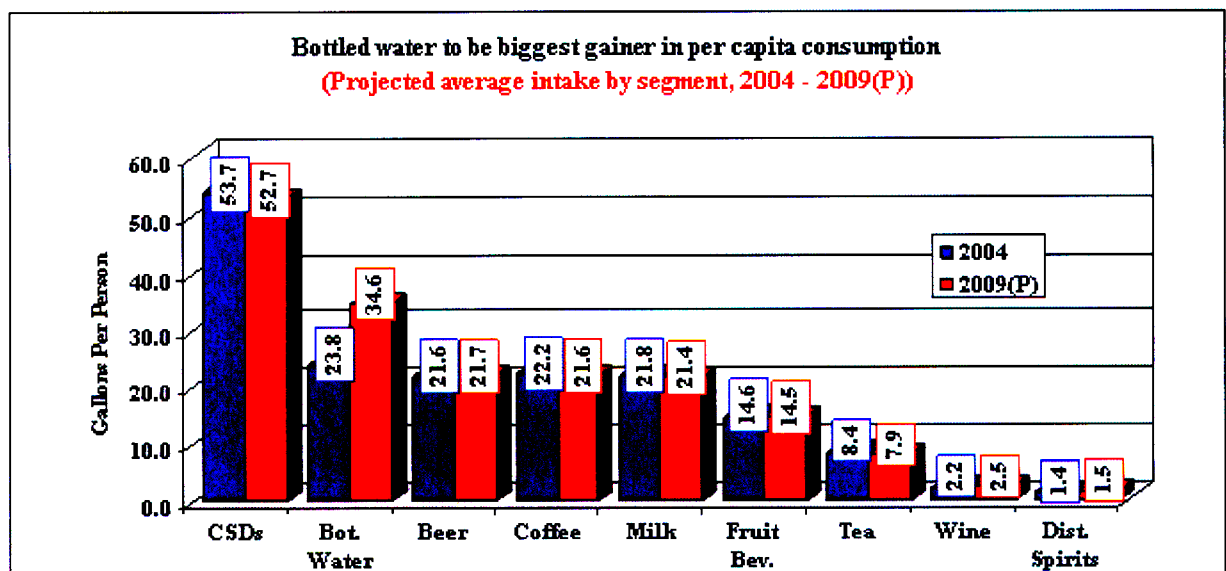
On competition for shelf space, the Beverage Marketing in the U.S. (August 2005) provided a perspective on the array of beverages that compete for shelf-space and share of loyalty from the New Age consumer. The competition in this report is on the primary single-serve, non-alcoholic beverage categories in the U.S., with details on bottled water, energy drinks, sports drinks, ready-to-drink tea and single-serve fruit beverages, among others (**Figure 1**). Another statistical presentation was on trends across nine beverage sectors in the US beverage industry (**Figure 2**).



Source: Beverage Marketing Corporation

Figure 1. Showing competition for shelf space among beverages in the US

As can be seen in Figure 1 above, Ready-To-Drink Tea has a share of 10.8% of the market.



(P) Projected

Source: Beverage Marketing Corporation

Figure 2. Showing trends across nine beverage sectors in the US beverage industry

From **Figure 2** above, it can be seen that, although there are theoretical predictions of an increase in tea consumption, the report suggests a slight decline in 2009 (from 2004), while bottled water will show an increase in the same period.

Altman (2004, p.1) argued that the “*battle for stomach-share of beverage continues, and gains momentum*”. The author observed that new non-tea products which seem directed at young people, such as carbonated fruit juice drinks, are being promoted, and the tea trade must compete for this market. Zenith International (2003, p.1) also observed the challenge facing hot drinks due to competition from soft drinks. The author acknowledged the popularity of bottled water, bottled soft drinks and bottled tea drinks, alongside with consumer preference for chilled rather than hot beverages, as a threat to the hot drink. Other challenges include the ready-to-drink alternatives. According to Altman (2004, p.1), older beverages, like diet carbonated sodas, may also be gaining strength due to the renewed focus on weight-loss. Such sodas, or soft drinks, are aimed at females, who buy most of the tea, because of its known health benefits.

Furthermore, Altman (2004, p.2) stated that industry has suddenly responded to “functional” beverages, called energy drinks or nutraceuticals or sports drinks. Industry’s response is shown by the heavy advertisements for these energy drinks, although such drinks do not necessarily contain any useful body requirements, like vitamins. Altman (2004, p.2) recommended that advertising should be directed to market tea as it already is known for its health benefits and lack of calories. With the objectives of affirming the sustainability of the tea industry, promoting tea consumption and marketing tea as a product, the major tea producing countries and major tea consuming countries joined together to celebrate an “International Tea Day”. The celebrations, particularly, sought to draw attention of governments and citizens on the impact of tea trade on workers, small growers and consumers (Centre for Education and Communication, 2004).

According to Zenith International (2003, p.1), the tough competition against tea (from the substitute products) has been minimised by the introduction of green and other tea variants, which have helped support and maintain a generally static category. These variants are popular for their perceived health benefits. Zenith International (2003,

p.1) further stated that, premium coffees have the challenge of adapting to high consumer demand for speciality and importance of fair trade and an increasing sophistication of western coffee consumers. The source of this need for fair trade is the perceived environmental and social impact of coffee as a global commodity (Zenith International, 2003, p.1).

3.5.3 Trends in global tea exports and imports

Pawnar & Kumar (No date, p.1) acknowledged the flexibility surrounding the demand for tea. While India has been the largest producer and exporter of tea, the last two decades have seen a considerable decline in its share in world exports. Devraj (2003, p.1) reported the effects of globalisation to have hit the Indian tea industry's fortune badly, as the export sales are declining. Cavaliere (2006, p.62) described a continuing decline in Indian tea exports from 200 million kg in 2002 to 145 million kg in 2004. The result was a decline in the price of a kilogram of good quality Assam black tea that sold at \$1.69 in the auctions in 1998 to sell for \$1.28. Devraj (2003, p.1) reported the brokers' response with the realization of the impacts of globalisation, to have been a collusion with the buyers, which turned out to be at the expense of the workers. The collusion resulted in workers being paid lower wages although their productivity capacity was expected to increase, as cascaded consequences of globalisation. The impacts of these turbulences are cascaded down to the workers, who feel them the most, as "the planters are not prepared to point fingers at the big corporates and find it easier to make their workers pay for the plunder through lower wages and poor living conditions" Devraj (2003, p.1).

Nair (2004, p.1) reported an improvement in export performance of the world's major tea producing countries during 2004. Supporting information for 2004 points to an increase of around 42.6 mkg compared with the corresponding period the previous year. The countries that reported higher exports include Kenya, Sri Lanka, India, Argentina and Bangladesh. This trend obviously hints at an increase in world demand for tea. Cavaliere (2006, p.62) recorded a dramatic rise in tea exports from China over the past few years, and forecasts further increases in tea exports. The author emphasised a concern about a potential threat of competition arising from many other developing countries whose economic stability depends on tea sales.

Other impacts suffered by the workers included an increase in their daily hand-plucking quota with penalties for failure to meet the target, while the wages were decreasing daily (Devraj, 2003, p.1). Goswami (2005, p.1) recorded expected lower exports of Indian tea and projected lower imports. Exports were expected to reduce by 18 million kg to 180 million kg, while imports would be lower at 20 million kg in the year 2005. (Devraj, 2003, p.1) reported that the Indian tea export industry is the major export earner of the country.

Cavaliere (2006, p.62) cautioned about a threat to economies of various developing countries, which would result from China's success in the tea market. He mentioned the most vulnerable tea-producing countries, to the Chinese tea production competition, to comprise those that were affected by the Tsunami of December 2004. Cavaliere (2006, p.62) identified tea production as a huge employer in such areas as Bangladesh, India, Sri Lanka, Indonesia, and various East African nations. Cavaliere (2006, p.62) provided a statistics that four dozen large black-tea-leaves producing farms have already been closed down in these threatened countries; this closure of operations has resulted in loss of employment to tens of thousands of workers in southern India. Further statistics revealed that the tea business helps feed nearly a tenth of the population in Sri Lanka (Cavaliere, 2006, p.62). From this information, it may be inferred that tea production is a labour intensive operation, even though there is some technology being employed throughout the operations that may change this situation.

There are also reports of government institutions providing support to encourage an 18.9% increase in Chinese tea exports in 2004, totalling \$437 million. As an example of this support, the municipal and provincial governments in Beijing offered subsidies to the tea industry to alleviate persistent poverty and unemployment in the countryside; through this support, these institutions paid up to half the cost of planting new tea farms and building tea-processing factories (Cavaliere, 2006, p.62). To further increase rural incomes, the Beijing government has also relaxed tax charges by eliminating an 8% tax on tea production (Cavaliere, 2006, p.62).

According to the Centre for Education and Communication (2004, p. 2), the Indian government has also made significant changes in its policies of commodity trade. The

big tea brands brokers and traders use this opportunity to remove all safeguards created by national governments to protect the 'industry interests', employment and food security. Besides these, there is no international commodity agreement now possible in World Trade Organization (WTO) because it is completely against any multilateral initiative to control the production and price for tea as a commodity. As a consequence of these changes, with reference to tea, the Centre for Education and Communication (2004, online) observed a decline in the commodity price of tea in all countries. The Centre for Education and Communication attributed this price decline to an overproduction in the industry; which favours global brands. In the process, due to their strategic nature, the global brands get tea at the lowest prices. This may be expected as it is attributable to a benefit from “competitive pressures stemming from seller-buyer collaboration and bargaining” (Thompson and Strickland, 2003, p.80), which is one of Porter’s Five Forces of Competition.

3.6 Conclusion

From the discussion on the global tea industry above, it can be observed that there is volatility in the production, consumption and exporting of tea. Some experts, authors and researchers have made predictions about trends or behaviours in the production, consumption, imports and exports of tea, but these predictions have not continuously occurred because the market forces are flexible, which could distort the predictive ability.

Lessons learnt from the global trends chapter will be applied to the South African situation, to establish if the situation in the national tea industry has similarities to the global environment. In the South African context, it can be assumed that a conducive climate for tea growth and for continuous maintenance of tea operations has been established. This assumption is based on the fact that South Africa hosts or has hosted a number of tea estates, which process their produce. An investigation will be conducted in the next chapter on the processing of the South African tea, in other words a life cycle assessment will be made on the tea from its growth or plucking to its reaching the shelves.

CHAPTER 4 LITERATURE REVIEW OF SA TEA INDUSTRY AND GLOBALISATION

4.1 Introduction

This chapter deals with the of changes in the South African tea industry as effected by globalisation and its associated effects. The chapter addresses the source and original objectives of the South African tea industry operations, and investigates the competitiveness that the country has achived prior to globalisation and during the globalisation era. The chapter further addresses the challenges that have faced the tea industry's performance. Furthermore, tea estates in South Africa are described, with their production statistics. Also, the effects of government intervention and obligations of the SADC and EU Free Trade agreements are described.

Chapter 4 also describes the crisis facing the tea production in South Africa, the fate of the tea harvest and provides total production of tea estates versus tea consumption.

4.2 The South African black tea industry

The Tea Industry or tea production operations in South Africa have their roots of origination in the apartheid era, about 40 years ago (Hilton-Barber, 2005, p.1). Hilton-Barber (2005, p.1) reported that the industry was a strategic decision to address fears of a possible boycott against the South African government by the large tea producing international countries like Kenya, Malawi, Sri Lanka, India and China. From the above statements, it can be inferred that the government was safe-guarding its interests in that any boycott to South Africa would have impacted the country in, at least, two ways, namely, loss of jobs because the tea estates would have to shut down if no country wanted to trade in the South African tea and lack of tea as a resource used by South Africans. The impact of the sanctions, with respect to closure of estates and subsequent loss of jobs, should be related to the impact that would result from being sanctioned by the world major tea consumers. From the discussion above, it can be inferred that the tea industry was not instituted to be a profit-making institution.

This philosophy is against the traditional Theory of the Firm, which requires for the firm to operate with a profit motive (Galbreath, 2006, p.176). He further substantiates

that this philosophy believes that the main objective of a “business is to provide jobs, make goods and services that are demanded by consumers, pay taxes, make a profit by obeying minimum legal requirements for operation and by engaging in open and free competition without deception or fraud...by pursuing maximum profit and strict accountability to the owners of capital, the wealth created is sufficient to meet any social responsibilities. Thus, a business firm that fulfils its profit maximizing obligations not only secures its own survival, but also contributes to the overall wealth and prosperity of society...argument represents the neoclassical economic concept of self-interest, via the ‘invisible hand, at work in society’”. Halal (2000, p.10) provided support by stating that the profit-centred model flows from a premise that “managers are obligated to pursue profits and, thereby, enhance the wealth of shareholders, the corporate owners who are legally entitled to this unique claim. Stakeholders may benefit from this profit-centred approach, of course, but their interests are considered means to an end of profitability rather than goals in their own right”.

At the end of the spectrum, with the traditional Theory of the Firm on the one end, is a Citizen strategy or philosophy, which takes a broader scope of operation. According to Galbreath (2006, p.178), in this philosophy, a business firm recognises that various stakeholders have different interests and expectations, including customers, employees, suppliers, specific communities, shareholders, the environment and so on”. Thus the mandate of the tea estates in South African could be inferred to be aligned more with the citizen business firm. According to Halal (2000, p.11), business firms following the “social responsibility model are focussed on ‘doing good’ rather than improving profit and other economic goals”.

Schwab and Sachs (1998, p.2) reported that South Africa is rated seventh out of seventy-seven African countries in terms of competitiveness which includes productivity, education, technology, workforce and management. These skills are deemed essential to compete in the current global environment. The rating appears good in an African context, but competition for South African industry comes from the rest of the world. According to Schwab & Sachs (1997, p.3), South Africa ranked forty-fourth out of fifty-three countries on productivity, which paints a dismal picture. From these statistics it can be inferred that South Africa must increase the

productivity rate in order to improve competitiveness, create wealth and stimulate the economy.

While South Africa was ranked 7th in the 1990's, the third Africa Economic Summit (2004, p.1), which was held in Maputo, Mozambique, ranked South Africa as a third out of ten African countries in terms of competitiveness. Competitiveness referred to growth, obstacles to improving competitiveness and the need to accelerate the pace of economic change. Listed in terms of their competitiveness rankings from this summit, the ten countries were Botswana, Tunisia, South Africa, Mauritius, Namibia, Gambia, Egypt, Morocco, Tanzania and Ghana. Schwab (2005, p.1) also ranked South Africa as forty-second in terms of the competitive condition of economies worldwide. From these statistics it can be inferred that South Africa is in a slight improvement 'mode', although on a small scale and at a slow rate.

The Department of Trade and Industry (2004, unpublished, p.3) reported that total South African tea production (about 10 000 tons, excluding production contributions from the closed Magwa tea company) occurs at six tea producing companies, comprising eleven tea estates, which are spread over four provinces. The area of land covered by these operations is about 4 567 hectares. The provinces, and their production, in order of descending contribution to the total tea production are Limpopo (52 % of total tea production), KwaZulu-Natal (25%), Mpumalanga (14%) and the Eastern Cape (9%) (*Table 2 contains a summary of the SA tea companies and associated production, employment, production cost and sales*).

Accommodate (2005, p.1) cautioned that the tea estate is a tough business in South Africa in which the high value of the rand has undermined its profits. This can be expected to result as the exports made against a strong rand are less in volumes than those made against a weaker rand. The Department of Trade and Industry (2004, unpublished, p.4) provided support by substantiating that the labour intensity of tea is considerably higher than that of other agricultural crops. Such high labour intensity is due to the fact that the total planted area under tea has to be plucked at least once every seven days for 9 months of the year, i.e. the seasonal workers are employed for 9 months compared to 2 to 3 months in most other agricultural crops. Furthermore, the quality of the product is directly related to the process of plucking, the hand-

lucked product would yield better quality than machine-plucked because of the ability to 'select' the required "two leaves and a bud" when plucked by hand.

