

UNIVERSITY OF KWAZULU-NATAL

**MANAGING A BUSINESS TURNAROUND AT A TEXTILE
MANUFACTURING COMPANY: A CASE STUDY APPROACH**

BY

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DECLARATION

This dissertation represents the original work of the author and has not been previously submitted to this or any other University. Wherever use was made of work of others, it has been duly acknowledged in the text.

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ABSTRACT

This study explores how a business turnaround was managed successfully at a firm within the textile manufacturing industry. The internal problems/ limitations and external challenges that the firm faced during its business decline are highlighted, as well as the functional level strategies that the firm implemented in order to arrest and then reverse the decline.

A case study approach was adopted in order to understand and analyse the business turnaround. The need for studying the turnaround process is warranted as a number of firms in the clothing and textile manufacturing industry that attempt a business turnaround eventually experience greater levels of business decline and close down.

The major empirical findings of the study undertaken reveal that certain key operational and strategic enablers were identified and utilised in order to effect a successful business turnaround. Some of these enablers have been developed into core competences which the firm is leveraging to create a sustainable competitive advantage in its chosen high value niche markets.

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CHAPTER ONE

RESEARCH PROPOSAL

1.1 INTRODUCTION

According to Thompson and Strickland (2006), corporate and/or business level turnaround strategies are needed when a business worth rescuing goes into a crisis; the objective being to arrest and reverse the sources of competitive and financial weakness as quickly as possible. Management's primary task in formulating and implementing a suitable turnaround strategy is to diagnose what lies at the root of poor performance. Understanding what is wrong with the business and how serious its strategic problems are is essential because different diagnoses lead to turnaround strategies. Research indicates that addressing these problems and achieving a successful business turnaround invariably involves comprehensive organizational change.

According to Pearce and Robinson (2003), turnaround responses among successful firms typically include two stages of strategic activities: retrenchment and response. "Retrenchment consists of cost-cutting and asset-reducing activities. The primary objective of the retrenchment phase is to stabilize the firm's financial condition. The primary causes of the turnaround situation have been associated with the second phase of the turnaround process, the recovery response. For firms that declined primarily as a result of external problems, turnarounds most often have been achieved through creating new entrepreneurial strategies. For firms that declined primarily as a result of internal problems, turnarounds have been frequently achieved through efficiency strategies. Recovery is achieved when economic measures indicate that the firm has regained its predownturn levels of performance. However, during the recovery response stage of a business turnaround, the incorrect choice of either an entrepreneurial strategy or/and an efficiency strategy, can lead to a further decline in business performance and profitability with the ultimate demise of an organization" Pearce and Robinson (2003).

This research study attempts to identify and highlight the various aspects of an efficiency and entrepreneurial strategy that were implemented at Gelvenor Textiles so as to bring about a successful business turnaround. Furthermore, the effect of the turnaround on sustained business performance and profitability will be discussed. Gelvenor Textiles is a medium sized company based in Hammarsdale, KwaZulu-Natal. In attempting to examine what effect the business turnaround had on sustained business performance and profitability, this study will focus on how the implementation of an appropriate 'efficiency response' and 'entrepreneurial response' led to the firm in question achieving a successful business turnaround.

Gelvenor Textiles is a leading global producer of high technology industrial, technical and specialized fabrics, which are engineered for performance and reliability. According to the official company website, Gelvenor is also a leader in specialty apparel for sports and leisurewear, satins and other high performance outerwear fabrics for the protective textiles market, school wear market and corporate wear market.

In the industrial textile field, Gelvenor produces fire resistant, bulletproof, medical and automotive related fabrics. It is one of world's leading producers of parachute fabric. Over the recent years, its apparel textile business has been steadily declining while its industrial textile business has been steadily growing.

Gelvenor Textiles is wholly owned by KAP Textile Holdings S.A. Ltd. The KAP Textile Holdings S.A. is in turn wholly owned by KAP Beteiligungs AG which is listed on the Frankfurt Stock Exchange. There about 450 employees in the company presently. The business turnaround at the company has been in progress for the past three and a half years, and it is envisaged to be complete by June 2008.

Prior to 2004, the firm experienced declining sales turnover, sales revenue and profitability. By the middle of 2003, sales turnover had declined by 30%, sales revenue by 20% and profitability by 15%. At that point in time, 70% of sales turnover was due to

sale of apparel fabrics and 30% of sales turnover was due to the sale of industrial and technically advanced fabrics.