The challenges in the tea estates are aggravated by the fact that South Africa is not immune to the challenges facing the global market; as such the challenges would also apply to tea estate operations in the country (Department of Trade and Industry, 2004, unpublished, p.3). The South African tea industry lacks the assurance of continuity of operations; hence there is a history of collapse of the tea estates or operations. Concerns around this history include interests on the 'drivers' or causes of the collapse, and strategies to revive the industry and ensure its sustainability.

4.3 Description of tea estates

The Sapekoe estate was established by the Industrial Development Corporation. At the time, government's "tea protection environment" and support of its State Owned Enterprises (SOEs), pronounced a law requiring all tea blenders to use 40% of local tea in their blends (Hilton-Barber, 2005, p.2), with Sapekoe estate supplying a captive market. Sapekoe tea estate is reported to have been responsible for 60% of South Africa's tea output, with annual turnover exceeding R160 million (Hilton-Barber, 2005, p.1). Hilton-Barber (2005, p.1) reported that Sapekoe tea estate used to employ about 10 000 workers, mostly on a seasonal basis.

Hilton-Barber (2005, p.1) stated that the failure of operations in the Sapekoe tea estate have coincided with the collapse of government's "tea protection environment", a drop in local tea prices compared to world open markets, the strengthening of the rand against the dollar, global competition, and the unbundling of estate assets. These impacts required Sapekoe to increase its exports from 5% to 60% of production.

The Department of Trade and Industry (2004, unpublished, p.2) further advised that Sapekoe the establishment of Sapekoe by the Industrial Development Corporation in 1963 was the primary objective of creating jobs. This company was the biggest tea company in South Africa, producing 74% of the total black tea produced in South Africa and an employee complement of 6 392 persons in rural areas (1 939 in KwaZulu Natal and 4 453 in Limpopo). Their annual wage bill was more than R34

million. Sapekoe developed seven tea estates of which one, Mambeni River Estate, was shut down in 2003 with the loss of 650 job opportunities.

The history of Sapekoe (Department of Trade and Industry, 2004, unpublished, p.2) further reports the acquiring of a majority shareholding of Sapekoe by Linton Park PLC, of the UK, in May 2001. This was a commercial “*swop*” arrangement between the IDC and Linton Park in terms of which the IDC forfeited 76% shareholding in Sapekoe for a 30% share in a Malawi tea estate. Linton Park is an international company acknowledged for its experience and expertise in tea production.

Department of Trade and Industry (2004, unpublished, p.2) reported pressures imposed on Sapekoe tea estate to include increased labour costs as a result of the minimum wages prescribed by the Basic Conditions of Employment Act and Amendments (2002); lower returns on tea as a result of low world market prices and the strong Rand; the phasing out of protection for black tea in terms of the SADC Free Trade Agreement that coincided with the phasing out of packer quotas rendered to black tea production in South Africa. Other pressure exerted on Sapekoe included that there were land claims pending on all the estates and the high capital cost required to diversify tea estates to other high value crops making it impossible to divert to alternative crops. All these pressures rendered the Sapekoe estate economically unviable. All of the above mentioned factors left Sapekoe with no choice but to close its business before the beginning of the following season, namely before the end of July 2003. All movable assets, including the tea factories, were auctioned or moved to tea estates in Malawi or Kenya (Department of Trade and Industry, 2004, unpublished, p.2).

The Department of Trade and Industry (2004, unpublished, p.2) further stated that one of the Sapekoe tea estates, Ngome, is the only certified organic black tea estate in the world. Although being the only producer of a niche market product, the company is struggling to sell its product at a premium high enough to justify the economic viability of the project. As a last resort to probably maintain this niche market product, Linton Park sent out requests encouraging its customers worldwide to place orders before the end of July 2004, indicating that the estate might be closed down

before the start of the next season. A decision whether to continue the operations or to close-shop depended on the response from customers.

With Magwa out of production, Senteeko, situated in Mpumalanga, is the second biggest tea company in South Africa. Senteeko is the only mechanized tea estate in South Africa and sells all its tea to local packers. Senteeko is currently also running at a loss. In an attempt to save the company Senteeko is now doing their own packaging and marketing their product directly to stores, such as spaza shops. Due to the fact that the tea is mechanically harvested the tea is of a lower quality and as a result yields lower returns than hand plucked tea. Senteeko is the only company that has no land claims on its estate (Department of Trade and Industry, 2004, unpublished, p.3).

Ntingwe is a KwaZulu Natal development project with the aim of creating jobs in rural areas. Ntingwe is still in its development stage, having only established 395 ha of its planned 598 ha. Tea production and labour utilization is thus lower than industry average due to the fact that most of the tea is still immature. The KwaZulu Natal government budgeted to spend around R41 million during the 2004/5 budget year on the expansion of Ntingwe. To ensure that Ntingwe complies with international tea production standards, the KwaZulu Natal government employed a Sri Lankan tea expert to manage Ntingwe (Department of Trade and Industry, 2004, unpublished, p.3).

The Eastern Cape is generally regarded as the best tea production area in South Africa and hosts three tea companies. The reason why the Eastern Cape is ideal for tea production is the availability of longer growing season as well as good rainfall throughout the growing season. Magwa, one of the tea estates, was liquidated for a number of reasons, including land reform and a poorly managed cooperative production system (Department of Trade and Industry, 2004, unpublished, p.3). The Magwa Tea Estate was established in 1965 (Eastern Cape Development Corporation, 2005, p.1), and occupies an area of 2500 hectares, 1800 hectares of which is covered by the tea plantations. The Eastern Cape Development Corporation reports that Magwa currently employs 2000 employees during peak season, 1100 of which are a continuous employee complement throughout an operational year.

Ferrostaal, in terms of the National Industrial Participation program, in cooperation with an Indian Tea Company is currently in negotiation with the Eastern Cape Development Corporation to resuscitate the tea estate. Magwa has the potential to produce around 2 600 tons of tea per annum and employ around 2 000 persons. The other two tea companies are Majola, producing 6 % of South Africa's annual tea production and Paddock, producing only 2 % of South Africa's annual tea production (Department of Trade and Industry, 2004, unpublished, p.3).

With annual consumption at around 20 000 tons per annum and production (excluding Magwa) at 10 000 tons, South Africa is a net importer of tea (Department of Trade and Industry, 2004, unpublished, p.3). Tea is imported from Malawi, Zimbabwe, Kenya and Sri Lanka. The blending requirements for the major tea brands, such as Five Roses and Joko in South Africa requires blends from different qualities of South African tea with various quantities of tea from Malawi, Zimbabwe, Kenya and Sri Lanka (Department of Trade and Industry, 2004, unpublished, p.3).

4.4 Production statistics of the tea estates in South Africa

Table 2, below, provides statistics on the South African tea companies as of 2004. The tabulated statistics include tea production per estate (tons/hectare), % domestic sales and % export sales. The statistics for Magwa Tea Estate is not captured because the estate was closed down when the statistics was developed.

4.5 Government intervention in the black tea industry

In recognizing the invaluable role played by industry in improving the socio-economic status and provision of jobs to rural communities and nearby areas, the collapse of industries in South Africa has become of particular concern to some people (South African Government Information, SAGI, 2000, p.4). The realization, by government, that appropriate strategies to promote investment should be developed and implemented, in exchange for employment opportunities, often results in the establishment of "off-setting businesses". The overall success of the entire offset programme depends upon the mechanisms that Government puts in place to carry out this task and to carefully monitor the progress of the investment and counter-purchase projects already identified (SAGI, 2000, p.4).

In South Africa, the German industrial group MAN Ferrostaal has committed itself to make two major investments worth about R1.8-billion (SA Info, 2005, p.1). The investments include a stainless steel precision strip mill at Coega in the Eastern Cape and an oil rig manufacturing plant at Saldanha Bay in the Western Cape. These investments are in fulfilment of the company's "offset" obligations under the SA government's industrial participation programme, which requires any multinational company that wins a government tender worth more than US\$10-million to spend roughly 30% of the value of the contract on local investment (SA Info, 2005, p.1).

In the South African situation, until February 1999, tea was subject to quantitative import control, with no duties payable on tea imports. Permits were issued to packers based on their use of locally produced tea. This marketing arrangement constituted a Trade Related Investment Measure (TRIM) in terms of WTO rules and was replaced with a R4 per kg tariff (packed and unpacked tea) on 1 March 1999 (Department of Trade and Industry, 2004, unpublished, p.3).

Apart from a fixed R4 per kg tariff the new tariff dispensation for tea implemented on 1 March 1999 also allowed for the duty free importation of 6 000 tons of tea from Malawi and 1 800 tons of tea from Zimbabwe (Department of Trade and Industry, 2004, unpublished, p.4).

It would appear that the South African government is determined to encourage investment into the country. Some of the initiatives that have been packaged for this purpose include promotion of investment facilitation services for inbound investors (SA Info, No date, p.1), with the focus being on those sectors which have indicated competitive and comparative advantage (SA Info, No date, p.1). Among such sectors, the food sector is regarded as self-sufficient in the country, and operates in the global markets. South Africa is acknowledged as a food self-sufficient country playing in the global markets (SA Info, No date, p.1).

Estate	Province	Ha	Green Leaf t/ha	Made Tea t/ha	Total made Tea	Labour	Cost of Production R/ton	% Domestic Sales	% Export Sales	% Irrigation
Tshivhase Sapekoe		557	14 071	1 650	2 962	1 329	10.33	48	52	58
Mukumbani Sapekoe		504	13 666	145	288	1 134	10.33	48	52	58
Grenshoek Sapekoe		451	12 640	1200	266	941	10.33	48	52	58
Middelkop Sapekoe		501	13 180	1390	2 775	1 049	10.33	48	52	58
Ngome Sapekoe	Limpopo	500	9 329	982	1 964	846	10.33	48	52	58
Richmond Sapekoe	KwaZulu Natal	522	12 284	1 350	2 586	1 093	10.33	48	52	58
Ntingwe		395	5 111	425	1 076	679	11.80	86	14	50
Magwa		1 794	Nil	Nil	Nil	Nil	10.50	Nil	Nil	Nil
Majola		400	8 375	670	1 675	860	11.50	95	5	Nil
Paddock	Eastern Cape	180	5 571	215	1 195	579	11.00	70	30	Nil
Senteeko	Mpumalanga	557	13 015	1 495	2 684	326	11.03	100	0	60
Total		6 361	107 241	9 522	1 987	8 836	10.68			

Table 2. Showing summary statistics of tea companies in South Africa

(Courtesy of DTI, 2004)

Other incentives from government encouraging the success of the tea industry include the current tariff reform programme which aims at lowering input costs for the producers, with relaxed import controls in line with General Agreement on Tariffs and Trade (GATT) and World Trade Organisation (WTO) obligations (SA Info, No date, p.1). This business development strategy has been implemented at the provincial government tier, in which special business institutions have been developed with a mandate to encourage investors to establish or relocate industry and business to areas throughout the country (SA Info, No date, p.1).

4.6 SADC and EU Free Trade agreements

In terms of the SADC free trade agreement the R4 per kg tariff was phased out in 5 equal tariff reductions from 2000 to 1 January 2004. Following the phasing out of the tariffs, tea is imported free of duty from SADC countries. Apart from Malawi and Zimbabwe, limited quantities of tea are also imported duty free from Mozambique. Malawi and Zimbabwe imports are no longer limited to the quantities as set in terms of the 1999 tariff review (Department of Trade and Industry, 2004, unpublished, p.4). Although volume imports from SADC partners increased marginally, value imports seemed to have declined, indicating South Africa's SADC partners did not benefit from South Africa's tariff offer on tea in terms of the agreement (Department of Trade and Industry, 2004, unpublished, p.4).

The tariff phase down for tea in terms of the European Union (EU) agreement is asymmetrical in South Africa's favour, for example the EU tariffs for South African tea exports to the EU were liberalized at entry into force of agreement. On the other hand, the R4 per kg South African tea tariff will be phased down to zero from January 2005 to January 2012 in 8 equal tariff reductions (Department of Trade and Industry, 2004, unpublished, p.4). To date, however, agreement could not be reached on a rule of origin for tea. South Africa requested a "wholly obtained" rule whilst the EU insists on a "manufacture from materials of any heading" rule that will enable the EU to import tea and or packing materials and only complies with a certain 40 per cent value requirement (Department of Trade and Industry, 2004, unpublished, p.4).

4.7 Application of the globalisation debate to the tea industry

The globalisation debate may be applicable to the tea estate and industry because its impacts are readily applicable to this industry as well. As will be entailed in the following chapters, the tea estate industry is a labour-intensive industry. With the advent of globalisation, this industry needs to improve its operations for efficiency and effectiveness. With the application of these aspects, there is a history of casualties in the form of lost jobs. The history of the tea estate will revolve around improving the economy of the benefiting community through job creation. Thus loss of the jobs is widespread among those groups with a close-extended-family culture. With the preceding discussion on globalisation and its impacts, the following chapters will seek to identify the performance of the tea estate industry with the identified globalisation impacts.

4.8 The crisis facing tea production in South Africa

Tea, like most other commodity products, is a US Dollar traded commodity across the world. Movements in the US Dollar exchange rate compared to other currencies affect price competitiveness of such commodities (Department of Trade and Industry, 2004, unpublished, p.4). The strengthening of the Rand against the US Dollar since 2003 negatively affected the price competitiveness of SA tea producers.

The introduction of minimum wages in 2003 resulted in a further 35% increase in wages alone. Wages accounts for between 46 and 47 per cent of the cost of tea production in SA. Labour cost in SA is as much as 8 times higher than that in competitor countries (Department of Trade and Industry, 2004, unpublished, p.4).

According to the Department of Trade and Industry (2004, unpublished, p.4), the cost of tea production in SA varies between R10.33 per kg of tea to R13.90 per kg. The landed cost of tea from SADC countries is R7.76 per kg. The cost of tea production in, for example, Malawi is R4.12 per kg. If South African minimum wages were to be applied in Malawi their cost of production would be in the region of R16.50, which is much higher than Malawi's cost of production. This example supports the argument that tea production is a high-cost nature in South Africa, as also influenced by

legislation governing employment conditions in the country (Basic Conditions of Employment, 2002).

South African Tea Growers are paid between R4.5 and R8 per kg, which is well below production cost. These prices are not conducive for the sustainability of these small businesses, who are faced with a challenge of maintaining their operations and production costs including labour. The retail prices of packed tea vary between R9.99 to R13.99 per 250 g. Packaging costs is not more than 25% of the total cost of raw tea. This means that whilst packed tea retail for between R40 and R56 per kilogram, the input cost is R8 per kg for the raw tea plus a further R2 per kg for packaging cost amounting to a total cost of around R10 per kg. Clearly, these businesses have to decide whether to continue providing employment to its employees and operate at a loss until closure or whether to keep restructuring to a point of 'no feasible restructuring'.

Tea producers in South Africa have no negotiating mechanism to negotiate better prices with tea packers in South Africa; they are price takers as the packers determine the prices. Low world market prices coupled with the strong Rand makes it impossible to export. South African tea packers use the South African tea price as negotiating reference when negotiating tea prices with our SADC partners. As a result South African tea packers seem to be the only ones who have benefited from the abolishment of the TRIM and the phasing out of tariffs in terms of the SADC FTA.

The fact that most of the tea estates are faced with land claims makes it impossible for tea companies to divert to high value crops. A conversion from tea to any other agricultural crop will still result in a 75 to 80 per cent loss in jobs.

The tea estate industry in South Africa is another "off-setting business" venture employed by the South African government. This is shown by the MAN Ferrostaal's drive of revitalising or resuscitating the Magwa Tea estate as an industrial offset of the arms deal (Khuzwayo, 2004, p.1). The Magwa Tea revival project is reported as having had some difficulty because experts had to be brought in from India to help review the estate (Loxton, 2005, p.15). This venture would see the plantation being rebuilt, its operations revived and local staff being trained up to management levels.