1.2 MOTIVATION

The textile industry in South Africa is currently faced with huge employment losses, sliding market share and profits, decreasing exports, an increasing volume of dumped imports and closure of companies due to unprecedented global competition, especially from China (Financial Mail, 1 April 2005). The textile industry finds itself ill-equipped to compete domestically and internationally for the following reasons: failure to attract a highly skilled and qualified workforce, using technology that is nearly outdated and working below expected operating efficiency (Financial Mail, 1 April 2005).

“Employment in the textile industry has declined from 70 500 in 2003 to just below 50 500 in 2006. In addition a number of textile mills have recently closed and have been forced to retrench staff.” (Internet 3)

While firms that are able to adequately address their internal weaknesses/ limitations and external challenges/threats are able to sustain their competitive advantage, those that are not able to cope with these changes either perish or face the difficult task of turnaround. The importance of turnaround as a business strategy is relevant to the textile manufacturing industry as firms within the industry face the challenge of long term survival and a business imperative to sustain their profitability.

As the textile manufacturing industry continues to mature, competition will increase among participants competing for a larger share of a slowly growing market. From maturity, the following stage in the lifecycle is either decline or regeneration. With increasing competition, the concept of decline and regeneration will increase in importance as more firms find themselves unable to compete.

It is therefore relevant to establish, through both secondary and empirical research, how firms in the textile manufacturing industry are achieving a successful business turnaround so as to remain globally competitive and successful in the long term.

1.3 Problem Statement and Research Objectives

1.3.1 Field of Interest

1.3.1.1 Strategy implementation

According to Hrebiniak (2005), with a growing number of organizations taking on an integrative approach to strategic management, this means an equal amount of emphasis is being placed both on strategy implementation and strategy formulation. The execution of strategy takes much longer than the formulation of strategy. The longer time frame can make it harder for managers to focus on controlling the execution process, as many things, some unforeseen can materialize and challenge the managers' attention. Interest rates may fluctuate; competitors don't behave the way they are expected to, customers' needs change, key personnel leave the organization and new legislation may be introduced. This increases the difficulty of execution and implementation of an intended strategy.

Hrebiniak (2005) further states that the longer the time frame for implementation, the greater the pressure that managers face. Long term needs must be translated into short-term objectives. Controls must be set up to provide feedback and keep management abreast of external "shocks" and changes. The process of strategy execution must be dynamic and adaptive, responding to and compensating for unanticipated events.

1.3.1.2 Business Scenario

The successful implementation of a business turnaround at Gelvenor Textiles required changes to many functional level aspects of company's strategy ie. marketing, recruitment, operations, research and development, and as well as to the business level strategy in order to improve its competitive and financial situation. Some of these turnaround responses were of an efficiency nature, while others were of an entrepreneurial nature.

1.3.2 Main Problem Statement

A business turnaround strategy is not always successful.

1.3.2 Sub Problems

Some of the consequences of implementing a turnaround strategy at a textile manufacturing firm results in the firm having to adopt the following actions:

i) Adopting a Greater Market Orientation

When a company embarks on becoming more market orientated, a total company effort is required. The firm has to invest heavily in becoming more customer oriented, and this requires the collection of market intelligence from various sources and as well as the dissemination of this information to relevant role-players so that appropriate decisions can be made.

ii) A Concerted Effort to Offer New Products to New Consumer/Business Markets

In order for the firm to avoid further decline in business performance and profitability, and possible demise of the organization, the firm will seek to offer

new products to new markets. The potential benefits that will accrue to the firm will initially be hard to evaluate and involves a great level of risk.

iii) Making a Greater Investment in Research and Development

The firm may have to invest heavily in R&D in order to develop more technically advanced/ high value products for niche markets. Accompanying this greater investment of time and resources, comes associated operational and market risk, which has to be managed appropriately.

iv) Greater Emphasis on Process and Product Innovation

Product innovation receives urgent attention as this is seen as guaranteeing a stream of future revenues and profits. Firms hire personnel with the appropriate skills, expertise and knowledge in order to initiate and manage the product innovation process. Product innovation is closely related to market research as the products being developed and marketed must be able to meet and satisfy the needs of consumers and institutions.