Furthermore “*Black investors would immediately be offered a 10 percent equity stake in the plantation, which would grow to 30 percent within three years*” (Khuzwayo, 2004, p.1)

Other investments of this magnitude for South Africa, may also be realised through the major arms contractors, for example Ferrostaal is committed to investing US\$4-billion in South Africa in return for arms deal contracts (SA Info, 2005, p.1).

Success of government initiatives in encouraging international investments into South Africa can be expected to reveal themselves through economic and employment spin-offs at, as far down as, local levels. In some countries, this encouragement or attraction of businesses is also shown by government providing subsidies to some industries. This was further the case of the Eastern Cape government with subsidies to the Magwa Tea Estate (Padayachee, 2004, p.2). However, repercussions associated with this intervention are shown when the subsidies stop. In South Africa privatisation resulted in the Eastern Cape government transferring ownership of the Magwa Tea Estate to its workers. The outcome was a collapse of the estate (Padayachee, 2004, p.2). Thus it can be inferred that the custodians of these projects, e.g. the Department of Trade and Industry (DTI), the Industrial Development Corporation (IDC), the Eastern Cape Development Corporation (ECDC), the Department of Agriculture, etc. need to understand the imbalances resulting from collapses of these institutions as a result of them stopping their support to the projects.

4.9 What happens to the harvested product in SA?

The harvested product is ground to tea of different qualities in a 5-staged process. This process occurs in a controlled environment in a laboratory. Some of the tea estates sell their produce directly into the market; hence their production went to the shelves, for example Pico. However, some estates, for example Magwa estate, sell their produce on the Durban Municipal Produce Market. The tea is then used for blending with other varieties (Mfolozi, *pers. comm.*)

4.10 Total production of tea estates in SA versus tea consumption

Tea growing, worldwide, is reported to be an increasingly competitive business (Netafim, No date, p.1). Such competitiveness caused sharp declines in tea prices, resulting in decreased profit margins affecting tea growers, tea estate owners and investors (Netafim, No date, p.1). Other factors which would require a close assessment include global warming and growing threats of drought; decreasing yields from un-irrigated tea fields; high drought sensitivity of new high yield clonal tea varieties; large fluctuations in annual tea production; inefficient and outdated irrigation systems (Netafim, No date, p.1).

The Department of Trade and Industry reports South Africa to have 6 tea companies currently producing around 10 000¹ tons of tea on a total surface area of 4 567 hectares, in 4 provinces, namely, Limpopo: 52 per cent of total tea production; KwaZulu Natal: 25 per cent; Mpumalanga: 14 per cent and the Eastern Cape: 9 percent. The potential South African produce was minimized by liquidation of the second largest tea company in the country, the Magwa Tea Estate in 1998 (Mfolozi, *pers. comm.*). Magwa tea, occupying an area of 1794 hectares, has a potential to produce about 2600 tonnes of tea per annum, and create employment to about 2000 people. Statistics and a summary of the SA tea companies and associated production, employment, production cost and sales are shown in Table 2 above.

Annual tea consumption among the South Africans revolves around 20 000 tons per annum while tea production in South Africa is around 10 000 tons, excluding the Magwa tea estate. With the negative balance between production and consumption, South Africa has become a net importer of tea. Tea is imported from Malawi, Zimbabwe, Kenya and Sri Lanka. The blending requirements for the major tea brands in South Africa requires blends from different qualities of South African tea with various quantities of tea from for example Malawi, Zimbabwe, Kenya and Sri Lanka (Department of Trade and Industry, unpublished, 2004; p.2).

¹ Magwa, the second biggest tea company in SA, situated in the Eastern Cape has been placed under liquidation and is not producing any tea at the moment. Magwa has the potential to produce around 2 600 tons of tea, bringing total tea production to 12 600 tons, on 1 794 ha of land.

4.11 Conclusion

Without increased government intervention in the black tea industry, black tea production in South Africa is not economically viable. An untimely closure of the tea estates will dramatically depreciate the value of the land under land claims.

Since the tea industry entails labour-intensive operations, it can be inferred that closure of such operations will result in loss of many jobs, resulting in a worsening of the economic status of the affected families and communities. This is against government's drive and mandate to create jobs for all, and to improve the livelihoods of all South Africans. The ripple impacts from these job-losses are dire, in that this would create a situation of "survival of the fittest" which, among the poor and unlearned, could result in crime. Thus, the social stability of the communities and the regions will be negatively impacted.

The abolishment of the quota system for tea packers not only eroded the price bargaining mechanism for tea producers but also eroded the intended tariff benefit for SADC tea producers in terms of the SADC FTA.

CHAPTER 5 RESEARCH METHODOLOGY

5.1 Introduction

This chapter describes how data collection and analysis for the topic of “The impact of globalisation on the tea industry with special reference to South Africa”, was carried out. Thus the questions asked were based on observable or identifiable aspects of globalisation and their identifiable impacts on the tea industry in this country. The chapter also provides a description of how data was obtained, presented and interpreted with the ultimate objective of providing answers to the questions posed or research objectives.

The empirical study examined whether the impact of globalisation mentioned in the literature review did have an effect on the performance of the South African tea industry as a sustainable tea producing operation in global markets.

Research according to Leedy (1985, p.4) is described as, “...the manner in which we attempt to solve problems in a systematic effort to push back the frontiers of human ignorance or to confirm the validity of solutions to problems others have presumably solved.”

5.1.1 Problem statement

The globalisation of the market has had serious implications for management and productivity in industry. Since this concept of globalisation has opened all markets and suppliers to global competition, some institutions have not survived the resultant competition. The primary aim of this dissertation was to establish whether the tea estate in South Africa has been negatively impacted by globalisation.

5.1.2 Research questions

Alignment of the government “off-set” initiatives, in for example tea industry and sugar industry, with national growth strategic policy can be seen as an important strategy that deserves the attention of the country’s developmental strategists. These initiatives can be applied following “lean and mean” production strategies, which focus on cost-effectiveness and efficiency. The challenges facing tea industry

production operations pose a problem for management's ability to improve the sustainability of operations and shareholder's returns. Some of the strategies which management could employ include establishing and promoting low-cost production, maintaining good quality and quantity, and providing associated spin-offs for the socio-economic development of the surrounding areas.

The focus of this research was based on the following questions:

- What factors resulted in the failure, or low performance, of the tea industry in South Africa compared to its potential in the global market?
- Has the South African tea industry been impacted by globalisation?
- Has the Magwa Tea Estate suffered from the impact of globalisation?
- What aspects of globalisation have proved detrimental to the success of the tea estate in South Africa?
- What strategies should be developed for the Magwa tea estate to survive the global forces of competition within the South African market?

5.1.3 Research objectives

This research focussed on examining factors that are critical to the re-establishment and sustainability of the tea estates in South Africa, and positioning of these estates for their competitive participation in the global market. The findings presented evidence that could assist tea growers in addressing challenges facing their estates and industry in the global markets from a strategic point of view, and may provide some insights into how to improve the performance of the South African tea industry in the global market.

Objectives of the research include:

- To identify issues and strategic challenges facing the global tea industry in the literature and apply them to the South African tea industry;
- Analyse the tea estates in South Africa with specific reference to Magwa Tea Estate in the Eastern Cape, the old Transkei;
- Identify appropriate strategies that may enhance the performance of the South African tea industry;

- Assess the incentives provided by global governments to tea estates and compare them to the South African conditions;
- Examine the potential of applying some of the global success strategies into the South African tea estate industry.

5.2 Primary research

The population can be defined as all tea experts in South Africa in the tea-producing provinces in particular, from both the private and government sectors in such provinces. The private sector comprises Chambers of Business, growers/estates, packers, workers; while the government sector plays the role of a regulator and may include the Department of Agriculture, the Department of Trade and Industry, the Eastern Cape Development Corporation and the Industrial Development Corporation. Due to the different perspectives these two sectors might have, samples were taken from both. During the analysis, the results obtained from these sectors were analysed for frequency.

The tea industry is of a limited size in the agricultural sector; hence it is serviced by a limited number of experts. Fowler and Fowler (1995, p.474) defined an “expert” as “having special skill at a task of knowledge in a subject”. This description does not give guidance on experience with the use of the skill or knowledge. Thus, for the purposes of this study, an expert is defined as a person who has been in a management position in the tea industry or in the employment of a relevant government department for at least, 5 years.

5.2.1 Sectoral data

Based on available statistics on employment (Table 2, Chapter 4, courtesy of the Department of Trade and Industry), it was observed that the South African tea estate/industry had a population of 8 836 people (who are the staff complement) (Department of Trade and Industry, 2004, unpublished, p.6). In a labour-intensive production environment, the allowable span of control can have a ratio of 1:60 (Manager to Labourers). Since the tea industry was reported as one such labour-intensive operation, this ratio was applied to the Department of Trade and Industry’s labour statistics (given above) to predict the number of managers in the private tea

sector. From using this ratio, the predicted number of managers was 145, which were deemed a population for the purposes of this study. The research methodology and statistical analysis was structured to allow for 30% (44 persons) of this population as a sample.

Business institutions like the Business Chambers, the Industrial Development Corporation, Department of Trade and Industry and the Eastern Cape Development Corporation are known to have such high capacitated resources such that responsibilities are delegated to 1 or 2 manager(s), who get(s) involved with the whole tea project in the country or a wide geographical area. Hence, such a resource was allowed for and used in the data collection exercise from these institutions. From the explanation above, it can be inferred that the sample comprises 48 respondents (44 managers from Department of Trade and Industry stats on tea estate stuff;; plus 4 capacitates resources, each from the Business Chamber, Industrial Development Corporation, Department of Trade and Industry and the Eastern Cape Development Corporation); hence 48 completed questionnaires were needed for the statistical analysis.

It can be accepted that the tea industry will be under the jurisdiction of both government and the private sectors. Hence to try and get a balanced view from each sector, the distribution of questionnaires allowed for 50% distribution and collection from each sector, i.e. the industry/private sector and government.

To mitigate the possible risk of ‘non-returns’ of the questionnaires, the questionnaires were distributed to respondents double the sample size (i.e. a total of 96 questionnaires were distributed). Thus, at each institution, the number of respondents was doubled to secure adequate response from each institution. In the event of receipt of all distributed questionnaires, the response from each institution would have been averaged.

5.3 Investigative techniques

5.3.1 *Research methods*

A questionnaire is defined as a “pre-formulated, written set of questions to which respondents record their answers, usually writing rather closely defined alternatives” (Emory and Cooper, 1991).

This research is a cross-sectoral study and the method of data collection that was deemed best for this research was that of a field questionnaire. A questionnaire is probably the most common and inexpensive instrument that can be used to study the understanding of the concept of globalisation, and to gauge its impacts in a specific industry. The questionnaire was based on the literature review and designed to obtain data ranging from subjective information about tea industry’s perceptions towards the concept of globalisation, as well as objective information such as the strategic challenges/impacts of globalisation on the operations of the estate/industry.

The questionnaire, as a data collection method, was chosen for the following reasons:

- The researcher knows precisely what information is needed;
- It offers the respondent anonymity and the convenience of answering the questionnaire when it best suits them (Emory and Cooper, 1991)

The disadvantages of using a questionnaire method are (Emory and Cooper, 1991):

- Poor response rate associated with it. One needs to achieve a minimum response of 30% for the data to be satisfactory;
- The nature of the question one may ask are limited in that they have to be self-explanatory and unambiguous;
- One does not have the ability to expand on any given answer;
- The quality and volume of the information received is greatly determined by the willingness of the respondent to co-operate.

The potential for poor response rate was overcome by including an explanation of the study, outlining its purpose and encouraging respondents to participate. The researcher explained to the respondents what the study was about, and further requested the respondents to complete letters of consent (**Appendix A**). These letters

of consent were a sign that the respondent was clear on the contents of the study questionnaire, and that the results of the questionnaire would be used for the said purpose only, and confidentiality would be maintained. Furthermore, the number of potential respondents was doubled to allow for those who would not respond on time.

5.4 Questionnaire development

The questionnaire was designed with the aim of enabling the researcher to obtain data fairly easily as it relates to the identified questions. Structuring of the questionnaires for primary data was such that it is obtained in a manner that the researcher can further analyse using statistical tools fairly easily. As a result, the questionnaire was structured in a manner to solicit responses which would address a point of query:

SECTION A:

The section required biographical data from the respondents. Data from this section included the name of the organisation at which the respondent is employed, the respondent's level of operation in the organisation, the level of education and the number of years with relevance to the topic being enquired. The intention here was to ensure that the respondent was knowledgeable enough and in a position to make material contribution to the study. It would be fruitless to interview an individual who is not involved with the challenging aspects of globalisation. The organisation information was for distinguishing between private and government institutions.

Thus, the focus sample of the study was mainly respondents in some level of management in their organisations. This section, therefore, was meant get some assurance that the respondent had the potential to understand the complexities of globalisation.

SECTION B: This section is presented in THEMES, each theme comprising a number of questions.

THEME 1: GENERAL ASPECTS ABOUT GLOBALISATION (Questions 1, 6, 7, 8, 9, 13, 20, 27, 28, 29 and 30). This theme was associated with Objectives 1 and 4, which identified issues and strategic challenges facing the global tea industry in the global and South African context. The theme covered aspects associated with

literature, as listed in Hill (2003, p.4). Such aspects include crumbling trade barriers, development of cross-border trade, technology advancement resulting in shortened distances, advances in transportation enhancing quick transportation of materials and products, changes in population dynamics, and changing legislation and impacts of societal values and lifestyles. These aspects result in increased pressure from the forces of competition (Thompson and Strickland, 2003, p.79), which include the impact of substitute products (Thompson and Strickland, 2003, p.87). The theme also covered potential employment of the operational strategy of “Comparative Advantage” (Hill, 2003, p.145) as an entry strategy into a new country.

Other challenges facing both private and government sector during the globalisation era include the expectation that they play a critical role in improving the lives of rural communities in which their projects are taking place. From the government’s side, examples were made of ‘off-set’ projects and subsidies. These institutions are expected to give guidance and protection with the

Furthermore, the theme examined the changes in organisations as compared before globalisation and during the globalisation era. The theme also rated aspects of globalisation in terms of the following ratings for being a challenge: ‘none’, ‘minor’, ‘significant’ and ‘immense’.

THEME 2: FLEXIBILITY OF COMPETITIVE STRATEGIES (Questions 2, 5, 18 and 19). This theme supported Objectives 1 and 3 of the study. This theme revolved around the importance of flexible strategies in the changing operating environment. The question was intended to establish if flexibility of strategies is important in the globalisation era. Furthermore, the theme investigated whether there is a need for a change in strategy as an organisation competes in another country, as was responded to by Barron (2006, p.15).

THEME 3: COMPETITIVENESS AND PERFORMANCE (Questions 3, 4, 16, 21, 22, 23 and 24). The theme supported Objectives 1 and 2 of the study. The theme made an enquiry on whether competitiveness in South Africa has improved due to globalisation. On the tea industry, the theme enquired if the industry performed well in the globalisation era. Additionally, the theme was intended to establish if the size of

the industry played a role in the state of the industry. The theme also enquired if privatisation would necessarily lead to better competitiveness. According to Nwankwo and Richards (2001, p.176), “privatization was founded on the premise that encourages citizens' investment participation and ownership. It is also designed to encourage foreign investment on a scale understood to be more significant than indigenous participation and presupposes a solvent indigenous population”. From this definition, it can be inferred that privatisation is based on the assumption that the involved communities have the ability to invest. Prizzia (2001, p.450) criticised privatisation by stating that it is often characterised by short-term economic gains by the private sector interest groups, and is not concerned with how the most vulnerable groups of the public and community will be affected in the long-term.