1.3.4 Research Objectives

- i) To re-inforce the importance of market orientation to firms who strive to become globally competitive and successful.
- ii) To outline the importance of product marketing strategies and their relevance to firms who wish to create a sustainable competitive advantage.
- iii) To highlight how R&D is to be managed so as to create new production processes and new innovative products.
- iv) To highlight the importance of continual and regular product innovation to firms in the textile manufacturing industry.

- v) To identify the critical success factors that firms in the global textile industry must address in order to be competitive and successful.
- vi) To highlight measures and policy imperatives that national government has put in place to curb the import of finished garments and fibres.
- vii) To highlight some of the internal problems/ limitations and external challenges that textile manufacturing firms face that lead to them experiencing declining business performance and profitability.
- viii) To outline the functional level strategies that textile manufacturing firms implement in order to adequately address the internal problems/limitations as well as external challenges facing it.
- ix) To determine what impact a business turnaround at a textile manufacturing firm has on business performance and profitability over a 3 year period.
- x) To determine the actions being undertaken by firms in the textile manufacturing industry in order to address the critical success factors so that remain globally competitive and successful.

The research questions that appear in the research methodology section (chapter 3) and the data analysis, recommendations and conclusion section (chapter 5) are aligned with the research objectives mentioned above. It is envisaged that some of these research objectives will be addressed once the literature survey has been completed while the remaining objectives will be the addressed once the empirical research has been completed.

1.3.5 Key Search Terms

- i) turnaround strategy + organizational change
- ii) strategy implementation + change management
- iii) organizational change + restructuring
- iv) turnaround strategy + business performance
- v) business turnaround + efficiency

1.4 Literature Survey

- 1.4.1 The OPAC electronic database was used to identify relevant references using list of appropriate key search terms.
- 1.4.2 The NEXUS electronic database was used to search and identify completed research at other South African institutions of higher education.
- 1.4.3 The SABINET electronic database was used to search and identify books in print for interlending from the libraries of other SA institutions of higher education.
- 1.4.4 The Science Direct electronic database was used to search and identify electronic (PDF versions) of articles that have been printed in peer reviewed scholarly journals.
- 1.4.5 The following search engines were used: Internet 1 and Internet 4 for the purposes of literature survey.
- 1.4.6 Discipline specific specialist websites was consulted.
- 1.4.7 Only those textbooks and journals that appear as a result of filtering with the key search terms will appear in the bibliography.

1.5 Importance and Significance of the Study

To highlight specific internal problems/limitations and external challenges that textile manufacturing firms face when competing in the global marketplace. This research study will attempt to show through empirical research and through accessing secondary data sources how these internal problems/limitations and external challenges can be addressed so that other textile manufacturing firms can improve their business performance and develop a sustainable competitive advantage in their chosen product markets both domestically and globally.

More specifically, the proper implementation of efficiency and entrepreneurial strategies during a business turnaround will be discussed. The functional level aspects of the company's strategy and tactics associated with the above-mentioned business level

aspects of the company's strategy will also be examined in order to see how they contribute to an improvement in business performance and profitability at textile manufacturing firms.

Finally, it is envisaged that the findings and recommendations of this research study will enable firms in the textile manufacturing industry to become more export orientated and competitive thereby creating more direct and indirect employment, as well as bringing in much needed foreign revenue.

1.6 Research Design and Methodology

Qualitative research will be conducted to gather primary data. The primary research instrument that will be used will be an interview guide with 6 questions. A structured, open-ended interview guide will be used to gather information. The questions will be standardized, with identical questions being asked of respondent to control the stimulus, thereby easing the task of analyzing the data. However, the respondents will be free to interpret the questions, as the open-ended technique encourages respondents to answer in their own words.

The sample consisted of 10 employees of Gelvenor Textiles, with each respondent preferably being from a different functional area. An attempt was made to interview the managers from the different functional areas. According to Hayes (2002), interviews provide a rich source of information about where the organization is coming from, what is presenting going on in the organization, and where the organization is heading to. Interviews were conducted strictly on a one to one basis, either in person or telephonically.

The person being interviewed was asked questions that aim to satisfy the research objectives and offered valuable insight into the efficiency and entrepreneurial strategies

that formed the basis for a successful business turnaround. Emphasis was laid on conducting interviews with those employees who have been with the company for at least 5 years and who witnessed/ experienced the impact of the business turnaround. Emphasis was placed on interviewing all those managers/informal leaders who acted as agents of change during the turnaround process. Individual interviews offer the following advantages:

- i) “Respondents can be persuaded to share private views, and to express and articulate vague feelings and perceptions that they had not previously formulated at a conscious level.
- ii) Personal interviews are also adaptive. If respondents raise issues that were not anticipated, the interview schedule can be modified to allow these emerging issues to be explored in more detail” (Hayes, 2002).