THEME 4: THE SOUTH AFRICAN TEA INDUSTRY, THE MAGWA TEA ESTATE AND THEIR MANAGEMENT RESOURCES (Questions 2, 11, 12, 15, 25 and 26). This theme supported Objectives 2 and 3 of the study. The theme recognised the importance of flexible strategies, and investigated if Magwa tea estate employed such flexibility in its competitive strategies. Furthermore, the theme enquired whether Magwa was positively impacted or negatively impacted by the phenomenon of globalisation, and the respondents had to provide substantiation to support their responses.

As far as management skills and availability of labour resources, the theme enquired on the appropriateness of these. Associated with this was an enquiry on whether management had a clear understanding of expectations due to globalisation.

SECTION C: This section comprised open ended questions

C1 required the respondent to provide what they deemed to be challenges facing the tea industry in the current operating environment;

C2 provided the background that the tea industry was not successful and required the respondent to suggest measures that could have been employed to sustain this industry;

C3 was intended to get all the factors that the respondent deemed instrumental in the low performance and failure of the tea industry in South Africa.

The questionnaire was designed using the explanations in the points below:

5.4.1 Types of questions

The types of questions that were designed to properly satisfy the questionnaire are as follows:

- Checklist – offering a list of items, the respondents are asked to check the items that best apply to the situation;
- Closed ended questions – limited answers;
- Two way questions – has alternate responses, a yes/no, disagree/agree, or other possibilities;
- Multiple choice questions – a question having several choices from which the respondents choose the most applicable;
- Ranking scales – require the respondents to rank a list of items;
- For some questions requiring some substantiation, a few lines will be added for comments and clarification on such questions.

5.4.2 Principles of wording

This principle focuses on three aspects, namely, content, wording and sequence of the questions (Emory and Cooper, 1991):

5.4.2.1 Content

The survey questionnaire had questions that were focused around the observed or identified key aspects of globalisation and trends, and strategic management as discussed in chapters two, three and four. The purpose of this questionnaire is to solicit the respondents' views on such factors in a clear and effective way.

5.4.2.2 Wording

Clear and concise statements were made, and respondents were asked to answer from a limited number of alternatives in the survey targeted at the management in the industry. This survey was meant to solicit information on globalisation, and the

impacts of the associated market changes. The questions which are predominately close-ended but allowing for the respondents to add or elaborate on the answers occur in the questionnaire targeting levels from supervisory level and above in the industry. The nature of the project, and the associated questionnaires, were of such a manner that they do not have a potential to violate the respondents' private life or anonymity in any way. To ascertain that the status of the questionnaire was in line with the requirements of the Ethical Committee of the University, the questionnaire was submitted for ethical clearance after completion. As an approval, an ethical clearance certificate was given by the University (**Appendix B**)

5.4.2.3 Sequence

The aim of sequencing is to keep the respondent interested as the questions were cumulative, and to ensure that questions are correctly completed. The questions were subdivided into sections. This aids the respondent in the completion of the questions in that it reinforces how they are to be answered despite looking different from previous questions. As suggested by Emory and Cooper (1991) the "funnel approach" was used. This refers to the approach of moving from general type questions to more specific questions and as one does so it helps focus the respondents' frame of reference and help to obtain further information.

5.4.3 Measurement

Emory and Cooper (1991, p.179) state that, "There are three major considerations one could use in evaluating a measurement tool. They are validity, reliability and practicality".

According to Emory and Cooper (1991) the 5 point Likert-type Scale fit the three major considerations mentioned above and is relatively easy to develop in comparison to other scales. A 5-point Likert scale (with a range of 1 – 5), which is a tool used to measure attitudes or opinions to assess the strength or intensity of agreements about the statements or questions in the questionnaire (Hair *et. al.*, 2003, p.158), was used in this research to measure the expert opinions. Thus in the execution of the Likert Technique, the respondents were asked to express agreement or disagreement of a statement on a five-point scale. Each degree of agreement is given a numerical value

from one to five. Thus a total numerical value can be calculated from all the responses.

5.4.4 *General appearance*

The appearance of the questionnaire is important in that it is the first interaction with the subject. The questionnaire was thus designed to look neat, professional and user-friendly (**Appendix C**).

The questions also need to be organised logically and instructions clearly given.

The questions were set out in a manner as to avoid any form of visual in responses.

An introductory explanation note in the questionnaire and a letter of consent explaining the purpose and aim of the study, to the respondents. The letter of consent also served to encourage respondents to reply and thank them in anticipation for their response.

5.5 Pre-test and validation

A small group of colleagues working within the writer's organisation was used to pilot the study. The aim of this exercise was to determine whether the questionnaire was easily understood and to reveal any problems in its completion. This pre-test was deemed robust because the test sample is not made of experts from the tea industry, and their understanding of the concepts and issues suggested that tea experts would not have a problem. The pilot group was encouraged to give the researcher feedback on any problems associated with the completion of the questionnaire.

In addition, Mrs Venter, a Statistics lecturer at the University of South Africa, was engaged to further interrogate the questionnaire prior to the release in order to ensure that any problems identified are addressed and that the questionnaire is meaningful for the intended purposes.

5.6 Sample

From available statistics on employment in tea industry (Table 2, Chapter 4, courtesy of the Department of Trade and Industry), it was observed that the South African tea estate/industry had a population of 8836 people (who are the staff complement) (Department of Trade and Industry, 2004, unpublished, p.6). In a labour-intensive

production environment, the allowable span of control can have a ratio of 1:60 (Manager to Labourers). Since the tea industry is reported as one such labour-intensive operation, this ratio was applied to the Department of Trade and Industry's labour statistics (given above) to predict the number of managers in the private tea sector. From using this ratio, the predicted number of managers was 145, which were deemed a population for the purposes of this study. The research methodology and statistical analysis was structured to allow for 30% (44 persons) of this population as a sample.

Business institutions like the Business Chambers, the Industrial Development Corporation, Department of Trade and Industry and the Eastern Cape Development Corporation are known to have such high capacitated resources such that responsibilities are delegated to 1 or 2 manager(s), who get(s) involved with the whole tea project in the country or a wide geographical area. Hence, such a resource was allowed for and used in the data collection exercise from these institutions. From the explanation above, it can be inferred that the sample comprises 48 people (44 experts/managers from Department of Trade and Industry stats on tea estate stuff; plus 4 capacitates resources, each from the Business Chamber, Industrial Development Corporation, Department of Trade and Industry and the Eastern Cape Development Corporation); hence 48 completed questionnaires were needed for the statistical analysis.

The sample comprised 48 respondents (22 being experts in government departments involved in agricultural sector, 22 being experts from the tea industry as a private sector, and 4 being experts from the Business Chamber, Industrial Development Corporation, Department of Trade and Industry and Eastern Cape Development Corporation). For identifying experts in the tea industry, some help was sourced from the offices of the Department of Trade & Industry, the Industrial Development Corporation, the Department of Agriculture, the Eastern Cape Development Corporation and the Provincial Development Committee offices for a list of contact people in this industry and their contact details. Also, the researcher made use of people communication to get relevant people who would be willing to be respondents in this research.

5.7 Questionnaire distribution and data collection

Telephonic discussions were held with each respondent requesting their participation in the data collection of the project, prior to the questionnaires being sent out. In such telephonic discussions, the study was explained to the respondents. The respondents from the private sector included employees and ex-employees of the tea estates, like Magwa and Majola in the Eastern Cape, Sapekoe and Ntingwe in KwaZulu-Natal and Senteeko in Mpumalanga provinces. Respondents from government sector included employees and ex-employees of the National Department of Agriculture and Environmental Affairs, and their provincial offices in the Eastern Cape, KwaZulu-Natal and the Mpumalanga provinces. Furthermore the population had respondents from the Eastern Cape Development Corporation, the Department of Trade and Industry and the Industrial Development Corporation.

The distribution of the questionnaires was undertaken during the period from July 2006 to August 2006, prior to an approved ethical clearance form. The reason for this was time pressures, due to the deadlines that this MBA programme has. Attached to the questionnaire was a copy of the 'ethical clearance application form' that was sent to the university's ethical clearance committee, and was still awaiting approval from this committee. Furthermore, on this application form, there was an explanation on the researcher's awareness of the implications of ethical breaches and the researcher committed to complying with all necessary ethical behaviour, as required by the University as far as the use of data collected in this study is concerned. Another explanation was given that the research is being undertaken for academic purposes only. It also highlighted that information gathered for these purposes would not be used for any other purposes without obtaining permission from the appropriate owners of the information. Also, the questionnaire did not require confidential information about companies and/or their competitive edges; and neither did it require information about the respondents', their friends' or their family's states of health, but it required the respondents' perceptions on globalization. Hence, the researcher did not see a risk of rejection of the ethical clearance approval form in distributing the questionnaire prior to approval. Indeed a Provisional Ethical Clearance Certificate was received.

On receipt of the 'Provisional Ethical Clearance Certificate' which had a requirement for an "informed consent document being obtained in line with standard ethics guidelines". The researcher contacted all respondents requesting that they complete the required consent, with the explanation that any data collected without this letter of consent would not be usable as far as the University is concerned. The respondents completed the forms, as they had already committed to completing the questionnaire..

A total of 96 questionnaires were distributed to experts in each of the private and government sectors. The distribution of the questionnaire was mainly determined by the locality of the identified experts. Some of the questionnaires were e-mailed to respondents who had access to the e-mail facility and were agreeable to the use of this facility; and by fax to those respondents who could not use the e-mail, to allow the respondents to engage in this research.

On completion of the questionnaire, the respondents sent them back to the researcher through e-mail or fax, depending on the expert's convenience.

5.8 Treatment of data

Before statistically analysing the data, the questionnaire was collected and the data was coded. The questions in the questionnaire were numbered and captured into an excel spreadsheet. The frequency of responses was tallied to arrive at a cumulative percentage.

In this study descriptive statistics was used to interpret the raw data. This form of statistical analysis was deemed appropriate as the researcher was essentially trying to establish how individuals view certain factors in relation to globalisation on one hand, and impacts in the tea industry on the other.

Descriptive statistics is the most basic form of statistics. One important use of statistics is to summarise a collection of data in a clear and understandable way (Wegner, 1999, p.5).

5.9 Summary and analysis of findings

The data collected was analysed through use of the Excel statistical software and methods. Since questionnaires were administered to government and private sectors, different codes were assigned for each data to be able to allow identification of similarities or trends among the data. The sampled data was interrogated for comparisons between the two institutions to investigate whether there are strategic gaps or not. The results of the analyses were compared against recorded literature on globalisation.

5.10 Conclusion

Now that the rationale for using the questionnaire design and the treatment of the subsequent data obtained has been discussed, the next chapter focuses on the presentation and interpretation of the responses received for the respective questions. This data will allow the researcher to address the objectives of the study.

CHAPTER 6 RESEARCH FINDINGS AND ANALYSIS OF THE DATA

6.1 Introduction

This chapter focuses on the presentation and interpretation of the primary data obtained from the questionnaires.

Of the 96 questionnaires sent out that referred to globalisation, 48 were returned completed, with equal representation from the two sectors, hereinafter referred to as ‘industry’ and ‘government’. This response equates to a 50% response rate, which provides the targeted sample for the investigation.

The aim of the empirical study was to examine whether the impact of globalisation mentioned in the literature review did have an effect on the performance of the South African tea industry as a sustainable tea producing operation in global markets.

The questionnaire was divided into three sections [Section A which required Biographical Data; Section B required short answers on tea estates industry; and Section C which asked open questions] (**Appendix C**).

Section A was the section that identified the respondents’ demography. The sample of 48 respondents comprised both female and male experts with an experience ranging from 6 years to more than 15 years in the industry. As far as educational qualifications, all the respondents had a minimum of a National Higher Diploma to PhD. In their current job positions, the experts range from Assistant Director to Director (government), while the position in the private sector ranged from middle management to senior management. Thus the whole sample was deemed to meet the desired level of management, experience and educational qualifications, which was expected to have an understanding of the complexities of globalisation.

Section B is the section that provided quantitative data, which was subjected to statistical analysis. The tabulated results from Table 3 to Table 33 present a split in the data between the private and the government institutions. Dataset from each

institution is presented in the form of actual frequencies (counts) or responses to a category in the Likert scale, and below each count is a percentage of the count to the number of respondents. Responses from the other sections have been used to contextualise the results of the data interpretation.

Section B has been separated into 4 sub-sections, namely,

- (i) Respondents' general understanding of globalisation
- (ii) Government intervention and subsidies
- (iii) Impacts of globalisation on South Africa
- (iv) Questions specific to the SA tea industry and Magwa Tea Estate

6.2 Interpretation of results by sub-section

6.2.4 Respondents' general understanding of globalisation

This sub-section was intended to understand how the respondents perceive globalisation.

Question 1: Changes caused by globalisation in the macro-environment include:

Table 3: (1a) crumbling trade barriers:

Industry		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question1:a	Count				14	10	24
	%				58	42	100
Government		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question1:a	Count				7	17	24
	%				29	71	100

The respondents all agreed that globalisation resulted in non-existence of trade barriers. This response rate supports Hill's observation of a "*fundamental shift that is occurring in the world economy*" (2003, p.4). According to Hill (2003, p.4), the national economies were ceasing to operate in isolation from other nations, which was effected by a multitude of barriers, and were beginning to operate in integration.

Table 4: (1b) development of cross-border trade:

Industry		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question1:b	Count				18	6	24
	%				75	25	100
Government		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question1:b	Count		18		6		24
	%		75		25		100

It appears that 100% of industry is in support of this aspect of globalisation, while only 25% agreed from government. The majority of government respondents (75%) did not agree that there would be cross-border trade due to globalisation.

Table 5: (1c) technology advancement resulting in shortened distances:

Industry		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question1:c	Count				11	13	24
	%				46	54	100
Government		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question1:c	Count		17		7		24
	%		71		29		100

Again, government did not think there was such technological advancement to result in shortened distances, while industry wholly appreciated the importance of technology.

Table 6: (1d) advances in transportation enhancing quick transportation of materials and products:

Industry		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question1:d	Count				16	8	24
	%				67	33	100
Government		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question1:d	Count				16	8	24
	%				67	33	100

All respondents (100%) agreed that there were advances in transportation of materials and products.

Table 7: (1e) changes in population dynamics:

Industry		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question1:e	Count				9	15	24
	%				38	63	100
Government		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question1:e	Count				14	10	24
	%				58	42	100

There was a strong acknowledgement of the changes in population dynamics.

Table 8: (1f) changing legislation and impacts of societal values and lifestyles:

Industry		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 1:f	Count				17	7	24
	%				71	29	100
Government		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 1:f	Count		6			18	24
	%		25			75	100

Although up to three-quarters of government agreed with the changes on legislation, 25% of this sector did not agree. Industry sees changing legislation and associated impacts as a threat.

Table 9 - Question 2: The realization of opportunities in the turbulent, changing operating environment requires flexible and responsive strategies for maximizing market-share:

Industry		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 2	Count			4	8	12	24
	%			17	33	50	100
Government		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 2	Count			4	8	12	24
	%			17	33	50	100

88% of all the respondents were in strong agreement with the necessity of flexible strategies, while 17% gave a neutral status. This response was supported by Leknes and Carr (2003, p.31) who reported that some organisations have changed their strategies from domestic to global strategies, as dictated by their resources and national comparative advantages, on recognising changes in the world economy

Table 10 - Question 4: Privatization assists in making a company more competitive

Industry		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 4	Count		2	9	9	4	24
	%		8	38	38	17	100
Government		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 4	Count		2	11	11		24
	%		8	46	46		100

For industry, 55% agreed while 38% were neutral with 8% in disagreement with such possible benefits. Government response ranged from mainly neutral to agreeing, with 8% in disagreement. It can be inferred that the positive respondents believe in the current Theory of the Firm, which poses a challenge to companies to continuously improve their competitive performance to improve the return of investments of the shareholders (SubbaNarasimha, 2001, p.215). Prizzia further cautions that there is no sustainability and social responsibility in privatisation (2001, p.450).