1.7 Ethical Requirements

The training and development manager of the company was approached and a request was made via email for a written consent/permission to conduct interviews with various functional area managers during office hours at the company’s premises. This request was then handed over to the directors of the company who discussed it and eventually granted the researcher a written consent (see appendix one). The respondents were given adequate notice of scheduled interview dates and times so that there no clashes with their work commitments. A copy of the interview guide was e-mailed in advance to the interviewees so that they become familiar with questions to be asked. This gave them time to think about the questions and their intended responses.

Ethical clearance approval from the university was obtained by filling in the relevant application form and handing it to the GSB administrator who in turn referred it to the relevant University Ethics Committees. Once ethical approval had been received, and then only the researcher proceeded with the empirical part of the research.

1.8 Representative Sampling

Ten employees at various management levels (junior, middle and senior) from the different functional areas at Gelvenor Textiles were interviewed. Their work experience at the company ranged from 6 years to 27 years. The respondents asked that their input remain confidential and care was exercised in not divulging their names or job titles.

1.9 Data Analysis

The data analysis was performed by using the practice of content analysis, and then a carefully chosen focus group was consulted in order to test the credibility and efficacy of the results obtained from the initial data analysis. During the content analysis, content categories were identified. Within each content category, major themes were recorded and then these were further broken down into sub-themes. The frequency of occurrence of each sub-theme was tabulated and then contributed to the total frequency of each theme. The interpretation of the results so obtained formed the basis of the findings.

1.10 Conclusion and Summary

An empirical study was conducted through personal interviews with 10 employees at Gelvenor Textiles in order to ascertain how a successful business turnaround was achieved. Special emphasis was laid on trying to gain a valuable insight and understanding into the business level strategies (efficiency and entrepreneurial strategies) adopted and implemented at the firm and how these strategies contributed to the firm creating a sustainable competitive advantage in its chosen product markets, thereby enabling it to become globally competitive and highly successful.

The next chapter deals with the literature survey. The purpose of the literature survey will be to discuss the findings from various sources of secondary data that serve to answer certain of the research questions that were formulated earlier on. It is expected that by answering these research questions, the corresponding research objectives would have been adequately addressed.

CHAPTER TWO

Literature Review / Survey

2.1 Introduction

According to Klopper (2006), the general objective of a literature survey is to demonstrate the ability to do a critical comparative analysis of the major references that relate to a research project. This general objective can be restated as three more specific objectives:

- (i) “To identify an appropriate theoretical framework to constrain how to interpret the results of empirical research.
- (ii) To determine to what extent the research problems that have been formulated, and the critical questions that have been resolved by prior research so that they can remove them from the set of problems that one is investigating” (Klopper, 2006).

The steps outlined above will be followed in conducting the literature survey:

2.2 Appropriate Theoretical Framework

A selection of key search terms was used to identify relevant references to be used. The problem statement was used as a filter in selecting appropriate key search terms. In performing the literature survey, the concept matrix mode of analysis was used i.e. in order to identify the major concepts relating to the problems under consideration, only the abstracts and conclusions of references were read. The Harvard style of referencing has been used when acknowledging the work of other authors. This was recommended by Prof. R. Klopper in lecture notes provided during the research methodology lecture conducted in the second semester of 2006.

2.3 How Was Literature Survey Conducted?

- i) The University of Kwazulu-Natal's library OPAC electronic database was used to identify relevant references in one of the university's libraries.
- ii) A NEXUS search was done to identify completed research at other SA institutions of higher education.
- iii) The SABINET electronic database was searched to identify books in print for interlending from the libraries of other SA institutions of higher education.
- iv) The Science Direct electronic database was searched to identify electronic (PDF versions) forms of articles that have been printed in peer reviewed scholarly journals.
- v) The following search engines were also used:
Internet 1, Internet 2, Internet3 and Internet 4
- vi) Only those textbooks and journals that appear as a result of filtering with key search terms will appear in the bibliography.

2.4 Key Search Terms Used:

- i) turnaround strategy + implementation
- ii) strategy implementation + change management
- iii) organizational change + restructuring
- vi) turnaround strategy + business performance
- v) business turnaround + efficiency

2.5 Critical Comparative Analysis of References

In this section, a critical comparative analysis of references per concept will be discussed. There are **12** key concepts.