Table 11 - Question 5: If a business strategy is successful in a particular country, it should not be assumed that it will always be successful in other countries

Industry		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 5	Count				8	16	24
	%				33	67	100
Government		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 5	Count				9	15	24
	%				38	63	100

All respondents agreed that it should not be assumed that a strategy applied some place is equally applicable some place else as well. This is true because some organisations have changed their strategies from domestic to global strategies, as dictated by their resources and national comparative advantages, on recognising changes in the world economy.

Table 12 - Question 6: There is a valuable role played by industry in improving the socio-economic status of rural communities.

Industry		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 6	Count		4	4	6	10	24
	%		17	17	25	42	100
Government		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 6	Count				6	18	24
	%				25	75	100

Government agreed that there is value from industry to rural communities, while only 67% of industry agreed, with 17% in disagreement with this aspect.

6.2.2 Government intervention and subsidies

This sub-section investigated how the respondents perceive government's role to be in the face of globalisation. Furthermore, the sub-section investigates whether government's intervention is optimally utilised by the recipients or beneficiaries.

Table 13 - Question 7: Government should intervene in ensuring that appropriate investments are invited to enhance local community socio-economy.

Industry		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 7	Count				6	18	24
	%				25	75	100
Government		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 7	Count				4	20	24
	%				17	83	100

All respondents agreed that there is value to government's intervention as government has the mandate to provide for the state of the local communities, together with the necessary amenities. Governments have intervened through a number of approaches. Such interventions include changes in industrial policies (Lee, 1996, p.392), capital subsidies (Tzelepis and Skuras, 2004, p.127), etc. However, some authors have discovered that government interventions do not guarantee successes in these subsidised investments (Van Tongeren, 1998, p.74).

Table 14 - Question 9: Subsidies are used effectively in S.A.

Industry		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 9	Count	6	10	4		4	24
	%	25	42	17		17	100
Government		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 9	Count				20	4	24
	%				83	17	100

While the government respondents agree to the effective utilisation of subsidies, industry does not agree to this. From the industry, only 17% of the respondents were in "strong agreement" on effective use of subsidies. It would appear that Van Tongeren's (1998, p.74) observation that government subsidies are not necessarily always used positively, as they would have been intended, did have some support from the respondents.

6.2.3 Impacts of globalisation on South Africa

This section was intended to establish the respondent's feeling on whether their sector has benefited from globalisation and the communities as well. Furthermore, the question asks for possible strategic approach that the tea industry could have employed, in the form of "Comparative advantage". According to Hill (2003; p.145), the theory of comparative advantage states that "*it makes sense for a country to specialise in the production of those goods that it produces more efficiently and to buy*

the goods that it produces less efficiently from other countries, even if this means buying goods from other countries that it could produce more efficiently”.

Table 15 - Question 3: Globalization has improved SA's competitiveness

Industry		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 3	Count				15	9	24
	%				63	38	100
Government		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 3	Count				15	9	24
	%				63	38	100

There was a common agreement that South Africa has improved its competitiveness due to the forces of globalisation. This statistics was supportive to reports that South Africa improved from a rating of seven out of seventy-seven (Schwab and Sachs, 1998, p.2) to a rating of third out of ten (Africa Economic Summit, 2004, p.1).

Table 16 - Question 20: Through globalisation, communities can become empowered. Do you agree with this statement?

Industry		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 20	Count			2	20	2	24
	%			8	83	8	100
Government		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 20	Count			2	20	2	24
	%			8	83	8	100

Although a few respondents (8%) were undecided, 92% were in agreement that community empowerment can be expected to happen with globalisation.

Table 17 - Question 27: The tea industry in South Africa could have employed benefits of 'Comparative Advantages' to survive post 1995

Industry		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 27	Count			4	16	4	24
	%			17	67	17	100
Government		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 27	Count		16			8	24
	%		67			33	100

More than 80% of industry respondents feel that comparative advantage could be employed in the tea industry. Government respondents have 67% disagreement with the application of comparative advantage, while 33% feels this could be used.

Table 18 - Question 28: What impact has/will globalisation had/have on your organisation?

Industry		Very negative	Negative	Neutral	Somewhat positive	Very positive	Total
Question 28a	Count	11	9	4			24
	%	46	38	17			100
Government		Very negative	Negative	Neutral	Somewhat positive	Very positive	Total
Question 28a	Count			4	11	9	24
	%			17	46	38	100

Industry		Very negative	Negative	Neutral	Positive	Very positive	Total
Question 28b	Count			7	17		24
	%			29	71		100
Government		Very negative	Negative	Neutral	Positive	Very positive	Total
Question 28b	Count		17	7			24
	%		71	29			100

The two sectors showed significant differences on both the pre-globalisation and the globalisation eras. Although with some respondents remaining “neutral”, both sectors showed that there were significant differences between the eras. However, industry shows a positive change during the globalisation era, while government shows a negative change due to globalisation.

From the statistics in **Table 19** below (page 74), it can be observed that both sectors agree that trade barriers play a significant to immense role. Industry deems political instability significant to immense, while government sees no impact of this instability. Both sectors agree that social issues play a minor to significant or immense role. Industry shows loss of intellectual property as a concern playing a significant to immense role, while government’s response was that this aspect plays only a minor role. Anti-globalisation movement is a concern to industry since it can be minor to immense, while government suggests this can play only up to minor role.

Table 20 below (page 75) shows that compliance and regulatory, technological change, current competition and labour laws were seen as the greatest threats in South Africa, at present.

Table 19 - Question 29: Rate the significance or insignificance of trade barriers (29a), political instability (29b), social issues (29c), loss of intellectual property (29d) and impacts of anti-globalisation movement (29e).

Industry		None	Minor	Significant	Immense	Total
Question 29a	Count			16	8	24
	%			67	33	100
Government		None	Minor	Significant	Immense	Total
Question 29a	Count			10	14	24
	%			42	58	100

Industry		None	Minor	Significant	Immense	Total
Question 29b	Count		2	10	12	24
	%		8	42	50	100
Government		None	Minor	Significant	Immense	Total
Question 29b	Count	24				24
	%	100				100

Industry		None	Minor	Significant	Immense	Total
Question 29c	Count		4	11	9	24
	%		17	46	38	100
Government		None	Minor	Significant	Immense	Total
Question 29c	Count		18	6		24
	%		75	25		100

Industry		None	Minor	Significant	Immense	Total
Question 29d	Count			15	9	24
	%			63	38	100
Government		None	Minor	Significant	Immense	Total
Question 29d	Count	9	15			24
	%	38	63			100

Industry		None	Minor	Significant	Immense	Total
Question 29e	Count		14	5	5	24
	%		58	21	21	100
Government		None	Minor	Significant	Immense	Total
Question 29e	Count	14	10			24
	%	58	42			100

Table 20 - Question 30: In this question, the respondents are given a list of eight (8) possible major threats facing organisation in South Africa at present, and are required to choose the first three (3) that would be more threatening.

The list includes compliance and regulatory constraints, current competition, change controls, crime, pace of technological change, brain drain, labour laws, and other.

Industry		Compliance & regulatory constraints	Current competition	Change controls	Crime	Technological change	Brain drain	Labour laws	Other	To
Question 30	Count	1	5	2	2	3	6	5		
	%	4	21	8	8	13	25	21		1
Government		Compliance & regulatory constraints	Current competition	Change controls	Crime	Technological change	Brain drain	Labour laws	Other	To
Question 30	Count	4	4	3	2	4	3	4		
	%	17	17	13	8	17	13	17		1

6.2.4 Questions specific to the SA tea industry and to Magwa Tea Estate

This section encompasses issues ranging from the availability of appropriate resources, to awareness on the industry about globalisation, to how the tea industry has responded in the face of globalisation.

Table 21 - Question 8: ‘Off-set’ projects will give re-birth to the tea industry in South Africa and provide benefits to BEE investors

Industry		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 8	Count		6		12	6	24
	%		25		50	25	100
Government		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 8	Count				18	6	24
	%				75	25	100

While 75% of industry believes that ‘off-set’ projects will revive the tea industry, government seems to have full confidence that these projects will revive the tea industry.

Table 22 - Questions 11: The South African tea industry holds appropriate management skills for managing the estates through the challenges of globalization

Industry		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Questions 11	Count		8	8	8		24
	%		33	33	33		100
Government		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Questions 11	Count			8	16		24
	%			33	67		100

Industry's response to this question suggested that there was no agreement on whether there was adequate and appropriate management skills because the responses were divided into three equal groups of 33%, ranging from 'disagree', through 'neutral' to 'agree'. Government, on the other hand, had 67% 'agree' with the remaining 33% remaining 'neutral'.

Table 23 - Question 12: There is adequate semi-skilled and unskilled labour to provide manual support to the industry

Industry		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 12	Count				15	9	24
	%				63	38	100
Government		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 12	Count				6	18	24
	%				25	75	100

Both sectors agree that there is adequate semi-skilled and unskilled labour to use for the industry.

Table 24 - Question 13: Do you believe that through globalisation, substitute products have been introduced which have caused tea industry to decline

Industry		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 13	Count				14	10	24
	%				58	42	100
Government		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 13	Count				16	8	24
	%				67	33	100

Both sectors (100% of respondents) agree that substitute products played a role to the poor performance of the tea industry during the globalisation times

Table 25 - Question 14: Did globalization lower entry barriers into the tea industry?

Industry		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 14	Count				17	7	24
	%				71	29	100
Government		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 14	Count				15	9	24
	%				63	38	100

Both sectors (100% of respondents) agree that globalisation lowered the entry barriers into the tea industry

Table 26 - Question 15: Do you believe there was sufficient understanding of the competitive pressures that would be introduced through globalization?

Industry		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 15	Count	8	12		4		24
	%	33	50		17		100
Government		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 15	Count				10	14	24
	%				42	58	100

Most industry respondents feel that management was not sufficiently trained to compete for their market-share in the face of globalisation, while only 17% feels there was adequate understanding of the upcoming challenges. Government agrees that management were trained for these globalisation challenges.

Table 27 - Question 16: Do you think the tea industry in South Africa has performed well in the face of globalization?

Industry		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 16	Count	6	8	10			24
	%	25	33	42			100
Government		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 16	Count		19	5			24
	%		79	21			100

While 42% and 21%, from industry and government respectively, remained neutral on this question, most of the respondents disagreed, suggesting that overall the tea industry has not performed well under globalisation.

Table 28 - Question 17: The question enquires on whether “strategic inertia” was responsible for the failure.

According to Brabazon *et. al.* (2005. p.125) strategic inertia can be explained to imply the failure of management to scan the environment for current and future opportunities and threats, formulate strategic responses and adjust organizational activities and structure appropriately.

Industry		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 17	Count				14	10	24
	%				58	42	100
Government		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 17	Count			5	19		24
	%			21	79		100

All respondents (100%) from industry and most of government (79%) respondents point to strategic inertia as a possible problem that management were faced with in the face of globalisation.

Table 29- Question 18: If competing in a global environment, a flexible strategy is required, was this flexibility evident in the tea industry?

Industry		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 18	Count	8	12	4			24
	%	33	50	17			100
Government		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 18	Count		20		4		24
	%		83		17		100

Both sectors showed 83% disagreement with evidence of any flexibility on the strategy of the tea industry. 17% of industry was neutral, while 17% of government agreed that there was evidence of flexibility.

Table 30 - Question 19: Did conflicting interests cause the tea industry to be less flexible?

Industry		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 19	Count		4	8	8	4	24
	%		17	33	33	17	
Government		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 19	Count	4	12		8		24
	%	17	50		33		100

While 50% of industry feels that conflicting interests played a role in this inflexibility, 33% remained neutral while 17% did not agree. Most of government (67%) did not think conflicting interests resulted in any inflexibility on the tea industry, although the remainder (33%) felt that they did.

Table 31- Questions 21 & 23: These questions seek to determine if the tea industry was affected negatively or positively by globalisation

Industry		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 21	Count			2	12	10	24
	%			8	50	42	100
Government		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 21	Count				14	10	24
	%				58	42	100

Industry		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 23	Count	12	10	2			24
	%	50	42	8			100
Government		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 23	Count	10	14				24
	%	42	58				100

Both sectors agree that the tea industry was negatively affected by globalisation

Table 32- Questions 22 & 24: These questions want to determine if the performance of the tea industry could be attributed to its small size.

Industry		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 22	Count			4	12	8	24
	%			17	50	33	100
Government		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 22	Count				16	8	24
	%				67	33	100

Industry		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 24	Count	8	16				24
	%	33	67				100
Government		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 24	Count	16	8				24
	%	67	33				100

Both sectors agree that the small size of the tea industry was also instrumental to its inability to adapt to global competition, and did not give the tea industry a competitive edge.

Table 33 - Question 25 & 26: On Magwa Tea Estate, the questions enquired whether Magwa was believed to have suffered negatively or benefited positively from globalisation.

Industry		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 25	Count				17	7	24
	%				71	29	100
Government		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 25	Count				17	7	24
	%				71	29	100

Industry		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 26	Count	16	8				24
	%	67	33				100
Government		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Question 26	Count	7	17				24
	%	29	71				100

Both sectors agreed that the Magwa Tea Estate was impacted negatively by globalisation.

6.3 Summary and conclusion

This chapter noted trends of similarity and differences between industry and government on issues surrounding globalisation.

Respondents show an understanding that globalisation results in non-existence of trade barriers, advances in transportation of materials and other products, changes in population dynamics and threats which could result from changes in legislation. Also, respondents observe that the introduction of substitute products played a role to the poor performance of the tea industry. However, differences were observed on whether there are benefits and opportunities to accrue or explore, with industry believing there are, while government does not.

While industry believes that privatization will force companies to be more competitive in doing business, government did not show high agreement on this. Government is seen to have the long-term focus and interest of the most vulnerable groups of the population, and hence government does not focus on short-termed benefits. Privatisation is criticised for compromising the livelihoods of these

vulnerable groups, as it focuses on the economic gains that the company will make. However, these gains are short-lived in most instances (Prizzia, 2001, p.451). All respondents believed that it should not be assumed that a strategy applied some place is equally applicable some place else as well. All respondents agree on the need for flexible strategies. Prizzia (2001, p.460) recommended that privatisation should have a balancing of economic and social measures of success in order to determine its effectiveness and appropriateness.

There was a common agreement that South Africa has improved its competitiveness due to the forces of globalisation. Industry sees a positive change while government shows a negative change due to globalisation. Also industry has a concern with respect to loss of intellectual property and anti-globalisation movements from the country. Both sectors believe that the tea industry will be revived through the 'off-set' projects.

The respondents agreed that the tea industry, and Magwa Tea Estate, has not performed well under globalisation. This poor performance is attributed to strategic inertia as a possible problem that management were faced with in the face of globalisation. Furthermore, the respondents agree that there was no evidence of any flexibility on the strategy of the tea industry. While government believes there is adequacy and appropriateness of management skills, industry respondents feel that management was not sufficiently trained to compete for their market-share in the face of globalisation. However, both sectors agree that semi-skilled and unskilled labour is adequate for use in the industry.

Respondents also believe that the small size of the tea industry was also instrumental to its inability to adapt to global competition, and did not give the tea industry a competitive edge.

Both sectors agree that rural communities have some benefits to gain through the improvement of their socio-economic status. All respondents agreed that government should intervene by sourcing appropriate investments for improving the socio-economic status of the communities as government has a mandate to provide for the state of the local communities, together with the necessary amenities. There are expectations that communities may be empowered through associated spin-offs.

There is disagreement on whether subsidies are used effectively, as government respondents believe there is effective utilisation of subsidies, while industry does not agree.