2.5.1 Corporate/Business Turnaround

“Turnaround strategies are needed when a business worth rescuing goes into crisis; the objective is to arrest and reverse the sources of competitive and financial weakness as quickly as possible. Management’s first task in formulating a suitable turnaround strategy is to diagnose what lies at the root of poor performance. Understanding what is wrong with the business and how serious its strategic problems are is essential because different diagnoses lead to different turnaround strategies” (Thompson and Strickland, 2006).

“Turnaround responses among successful firms typically include two stages of strategic activities: retrenchment and the recovery response. Retrenchment consists of cost-cutting and asset-reducing activities. The primary objective of the retrenchment phase is to stabilize the firm’s financial situation. The recovery response results in firms either implementing efficiency strategies and/or entrepreneurial strategies as part of a broad business level strategy. For firms that have declined primarily as a result of external problems, the turnaround most often has been achieved through creative and new entrepreneurial strategies. For firms that have declined primarily as a result of internal problems/weaknesses, the turnaround is most often achieved through efficiency strategies” (Pearce and Robinson, 2003).

According to Chathoth et al., (2005), retrenchment and recovery are two key turnaround measures. They further contend that studying turnaround strategies is warranted as many firms perish because unsuccessful turnaround strategies are on the increase. “In order to address the challenges, firms that face turnaround would have to identify the courses of action that would be appropriate to address the turnaround situation. It is important for industry professionals to explore such measures to understand the impact they have on the firm’s current and future situation” (Chathoth et al., 2005).

According to Sheppard et al., (2005), corporate level turnaround is characterized by four distinct stages i.e. decline, response initiation, transaction and outcome. By categorizing the elements of failure or turnaround, the four stage model explains how elements prevalent in each stage, when combined, can lead to failure or a successful turnaround. According to Barker et al., (2000), firms whose top managers attribute decline to internal sources as opposed to external sources are more likely to show greater levels of strategic reorientation in response to declining performance.

According to Gowen et al., (2002), greater competitive and economic pressures have made corporate turnaround strategies critical to the survival of many high-tech international business organizations. The authors further state that survey responses from American and US subsidiaries of Japanese electronics firms illustrate that significant differences exist among levels of strategy implementation in assessing the need for a turnaround strategy; the actions taken to reverse an adverse situation, and the relative success of the actions.

According to Balgobin et al., (2001), successful turnaround follows a generic five stage sequence characterized by performance decline that leads to a period of crisis which triggers radical change. The authors further state the specifics of this radical change are embodied in a formal turnaround plan that, at an abstract level, and in a manner of taking one step back in order to take two steps forward, involves firstly emphasizing retrenchment to achieve stability and subsequently shifting the emphasis towards profitable growth.

According to Harker (1999), effective turnaround management involved making a series of holistic changes to strategies, structures and practices throughout the organization. According to Haderberg and Rieple (1999), the characteristics exhibited by organizations top leadership cadre has a major influence on organizational outcomes during the process of turnaround management.

According to Bruton et al., (2001), in the west a number of actions are commonly recognized as crucial to a firm's turnaround. Bruton et al further contend that a firm needs to pursue efforts to turn the firm around that is consistent with the nature of principal problems facing it. "For example, firms facing efficiency problems should use operating solutions to solve these problems. Firms whose difficulty concerns the reconfiguration of the firm's portfolio of businesses or changing the position of units within that portfolio should back strategic solutions" (Bruton et al., 2001).

Review of corporate turnaround literature reveal that the process of a corporate/business turnaround tends not to follow a uniform step by step process. Firms embarking on these turnaround strategies tend to adopt different models/approaches in order to realize a turnaround. However, studies that have attempted to establish the importance of corporate turnarounds conclude that turnaround situations are growing in frequency. There also seems to be a consensus in the literature reviewed that a corporate turnaround would invariably involve a deliberate attempt to address both internal weaknesses/limitations and external challenges in order to bring about a successful business turnaround.

2.5.2 Strategy Implementation

According to Haderberg and Rieple (2001), the implementation of corporate level strategy implies the management of organizational change. The authors further state that a turnaround strategy implies radical change and is aimed at ensuring the continued survival of an organization. According to Certo and Peter (1991), once an organization has successfully implemented a turnaround strategy, it can then embark on a specific growth strategy to increase market share, enhance profitability and improve business performance.