There were differences on possible employment of “Comparative Advantage”, with industry suggesting that this theory could be employed while government did not agree.

While this Chapter focussed on interpreting the results of the survey, the discussion of these analyses will be performed in the next chapter, Chapter 7, where the findings will be grouped into categories and compared with theory.

CHAPTER 7 DISCUSSION OF RESULTS

7.1 Introduction

The focus of this chapter was on the discussion of results with comparison to the theory and literature. The sub-sections developed, and whose results were interpreted in Chapter 6, were kept in their categories throughout the discussion. Furthermore, while results from data on Section B were subjected to statistical analysis and are being discussed in this chapter, responses from Sections A & C of the questionnaire were used for contextualising and substantiating the results of the statistical analysis and literature review.

Section B was separated into 4 sub-sections, namely,

- (i) Respondents' general understanding of globalisation
- (ii) Impacts of government intervention and subsidies on performance
- (iii) Impacts of globalisation on South Africa's competitiveness
- (iv) Impacts of globalisation on the SA tea industry and Magwa Tea Estate

7.2 Discussion of results

7.2.1 Respondents' general understanding of globalisation

Respondents show an understanding that globalisation results in 'non-existence' of trade barriers, advances in transportation of materials and other products, changes in population dynamics and threats which could result from changes in legislation. This observation is in support of Hill's observed fundamental shift, of the world economy from operating as isolated national economies to merging global economies, which further lists these aspects as drivers of globalisation (Hill, 2003, p.4).

There is concern that the removal of trade barriers could have contributed to the dumping of surplus produce from countries producing at a low cost, which creates a challenge for South Africa to be innovative in its production operations. In support of the recognised impacts of lowered barriers, Ensor (2006, p.2) further substantiates by stating that "the tea industry, valued in its hey a few years ago at about R12m,

collapsed after removal of tariff protection and import quotas, which industry players said opened the flood-gates to cheap black tea from Malawi”.

As far as the textile industry, it could be inferred that the lowering of import quotas resulted in collapse of the textile industry in South Africa. These textile imports are from China. According to Naidu and Mkhize (2006, p.1), this problem is being circumvented as the President of South Africa has signed an agreement with his Chinese counterpart on restrictions to be applied to imports from China. They further substantiate that these restrictions, which were published in the Government Gazette on the 1st September 2006, introduce quotas substantially reducing the amount of goods that South African retailers import from China.

There is a strong recognition of the impacts of changing legislation, for example, the changes in land-restitution legislation resulting in land claims, is seen to have resulted in land of tea estates being claimed by the Land Claims process. This process did not allow for introduction of strategic partnerships between tea estates and communities, local or international investors. The impact of land claims on the tea estates was also recognised by a forum set up by the Department of Agriculture and Land Affairs, which was mandated to recommend measures “to avoid the untimely closure of the tea industry” (Ensor, 2006, p.2),

While industry believes that privatization will force companies to be more competitive in doing business, government does not show high agreement on this. This difference of opinions may be attributable to the differences in the mandates of the two sectors. The private sector would be in support of current industry’s “Theory of the Firm”, which is based on an economic model for profit-improvement, i.e. industry seeks to increase shareholders’ profits (Key, 1999, p.317), while government has a mandate to serve the communities by providing affordable services. The economic “Theory of the firm” poses a challenge for companies to continuously improve their competitive performance, hence the need for firms to implement the strategic theory for competitive advantage (SubbaNarasimha, 2001, p.215).

All respondents believed that it should not be assumed that a strategy applied at one place is equally applicable some place else as well. This response is supported by

Leknes and Carr (2003, p.31) who report that some organisations have changed their strategies from domestic to global strategies, as dictated by their resources and national comparative advantages, on recognising changes in the world economy. Hence, all respondents were agreeable to the importance and need for flexible strategies. This observation is due to the understanding that different operating environments exist at different countries. Walker *et. al.* (2003, p.178) substantiates by mentioning challenges associated with introducing a product in another country to include decisions on whether to 'extend a product' (product extension) as it is in its country of origin or to 'adapt the product' (product adaption) to the new country of introduction.

There are expectations that communities may be empowered through associated spin-offs. Some of the tea estates in South Africa had targeted the export market. For an example, Sapekoe Tea Estate used to export approximately 99% of its produce during the period when the rand was weak, generating high profits. During its time of operation, this estate used to provide employment to approximately 5000 – 7000 people during peak season. The successful exporting times for Sapekoe Tea Estate happened at the time when the Rand was weak, as international countries were buying the Sapekoe tea. As the Rand strengthened, the international countries ceased importing the Sapekoe tea, as this tea had become expensive compared to other non-South African tea producing companies. While South African tea estates may have identified the need to lower their production costs, this would not have been successful because tea production is a labour-intensive operation, and South African labour laws dictate the minimum wages. Other countries are producing tea at a much lower cost compared to the South African tea producers. Thus it can be inferred that the strengthening of the rand and the land claims programme were also instrumental in impacting the tea production in the country.

The respondents believe South Africa's tea does have a niche, which can grow at the right price of the tea. The price challenge for the country was because production costs in SA are high, thus it became cheaper to import tea than to produce it in the country, which proved detrimental to the local industry. The industry had to compete with low cost producers of Tea, e.g. Kenya in Africa, whilst the cost of producing tea, notably labour, in SA is relatively high.

7.2.2 Impacts of government intervention and subsidies on performance

There is disagreement on whether government intervention and subsidies are used effectively, as government respondents believed there is effective utilisation of subsidies, while industry did not agree. In addition industry was concerned about the loss of intellectual property from the country.

An approach that government could adopt to enhance the performance of institutions mandated with improving the socio-economy of the rural South Africans is by sourcing appropriate investments for improving the socio-economic status of the communities, since government has a mandate to provide for the state of the local communities, together with the necessary amenities. The realization, by government, that appropriate strategies to invite investments need development and implementation, in exchange for employment opportunities, resulted in the establishment of “off-setting businesses”. The overall success of those entire offset programmes depends upon the mechanisms that Government puts in place to carry out this task and to carefully monitor the progress of the investment and counter-purchase projects already identified (South African Government Information, 2000, p.4).

Other incentives that the government could employ to try and assist the tea industry include the current tariff reform programme which aims at lowering input costs for the producers, with relaxed import controls in line with the country’s General Agreement on Tariffs and Trade (GAAT) and World Trade Organisation (WTO) obligations (SA Info, No date, p.1). This business development strategy has been implemented at the provincial government tier, in which special business institutions have been developed with a mandate to encourage investors to establish or relocate industry and business to strategic areas throughout the country (SA Info, No date, p.1).

Research on subsidies like these in international countries has, however, revealed that subsidies do not necessarily result in good performance by the business (Lee, 1996, p.392). Lee (1996, p.392) investigated the performance and growth of productivity on the Korean manufacturing sector following government industrial policy intervention,

and observed a positive correlation with output and capital growth in the sector. However there was negative correlation for the Total Factor Productivity (TFP). This suggested that having a positive policy does not ascertain an acceleration of overall growth. In another study by Van Tongeren (1998, p.74), which studied the performance of subsidized investments in the Netherlands, it was found that the investments were inadequate to substantially change investment decisions. In these instances, subsidies were observed to improve the solvency of the firms.

While there is a number of cases either side of the success stories and ‘failure stories’ on usage of subsidies, one needs to further have an insight on the real cause of whatever result is. Tzelepis and Skuras (2004, p.127) undertook a research on the impact of capital subsidies on firm performance, and their study concluded that such capital support was ineffective towards improving the efficiency and profitability of the recipient firms. This failure to improve performance was attributed to the spending on lobbying and advertising or other unnecessary expenditure that does not contribute to increased financial performance.

7.2.3 Impacts of globalisation on South Africa’s competitiveness

There was a common agreement that South Africa has improved its competitiveness due to its response to the forces of globalisation. This improvement in competitiveness was also observed from the third Africa Economic Summit (2004, p.1) which listed South Africa as a third out of ten African countries in terms of competitiveness, while a report of the 1990’s (Schwab and Sachs, 1998, p.2) had rated South Africa as seventh out of seventy-seven African countries in terms of the competitiveness for stimulating the economy, on skills that were deemed essential for global competition.

Shurchuluu (2002, p.413) states concluded that productivity and competitive strategies cover sustainable actions for encouraging competitiveness on resources and processes. Furthermore, it is the requirement that institutions should always strive to “improve their capabilities and product/service markets, modify their behaviour by changing attitudes and expectations, and determine the rules of the game, so that

institutional framework provides the necessary climate for high productivity and competitiveness” (Shurchuluu, 2002, p.413).

Industry is positive that globalisation brings a positive change while government shows a negative change due to globalisation. The poor performance of the tea industry is blamed on a number of factors, which include poor response by management resulting in worse cases of mismanagement and corruption; high tea production costs forcing high prices for break-even point prices which make South African tea unable to compete under these conditions, and the influx of imported teas.

There were differences on possible employment of “Comparative Advantage”, with industry suggesting that this theory could be employed while government did not agree. This section was intended to question the respondents on whether Comparative Advantage could have been employed as a possible strategic approach in the tea industry. According to Hill (2003; p.145), the theory of Comparative Advantage states that *“it makes sense for a country to specialise in the production of those goods that it produces more efficiently and to buy the goods that it produces less efficiently from other countries, even if this means buying goods from other countries that it could produce more efficiently”*. However, since the tea industry was instituted for creation of jobs for local communities who are mostly unskilled, application of this theory would be against this objective, since labour costs have already been mentioned as a contributory factor in the high operating costs.

Thus, the tea industry could have been encouraged to identify its Competitive Advantage and improve on it. Thompson and Strickland (2003, p.149) record that a company achieves a Competitive Advantage *“whenever it has an edge over rivals in attracting customers and defending against competitive forces”*. While literature provides five competitive strategies to include (i) a low-cost provider strategy; (2) a broad differentiation strategy; (3) a best-cost provider strategy; (4) a focused strategy based on lower cost; and (5) a focused strategy based on differentiation, the industry would have had to employ the low-cost strategies, but the operating costs are high to allow such strategies.

7.2.4 Impacts of globalisation on the SA tea industry and Magwa Tea Estate

Respondents believed that the introduction of substitute products played a role in the poor performance of the tea industry. The impact of substitute products is discussed to include the fact that products from one industry become competition to products in another industry (Thompson and Strickland, 2003, p.87). Furthermore, these writers explained the competitive strength of substitute products to depend on whether they are attractively priced, whether they are perceived to conform to certain requirements by the buyer or whether buyers can make the switch to such products with ease. However, differences were observed on whether there are benefits and opportunities to accrue or explore with respect to the substitute products, with industry believing there are, while government did not.

The effects of substitute products were also seen to be a creation of a competition forcing industry to improve their superiority of product qualities. The respondents believed South Africa's situation resulted in the lowering of tea sales because the production costs for South African tea are at approximately R12.50/kg, while buyers can get an equivalent (maybe little lower quality) at approximately R8/kg delivered. Ensor (2006, p.2) agreed with this statistic by pointing out that South Africa can no longer be able to produce tea economically at less than R13/kg while tea is being imported at R7.50/kg. Clearly South Africa's ability to challenge these low production costs would require serious interventions from government to provide assistance to the tea producers. This is despite the good quality tea that South Africa produced. Clearly, buyers have to decide on the range of quality they can tolerate or the price they are willing to pay prior to their switching products. The effects of low switching costs (Thompson and Strickland, 2003, p.83) can be observed as the buyers are willing to sacrifice the quality of tea they get from South Africa due to their price sensitivity.

As far as availability of appropriate management skills and understanding of competitive pressures, industry believed the country still lacks these, but government did not agree. Clearly industry's view is based on "results orientation" in the cut-

throat operating environment, which focuses on the achievement of the required results, and further looking for continuous improvement.

The respondents agreed that the tea industry, and Magwa Tea Estate, has not performed well under globalisation. This poor performance was attributed to 'strategic inertia' as a possible problem that management were faced with in the face of globalisation. It is acknowledged that while globalisation could have opened up new markets creating an opportunity for positive benefits, management needed to have crafted strategies to seize those opportunities to the benefit of the industry. Furthermore, the respondents agreed that there was no evidence of any flexibility in the strategy that was employed by the tea industry. While government believed there is adequacy and appropriateness of management skills, industry respondents felt that management was not sufficiently trained to compete for their market-share in the face of globalisation. However, both sectors agree that semi-skilled and unskilled labour is adequate for use in the industry.

Respondents also believed that the small size of the tea industry was also instrumental to its inability to adapt to global competition, and did not give the tea industry a competitive edge. However, small as the tea industry may be, it should deliver on its mandate of providing jobs and other spin-offs to rural unskilled communities who have to benefit through improvement of their socio-economic status. Both sectors believe that the South African tea industry will be revived through the 'off-set' projects.

In countries like Japan and South Korea, real improvements in industrial policy management have been realised (SAGI, 2000, p.4). In South Africa, the German industrial group MAN Ferrostaal is to make two major investments worth about R1.8-billion. The investments include a stainless steel precision strip mill at Coega in the Eastern Cape and an oil rig manufacturing plant at Saldanha Bay in the Western Cape. These investments are in fulfilment of the company's "offset" obligations under the South African government's industrial participation programme, which requires any multinational company that wins a government tender worth more than US\$10-million to spend roughly 30% of the value of the contract on local investment (SA Info, 2005, p.1).

The tea estate industry in South Africa is another “off-setting business” venture employed by the South African government. Investments of high magnitude for South Africa, may also be realised in the tea industry through the major arms contractors, e.g. Ferrostaal is committed to investing US\$4-billion in the South African tea industry in return for arms deal contracts (SA Info, 2005, p.1). This is shown by the MAN Ferrostaal’s drive of revitalising or resuscitating the Magwa Tea estate as an industrial offset of the arms deal (Khuzwayo, 2004, p.1). The Magwa Tea revival project is reported as having had some difficulty because experts had to be brought in from India to help review the estate (Loxton, 2005, p.15). This venture would see the plantation being rebuilt, its operations revived and local staff being trained up to management levels. Furthermore “*Black investors would immediately be offered a 10 percent equity stake in the plantation, which would grow to 30 percent within three years*” (Khuzwayo, 2004, p.1).

It would appear that the South African government is determined to encourage investment into the country. Some of the initiatives that have been packaged for this purpose include promotion of investment facilitation services for inbound investors (SA Info, No date, p.1), with the focus being given to those sectors which have indicated competitive and comparative advantage (SA Info, No date, p.1). Among such sectors, the food sector is regarded as self-sufficient in the country, and operates in the global markets. Thus, South Africa is acknowledged as a food self-sufficient country playing in the global markets (SA Info, No date, p.1).

CHAPTER 8 CONCLUSIONS

8.1 Introduction

This chapter provides a concluding discussion, from the discussion of results in Chapter 7, through use of the literature review and the findings of the research against the objectives of the study.

8.2 Discussion

Objective 1 of this study was to “Identify issues and strategic challenges facing the global tea industry in the literature and apply them to the South African context”.

From the results it may be concluded that with the advent of globalisation, the tea industry is faced with changes in its operating environment.

In the preceding chapters there has been literature review on aspects of globalisation that create a dynamic environment for organisations. Both the literature review and the current data collection have confirmed that the changes include ‘non-existence’ of trade barriers, advances in transportation of materials and other products, changes in population dynamics and threats which could result from changes in legislation. The respondents’ identification and confirmation of the changes associated with globalisation provided a confirmation of the reported from Hill (2003, p.4).

Strategic challenges associated with these changes include the fact that the removal of trade barriers has contributed to the dumping from low cost producers. In support of the recognised impacts of lowered barriers, Some authors have confirmed the impact of the lowered entry barriers on the South African tea industry, e.g. Ensor (2006, p.2) states the following about this collapse “the tea industry, ..., collapsed after removal of tariff protection and import quotas, which industry players said opened the flood-gates to cheap black tea from Malawi”.

The impact of substitute products was observed in the South African scenario, as buyers appeared to suffer low switching costs (Thompson and Strickland, 2003, p.83) due to their price sensitivity. Challenges from substitute products are a result of high operating costs in the South African estates, which is attributed to labour costs being

governed by strict labour laws (Basic Conditions of Employment Act and Amendments, 2002).

The impacts of changes in land legislation, for example, the changes in land-restitution legislation resulting in land claims, is seen to have resulted in land that was used by tea estates being claimed by the Land Claims process. The impact of land claims on the tea estates was also recognised by a forum set up by the Department of Agriculture and Land Affairs, which was mandated to recommend measures “to avoid the untimely closure of the tea industry” (Ensor, 2006, p.2),

Research on subsidies in international countries has revealed that subsidies do not necessarily result in good performance by the business (Lee, 1996, p.392). Lee (1996, p.392) investigated the performance and growth of productivity on the Korean manufacturing sector following government industrial policy intervention, and observed a positive correlation with output and capital growth in the sector. However there was negative correlation for the Total Factor Productivity (TFP). This suggested that having a positive policy does not ascertain an acceleration of overall growth. In another study by Van Tongeren (1998, p.74), which studied the performance of subsidized investments in the Netherlands, it was found that the investments were inadequate to substantially change investment decisions. In these instances, subsidies were observed to improve the solvency of the firms.

Skuras *et. al.* (2003, p.948) undertook a research to examine the effects of capital stock change resulting from capital subsidies, on the jobs created by rural firms in lagging areas. In their conclusion, they reported that capital subsidies are not really used in productive investments that reduce the cost of production and the price of the produced goods and services in order to cause extensive output effects and increase job creation (Skuras *et. al.*, 2003, p.961).

In another study, Tzelepis and Skuras (2006, p.535) investigated the impact of capital subsidies on long-term corporate strategies. From the results of their investigation, they argued that capital subsidies improve a firm’s growth of sales and its market power either in terms of sales or in terms of assets. Furthermore, their work provided evidence that capital subsidization supports firms’ strategic performance. However,

these authors recommended that any capital subsidization should be accompanied by a monitoring system designed to ensure that capital subsidization is directed to those firms “in need” of additional capital and that subsidized capital is really additional to the firm’s own efforts to overcome disadvantages (Tzelepis and Skuras, 2006, p.535).

As far as utilisation of subsidies, in the South African context, it was observed that the South African situation is plagued with corruption (Pillay, 2004, p.586) whose effects are thought to have resulted in serious constraints on development of the national economy, thus significantly inhibiting good governance in the country. According to Pillay (2004, p.586), the complex political design in South Africa is a contributing factor to the rise of corruption; with adverse effects on stability and trust and which has damaged the ethos of democratic values and principles.

However, the South African government is commended for having tried to implement some systems to mitigate corruption. The challenges faced in these systems include: insufficient coordination of anti-corruption work within the South African public service and among the various sectors of society; poor information about corruption and the impact of anti-corruption measures and agencies; and the impact of corruption on good governance (Pillay, 2004, p.586).

In conclusion, the issues and strategic challenges facing the global tea industry and the South African industry were identified, and were confirmed to have impacted the South African tea industry as well.

Objective 2 of the study was to “Analyse the tea estates in South Africa with specific reference to Magwa Tea Estate”. Analysis of the data revealed that these estates were impacted on by a number of other aspects, on top of those mentioned in Hill (2003, p.4). The South African tea industry does not appear to have had appropriate management skills and flexible strategies to deal with the impacts to industry, associated with globalisation. If there were adequate management teams, they might have been able to understand the challenges they were up against and would have developed flexible strategies; maybe they could have made proposals and submissions to government for intervention. The required team for survival in the global market is a team with strong innovative and research skills. Shurchuluu (2002, p.408) advises

that knowledge and skills of the workforce is the only real source of competitive advantage for an organisation.

In acknowledging the importance of learning partnerships as a means to flexibility in organisational response, Borzsony and Hunter (1996, p.22) observe that many organisations have had to rethink because of the ‘continuous, rapid change and turbulence’ in their operating environment. They further acknowledge the inflexibility and hierarchical behaviour of the traditional structures and processes, and hence these traditional structures are unable to the ingenuity needed to solve unprecedented problems and grasp unpredictable opportunities. However, these authors acknowledge that some organizations continuously seek alternative ways of encouraging and enabling everyone to learn quickly, so that the organisation can benefit quickly through their decision making. The authors provide an example that some companies, in the Information Technology, see empowerment as central to business development. Hence the ability of individuals at all levels to make informed, independent decisions, enables the business to respond to change quickly and flexibly (Borzsony and Hunter, 1996, p.22). This can be seen as a strong motivation for flexibility in decision-making in the organisations, through allowing employees to be “strategic partners”.

Further support is provided by Kauser and Shaw (2001, p.72) who observed a dramatic transformation of the world economy. According to these authors, such transformation has changed the market conditions, resulting in complexity, intensified global competition and continuously shortening product life cycles. Thus firms have to re-examine their traditional methods of doing business.

In the South African context, the other challenge was the cost of the production of tea. The success of competition posed by the tea industry against the international tea producers would have been through controlling of cost-drivers by managing the cost of key resource inputs (Thompson and Strickland, 2003, p.155). According to Thompson and Strickland (2003, p.155), the use of unionised labour is avoided in some countries due to uncertainty that may arise with the unionised workforce. However this avoidance is not possible for South African companies, especially with the main original objective of the establishment of the tea estates. Due to the South African labour legislation (Basic Conditions of Employment Act and Amendments,

2002), the production and operation costs for tea estates in South Africa are high compared to other tea producing countries. These countries also happen to be major tea producers, who make huge benefits from economies of scale, accompanied by low labour costs and child labour costs. Thus, against this background, it should be borne in mind that the South African government does not allow exploitation of the labour force.

The research investigated the impacts of the size of the tea industry and found that the small size did not provide the industry with benefits of economies of scale and cross-subsidisation.

It can be inferred that the tea estate industry in South Africa was impacted on by the high costs of production, low sales, size of industry, high operating costs due mainly to labour relations acts and the Land Redistribution.

Objective 3 was meant to “identify appropriate strategies that may enhance the performance of the South African tea industry”. To improve the performance of the South African tea estates, government should intervene by providing subsidies and other incentives to the estates and monitor their proper implementation, e.g. the benefits of the “off-set” projects. The government has undertaken a number of steps in this direction. Documented interventions include the “off-set” projects contracted to Ferrostaal (SA info, 2005, p.1), which has won a tender to build a smelter in the Eastern Cape. This organisation will invest in the form of a stainless steel precision strip in Coega, and oil rig manufacturing plant in Saldanha and the revival of the Magwa Tea estate.

Benefits to accrue to the communities, in the Magwa area, include the fact that the estate will be ‘sold’ to local “*Black investors, who would receive a 10% equity stake in the plantation, which would increase to 30% within three years*” (Khuzwayo, 2004, p.1).

The South African government should mitigate the impacts associated with free trade by applying tax and anti-dumping policies to imported goods (Hill, 2003, p.173). This will avoid dumping of products to South Africa. Some authors have confirmed the

impact of the lowered entry barriers on the South African tea industry, e.g. Ensor (2006, p.2) stated the following about the causes of the collapse “the tea industry, ..., collapsed after removal of tariff protection and import quotas, which industry players said opened the flood-gates to cheap black tea from Malawi”. Thus the government should ensure that there is control on imported products entering the country, and that these products will give the local products a fair chance of competing. This would ensure that there is fair competition between the local and imported products. South African government has observed the impacts, on the country’s economic status, of cheap imports as some industries close down. In response to this observation, on the textile industry, the South African president has signed an agreement with his Chinese counterpart on restrictions to be applied to Chinese imports (Naidu and Mkhize, 2006, p.1).

Objective 4 was to “Assess the incentives provided by global governments to tea estates and compare them to the South African conditions” and Objective 5 was to “Examine the potential of applying some of the global success strategies into the South African tea estate industry”. These two objectives will be discussed together. Research on subsidies like these in international countries has, however, revealed that subsidies do not necessarily result in good performance by the business (Lee, 1996, p.392). Lee (1996, p.392) investigated the performance and growth of productivity on the Korean manufacturing sector following government industrial policy intervention, and observed a positive correlation with output and capital growth in the sector. However there was negative correlation for the Total Factor Productivity (TFP). This suggested that having a positive policy does not ascertain an acceleration of overall growth. In another study by Van Tongeren (1998, p.74), which studied the performance of subsidized investments in the Netherlands, it was found that the investments were inadequate to substantially change investment decisions. In these instances, subsidies were observed to improve the solvency of the firms.

While there is a number of cases either side of the success stories and ‘failure stories’ on usage of subsidies, one needs to further have an insight on the real cause of whatever result is. Tzelepis and Skuras (2004, p.127) undertook a research on the impact of capital subsidies on firm performance, and their study concluded that such capital support was ineffective towards improving the efficiency and profitability of

the recipient firms. This failure to improve performance was attributed to the spending on lobbying and advertising or other unnecessary expenditure that does not contribute to increased financial performance.

While Pillay (2004, p.586) states that South Africa is plagued with corruption, this author further acknowledges some of the systems that have been implemented by government to mitigate this problem. Thus, the government can continue to improve on its system. It is important to recognise that the government's role is to provide for the general community.

It can be inferred that the South African government can continue to use the "off-set" projects to successful tenderers, as South African is still at its developmental phases. The country faces a challenge of instituting good and ethical management teams to ensure proper administration of the anticipated benefits from these projects. Thus, the subsidies and strict management plans can be employed in South Africa as well. However, the success of implementation of any subsidies to the South African organisation hinges on good monitoring of the implementation (Borzsony and Hunter, 1996, p.22).

8.3 Conclusion

The discussion above has identified and discussed strategic challenges facing the global and South African tea industry. Furthermore, the South African tea estates have been plagued with a number of problems like the lack of proper management skills, strategic inertia, corruption. Global governments provide subsidies to their small organisations but it appears there are challenges with the administrations of such subsidies. This could be interpreted as a lack of proper planning and lack of accountabilities between both the donor and the recipient institutions.

When one looks at the aspects of globalisation, one needs to also have a clear view of associated impacts beyond the listed aspects. For an example, a sequence of events commencing with lowered barriers implies there is ease of entry by competitors. If the management team is not skilled enough for the challenge, they fail to develop and adopt good protective and responsive strategies, which could be a result of

inflexibility. Some management teams may have the culture of “this is how things are done around here”, which is highly rigid. The new entrant may introduce substitute products; if the switching costs are low, the market will buy the substitute. The local manufacturer will lose sales, and struggles to pay the minimum wages to staff, as dictated by labour laws in South Africa; or will struggle to keep their “going concern”. Eventually, the company gets liquidated and closes down.

The paragraph above reflects on the sequence of events which may be deemed a result of globalisation. While one cannot discount the aspects associated with the phenomenon of globalisation, it has also been shown that some areas in which business was declining included lack of capable management teams, lack of flexible strategies, strengthening of the Rand and Land Claims against land occupied by the tea estates. These aspects might not be direct effects of globalisation, but some of them could be seen as ‘ripple-effects’ of this phenomenon, since they are results of a process that commenced with an aspect of globalisation. Hence it may be inferred that globalisation impacted the tea industry in South Africa, and the Magwa Tea Estate.

The recommendations below suggest means by which the tea industry may be revived to carry its original mandate of providing jobs to the rural communities. However, the industry requires the development of sustainable competitive strategies.

CHAPTER 9 RECOMMENDATIONS

Although the Magwa Tea Estate is as such not financially feasible, the government assistance via the “off-set” projects like the Ferrostaal investment is an example of government taking its socio-economic responsibility seriously. Although this assistance would create jobs, there is a need for development of a culture of ‘not accepting or relying on handouts’. The following recommendations are based on a culture of self-sustainability:

- The organisation should continue to adopt a philosophy in which entrepreneurship is promoted and encouraged. The importance of entrepreneurship is endorsed by Machan (1999, p.695) who states that the process of initiating commercial ventures, ambitiously embarking on business enterprise, the spheres of commerce and business would turn out to be under a constant moral cloud without the moral legitimacy of entrepreneurship;
- Ensure employment of a well-trained management team to develop and lead the strategy;
- Encourage efficiency and flexibility in operations, in the manufacturing plant. Slack (2005, p.1203) provided that flexibility could be the cornerstone for improved operations, with financial benefits. ;
- Encourage government subsidies which could be in the form of regulations on imports to prevent dumping (Hill, 2003, p.174;
- Identify its competitive advantage and employ appropriate competitive advantage strategies (Thompson and Strickland, 2003, p.149). Furthermore, Zadek (2006, p.334) mentioned a three-tiered framework, encompassing business case, corporate responsibility clusters, and institution flexibility and innovation, as strategic competitive strategies;
- Root out corruption and mismanagement of the institution (Pillay, 2004, p.586) states that South Africa is plagued with corruption, and suggests means of dealing with this sickness;
- Development of an interrelationship between the growers and retailers in order to ensure that the growing of tea is sustainable ;
- Develop strong communication skills which must encompass strong negotiation skills.

As far as reviving and sustaining the South African tea industry, the industry needs to engage government to establish how these institutions can work together to create an enabling environment for the industry. The materialisation of this venture would require for government departments to embrace the principles of co-operative governance (King II, 2002), because they could all see the strategic role each can play. Thus all role-players would be able to contribute to such strategic interventions.

The implementation of the Land Redistribution and Restitution is necessary in South Africa, so that land is returned to those it used to belong (Commission on Restitution of Land Rights, 2003, p.2). But to take land from a productive operation, i.e. arable land, which benefits the economy of the region or country, and giving to a family who has no capacity of using the land to anybody's economic benefits is not in favour of sustainable improvement of the country's socio-economic status. Thus, on approval of the returning of such arable land, awareness needs to be created to the "new" landowner, and negotiations should be held such that the on-going operation continues and a benefit is negotiated with the "new" landowner. Also, the new landowner should be capacitated and given support to continue with the previous operations to maintain the socio-economic benefits. This way there would be partnerships developed between the tea estates and the communities they are located at and they serve. This undertaking could be implemented through an establishment of a community forum or Trust, which would be managed such that there are continuous benefits for the "new" landowners. Borzsony and Hunter (1996, p.22) recommend the implementation of learning partnerships to be able to seek alternative ways of enabling everyone to learn quickly, and respond with flexibility in their partnerships. These partnerships would allow for a 'win-win' solution between these parties.

The operating scenario for the tea estates was such that their production was imported for blending with other teas from other producers or was blended in South Africa. However, the quantities of the South African tea that were used in South Africa were low because South Africans are not a tea-drinking people. There should be a research to establish why South African tea is not being consumed in South Africa, maybe this is a case of marketing or branding.

The government's original objective for establishing tea estates was to create jobs, since this is a labour-intensive operation (Panwar and Kumar, No date, p.1). However, this was started at a time when there was protection of the State Owned Enterprises and these SOEs did not have to operate against any efficiency or competition. Maybe government's objective of providing jobs for the unskilled may be implemented in another type of business, which can still allow for mechanisation without compromising the quality of such a product.

CHAPTER 10 LIMITATIONS OF THE STUDY

Limitations which could impact this research include:

- Time constraints: The recommendations above have not been tested for feasibility or acceptability. This would require another process of stakeholder engagement in which the recommendations would be agreed upon in such consultation meeting. Due to time constraints and the mandate of this study it was not possible to undertake the consultation process;
- Sample availability and size: The sample used in the research was based on data received from the Department of Trade and Industry (2004, unpublished data). It was assumed that this data is correct for the estates that were operational at the time. Since the data does not include labour from Magwa Tea Estate (since this estate was closed down at the time of the study) it was assumed that this would not distort the findings of the study, in the way of impacting the sample size;
- Ambiguity and confusion (to some respondents on questionnaire): The questionnaire was tested for ease of interpretation, but there is always a change that somebody may not obtain the same understanding as the requirement of the researcher. This could happen if the respondent is worried about disclosing how much they know or do not know, or even fear of possibly sharing their organisation's confidential information with the researcher. It was assumed that a common understanding was obtained between the respondent and the researcher. The respondents were given some high-level explanation of the questionnaire;
- Unwillingness to share or disclose information: The researcher applied for an ethical clearance, and provided the respondent with this clearance to confirm the importance of keeping the University ethics and the consequences of not keeping them. The researcher assumes that the respondents provided the true answers;
- 'Confidentiality' of data and information: The research did not enquire about personal stuff from the respondents, e.g. their health status, etc. Hence the researcher assumes that respondents did not find the questionnaire provocative in any manner;

- Unavailability of appropriate well-trained (high level or management) people: Recommendations for survival of the tea estates may not happen if these operations are not managed by well-trained and knowledgeable leaders;
- Feasibility and applicability of recommendations to implementers: While the researcher may have made recommendations, these may only be theoretical and may not be applicable.

CHAPTER 11 SUGGESTIONS FOR FURTHER RESEARCH

It is recommended that a social or socio-economic study on the merits of community partnerships with owners of operations in their land be investigated. This study would involve government departments, and the need for them to apply their legislation in a flexible manner. Such flexibility could result in improvement of the social standing of a number of “new” landowners whose gain of land results in lowering of the community’s or regional social standing.

While it is apparent that the tea industry is not sustainable during the globalisation era, an investigation should be made on a possible alternative operation that could take such numbers as they were employed by the tea estates.

Since it has been established that labour costs, a test case should be made to establish if people would settle for lower wages (i.e. wages below the remuneration dictated by the Basic Conditions of Employment Act and Amendments) or would settle for being unemployed than get paid less than the legislation requires.

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APPENDIX A – Consent Letter

PO Box 2106
Halfway House, 1685
16 August 2006

Dear Respondent
SA Tea Industry

Re: Completion of consent letter for MBA studies – TOBILE BOKWE

Dear Sir/Madam

Following our telephonic conversation in which the student, TOBILE T. BOKWE, requested your professional assistance by completing a questionnaire for his MBA studies, please find attached a Consent Form for submission to the University of KwaZulu-Natal (UKZN), to show your voluntary willingness to help in this study.

To meet the UKZN's standards and specifications, the Consent Form is drawn in such a manner that it follows the guide provided by the university (as per the sub-headings):

1. Project title:

The impact of globalisation on the tea industry, with specific reference to South Africa

2. Project aims:

Globalisation has serious implications for management and industry productivity. Since this phenomenon has opened all markets and suppliers to global competition, some institutions have not been responsive to survive the inherent challenges. The theoretical base of globalisation will initially be reviewed. Consequently the primary aim of this dissertation to establish whether and how tea estates in South Africa has been impacted by globalisation will be investigated by comparing the findings of the theoretically based questionnaire to the empirical findings of the research.

The objectives of the study include:

- Identifying strategic challenges resulting from globalisation, that might have impacted the South African tea industry;
- Analyzing the tea estates in South Africa with specific reference to Transkei;
- Assessing the incentives provided by global governments to tea estates and compare them to the South African conditions;
- Examining the potential of applying some of the global success strategies into the South African tea estate industry

3. Name & Surname of investigator/student:

Mr Tobile T. Bokwe (M.Sc.; PG Dip. Man.; Project Management). The student is also a member of the South African Council for Natural Scientific Professions – a recognized Scientific Body with a Code of Conduct.

4. Name of Project Leader/Supervisor:

Professor Charles O'Neill (PhD; Specialist in International Marketing, Entrepreneurship and Strategic Management)

5. Selection of subject:

Management of the South African tea industry can be seen as being under management by government and private tea estates, hereinafter referred to as sectors, although with different mandates with regards to its sustainability. This research seeks perceptions from these sectors on whether globalisation has impacted the tea industry in South Africa. After establishing the potential number of experts in this industry, the student commenced the process by asking for potential relevant people from these sectors, and your name was mentioned as one of these experts in this field. Thus the student deemed your expertise as important for the research. Hence you were approach for your willingness to assist the student.

6. Requirements on respondent for agreeing to participate in research:

To respondents who agree to participate in collecting data for this study, the student will send the Questionnaire (for data collection); an Ethical Clearance Application Form (Provisional Ethical Clearance Number H8S/06358) and Consent Form (for signing by respondent). Completion of these forms will take approximately 1 hour of the respondent's time. The respondent may not have any level of discomfort as they reserve the right NOT to mention their names in the completion of the questionnaire. Furthermore, information required does not relate to any personal stuff or any exposure of the competitive advantage of any organization that could trigger the respondents to be uncomfortable due to exposure of confidential information. The questionnaire seeks the respondents' opinions on globalisation.

Collected data will be analyzed for commonality of understanding among the respondents on issues associated with globalisation. A comparison between the government and private sectors will be investigated, and an explanation of any differences will be investigated. The levels held by the respondents (who are experts in the tea industry selected from both the private sector and the government) in their organizations will be compared to establish whether counterparts have common understanding about the concept. Completion of these forms and questionnaire is a once-off occurrence.

7. Benefits to respondents on participating:

Unfortunately since this research is intended strictly for academic purposes, there is no benefit for the respondents to accrue. The student is the party that stands to gain through collection of adequate data. However the student is greatly indebted to the respondents for their efforts in providing assistance to the student.

8. Payments/financial re-imbursements incurred by respondents:

The questionnaires will be sent using the e-mail or fax systems. For the e-mail system, the student envisages that some experts may charge for time spent in completing the forms. For faxing the completed questionnaire, the student envisages both time and monetary costs. In both instances, respondents who need re-imbursement are is requested to advise the student of the cost. The student commits to repay the cost as invoiced/charged, directly to the respondent's account.

9. Use of written, audio or video recordings:

The written information/data will be used for the statistical analysis.

10. Disposal of gathered data:

Research data will be captured and stored in a database (Excel or SPSS), and 'password protected' for managing or limiting access to the data. At the end of the research, the data will be disposed by deleting all the files containing the data. Printed hard copies will be destroyed through shredding at the end of the research.

11. Statement of assurance on confidentiality:

The research is intended for academic purposes ONLY. Names of participating respondents will be kept confidential, as an act of ethical behavior on the side of the student. The student is requesting respondents' assistance in his endeavors to collect data for analysis in this study, and the respondents' names are not critical in the study. All discussions will be provided without using any names being used. As a professional, the respondent understands that swaying from his commitment to maintain the promised confidentiality WILL subject him to the University's disciplinary committee for failing to uphold the good name of the University. For this reason, the completed questionnaire may (at the most) only be available to the Project Supervisor. Thus, these forms will primarily be handled by the student, for capturing the data. Hence, the student provides his assurance of respondents' names remaining confidential, as an acknowledgement of the dire consequences of swaying from this.

12. Unwillingness to participate:

The student acknowledges that the respondents have NO obligation to participate in this study, and any participation on their side is voluntary, and for the benefit of the student. The student wishes to advise the potential respondent that unwillingness to participate will NOT result in any form of disadvantage. Thus, respondents are free to withdraw their participation at any stage, and will NOT be required to provide any convincing reason to the student.

DECLARATION OF CONSENT

I.....(full names of participant) hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in the research project.

I understand that I am at liberty to withdraw from the project at any time, should I so desire.

SIGNATURE OF PARTICIPANT.....DATE.....

Yours faithfully

Tobile T. Bokwe

Student #: 202514794

Tel: 082 828 1777 or 011 800 2303

Fax: 011 800 5140

ADD:

Potential subjects have been given time to read, understand and question the information given before giving consent. This should include time out of the presence of the investigator and time to consult friends and/or family. The respondents have committed to turn-around times on the completion of the forms, which time was to their convenience. The student remains to be thankful to the respondents for their assistance.

APPENDIX B – Ethical clearance certificate



RESEARCH OFFICE (GOVAN MBEKI CENTRE)
WESTVILLE CAMPUS
TELEPHONE NO.: 031 – 2603587
EMAIL: ximbap@ukzn.ac.za

8 AUGUST 2006

MR. TT BOKWE (202514794)
MANAGEMENT STUDIES

Dear Mr. Bokwe

ETHICAL CLEARANCE: "THE IMPACT OF GLEBALISATION ON THE TEA INDUSTRY, WITH SPECIFIC REFERENCE TO SOUTH AFRICA"


I wish to confirm that ethical clearance has been granted for the above project subject to:

- Informed consent document being obtained in line with standard ethics guidelines (format attached)

This approval is granted provisionally and the final clearance for this project will be given once the condition has been met. Your Provisional Ethical Clearance Number is HSS/06358

Kindly forward your response to the undersigned as soon as possible

Yours faithfully


.....
MS. PHUMELELE XIMBA
RESEARCH OFFICE

PS: The following general condition is applicable to all projects that have been granted ethical clearance:
THE RELEVANT AUTHORITIES SHOULD BE CONTACTED IN ORDER TO OBTAIN THE NECESSARY APPROVAL SHOULD THE RESEARCH INVOLVE UTILIZATION OF SPACE AND/OR FACILITIES AT OTHER INSTITUTIONS/ORGANISATIONS. WHERE QUESTIONNAIRES ARE USED IN THE PROJECT, THE RESEARCHER SHOULD ENSURE THAT THE QUESTIONNAIRE INCLUDES A SECTION AT THE END WHICH SHOULD BE COMPLETED BY THE PARTICIPANT (PRIOR TO THE COMPLETION OF THE QUESTIONNAIRE) INDICATING THAT HE/SHE WAS INFORMED OF THE NATURE AND PURPOSE OF THE PROJECT AND THAT THE INFORMATION GIVEN WILL BE KEPT CONFIDENTIAL.

cc. Faculty Office (Post-Graduate Studies)
cc. Supervisor (Prof. C O'Neill)

APPENDIX C – Questionnaire

The student is doing academic research to determine whether globalisation has had an impact on tea industry/estates in South Africa. May I request you to take a few minutes of your valuable time and respond to the questionnaire. Since this questionnaire is intended for academic purposes, the participants are free to assist the student and reserve the right to withdraw from the research at any time without any negative or undesirable consequences to themselves

Background: There are many challenges facing business, industry and its operations, the associated service provision and the supply chain management in the global market today. A business environment characterized by these challenges would create a highly competitive and constantly changing trade environment. Some of the consequences of this turbulent environment include the creation of an institutional environment composed of key competitors in the international market. These challenges have also affected the South African tea industry. The purpose of this research is to investigate the perceived impacts of the globalisation on the tea industry in South Africa.

SECTION A: BIOGRAPHICAL DATA:

Please provide the name of the organisation for which you work, also state whether private or public institution.

Please state your level of operation in the organisation, e.g. director, manager, technician, etc.

Please state your level of education

Please state your years of experience in the industry

SECTION B: CONTENT DATA:

Instruction: Please answer each of the following questions by crossing the number corresponding to your answer, where 1 = Strongly disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; 5 = Strongly agree

1. Globalisation results in the following changes in the macro-environment:	1	2	3	4	5
a. crumbling trade barriers					
b. development of cross-border trade					
c. technology advancement resulting in shortened distances					
d. advances in transportation enhancing quick transportation of materials and products					
e. changes in population dynamics					
f. changing legislation and impacts of societal values and lifestyles					

	1	2	3	4	5
2. The realization of opportunities in the turbulent, changing operating environment requires flexible and responsive strategies for maximizing market-share.					

	1	2	3	4	5
3. Globalisation has improved SA's competitiveness					

	1	2	3	4	5
4. Privatization assists in making a company more competitive					

	1	2	3	4	5
5. If a business strategy is successful in a particular country, it should not be assumed that it will always be successful in other countries.					

	1	2	3	4	5
6. There is a valuable role played by industry in improving the socio-economic status of rural communities.					

Substantiate:

	1	2	3	4	5
7. Government should intervene in ensuring that appropriate investments are invited to enhance local community socio-economy.					

Substantiate:

	1	2	3	4	5
8. 'Off-set' projects will give re-birth to the tea industry in South Africa and provide benefits to BEE investors					

	1	2	3	4	5
9. Subsidies are used effectively in S.A.					

9a. If you answer 1-3, how do you believe this should be dealt with in S.A?.....

.....

9b. What do you think are repercussions associated with stopping of the subsidies?.....

.....

	1	2	3	4	5
10. South Africa, and Magwa in particular, has conducive optimal growth conditions for growing of tea					

	1	2	3	4	5
11. The South African tea industry holds appropriate management skills for managing the estates through the challenges of globalisation					

	1	2	3	4	5
12. There is adequate semi-skilled and unskilled labour to provide manual support to the industry					

	1	2	3	4	5
13. Do you believe that through globalisation, substitute products have been introduced which have caused tea industry to decline					

	1	2	3	4	5
14. Did globalisation lower entry barriers into the tea industry?					

	1	2	3	4	5
15. Do you believe there was sufficient understanding of the competitive pressures that would be introduced through globalisation?					
	1	2	3	4	5
16. Do you think the tea industry in South Africa has performed well in the face of globalisation?					

	1	2	3	4	5
17. If NOT (in 16 above), was the failure or low performance of operations due to strategic inertia?					

Other causes of failure:.....
.....
.....

	1	2	3	4	5
18. If competing in a global environment, a flexible strategy is required, was this flexibility evident in the tea industry?					

	1	2	3	4	5
19. Did conflicting interests cause the tea industry to be less flexible?					

	1	2	3	4	5
20. Through globalisation, communities can become empowered. Do you agree with this statement?					

	1	2	3	4	5
21. Do you believe that the tea industry was negatively affected by globalisation?					

Substantiate what aspects proved detrimental:.....
.....
.....

	1	2	3	4	5
22. Do you believe the relatively small size of the tea industry was a partial cause for the inability to adapt to global competition?					

	1	2	3	4	5
23. Do you believe that the tea industry was positively affected by globalisation?					

Substantiate what aspects proved beneficial:.....
.....
.....

	1	2	3	4	5
24. Do you believe the relatively small size of the tea industry has given it the competitive advantage to survive the challenges of globalisation?					

	1	2	3	4	5
25. Do you believe that the Magwa tea estate suffered negatively from globalisation?					

Substantiate what aspects proved detrimental:.....

	1	2	3	4	5
26. Do you believe that the Magwa tea estate was affected positively by globalisation?					

Substantiate what aspects proved beneficial:.....

	1	2	3	4	5
27. The tea industry in South Africa could have employed benefits of 'Comparative Advantages' to survive post 1995					

28. What impact has/will globalisation had/have on your organisation?

Please provide one answer for each column	Pre 1995 (28a)	Post 1995 (28b)
Very positive (5)		
Somewhat positive (4)		
Neutral (3)		
Somewhat negative (2)		
Very negative (1)		

29. How challenging do you consider the following to be in terms of globalisation?

Answer ALL	None	Minor	Significant	Immense
Trade barriers (29a)				
Political instability (29b)				
Social issues (29c)				
Loss of intellectual capital (29d)				
Anti-globalisation movement (29e)				

30. What are the major threats faced by organisations in South Africa at present?

Kindly choose only 3	Choose only 3
Compliance and regulatory constraints	
Current competition	
Change controls	
Crime	
Pace of technological change	
Brain Drain	
Other	
Labour Laws	

SECTION C: OPEN GENERAL QUESTIONS:

1. What are the challenges that the tea estate/industry faces?.....

.....

2. What could have been done to make the tea industry more sustainable in the face of increasing globalisation?.....

.....

3. What factors resulted in the failure, or low performance, of the tea industry in South Africa compared to its potential in the global market?.....

.....