According to Pearce and Robinson (2003), to ensure success; the chosen strategy must be translated into carefully implemented organizational action. This organizational action is

successfully initiated in four interrelated steps: (i) creation of short term objectives and action plans, (ii) development of specific functional tactics that create competitive advantage, (iii) empowerment of operating personnel through policies to guide decisions and the (iv) implementation of an effective reward system.

Hrebiniak (2006) states that strategy formulation and implementation are interdependent, part and parcel of an overall process of planning – executing – adapting. “Planning affects execution. The execution of strategy, in turn, affects change to strategy and planning over. This relationship between planning and doing suggests two critical points. First, successful strategic outcomes are best achieved when those responsible for implementation are also part of the planning or formulation process. Second, strategic success demands a ‘simultaneous’ view of planning and doing. Managers must be thinking about execution even as they are formulating plans. Formulating and executing are parts of an integrated strategic management approach” (Hrebiniak, 2006).

According to Freedman (2003), the successful implementation of corporate / business level strategy requires the following activities to be completed: (i) communicating the strategy, (ii) ensuring strategy drives planning, (iii) aligning the organization with strategic imperatives, (iv) installation of an issue resolution system to enable individuals and teams to work effectively in turning vision into action and (V) reduction in complexity contributes to achieving near optimal strategy implementation.

There seems to be a strong consensus emanating from existing literature reviewed that strategy implementation is just as important as strategy formulation in achieving desired organizational / business outcomes and success. This is borne out by the fact that many organizations are increasingly adopting an integrative approach to strategic management.

2.5.3 Efficiency Strategies

According to Pearce and Robinson (2003), efficiency strategies are adopted and implemented at a business level by firms embarking on a business turnaround that have primarily declined as a result of internal problems. These efficiency strategies include improving inventory turnover (raw materials, WIP and finished goods), acquiring world class technology, lowering fixed costs and in some cases variable costs. Balgobin and Pandit (2005), point out that in the case of IBM (UK), the firm's performance deteriorated as a result of external and internal factors, during the period 1988 to 1992. In this case IBM (UK) used the following efficiency strategies to bring about a successful business turnaround: internal departments that were kept were exposed to market forces through benchmarking, quality awareness was improved, customer satisfaction was given high priority and power was pushed down through the organization to take decision-making closer to customers.

According to Harris and Sohal (2005), when Westcan (an aluminum can manufacturing company in Australia) decided to embark on a business turnaround, some of their efficiency strategies included the use of world class technology, firm innovation and organizational improvement, process improvement to promote customer focus and provide continuous improvement in cost, quality and delivery; and measurement and control systems to monitor performance and provide timeous feedback. According to Bauer and Bender (2005), during a business turnaround firms that rely predominantly on internal adjustments, technological and organizational change should not experience low employee turnover rates.

According to Damanpour and Wischnevsky (2004), organizations operating under the present conditions of global competition, rapid technological advances and resource scarcity must innovate in order to grow, become effective and even to survive. Thus fostering innovation remains a major challenge for business executives and an area in which academic research can make valuable contributions. Innovation is a concept central to economic growth and can be a source of sustained competitive advantage.

According to Taplin (2005), the heightened global competitiveness in the textile industry has led to textile manufacturing industry has led to textile manufacturing firms in the U.S.A. to restructure work processes as an efficiency strategy in order to achieve a competitive advantage. Taplin (2005) further states that by retaining hierarchical management structures, albeit without supervising workers, and continuing routinizing work in interdependent group settings, firms can realize production gains plus flexibility and improved quality. "Such production systems enhance output through group norms of self-exploitation as workers work harder in response to peer pressure. The rationale behind the adoption of teamwork appears to be part of a broader strategic focus on cost lowering, technological substitution and productivity increases. Each of these firms focused on lowering unit costs and rationalizing product throughput, using teams rather than technology to secure efficiency gains"(Taplin, 2005).

After reviewing existing literature on efficiency strategies, there seems to consensus among researchers that efficiency strategies, in its many functional forms, play a significant contributory role to developing a successful business turnaround strategy.

2.5.4 Entrepreneurial Strategies

According to Bantel (2005), when firms compete in relatively stable and mature industries, their entrepreneurial response involves focusing on narrow niche of specialized, infrequently purchased, large investment products with direct sales and support. "These firms compete on their reputations in their target market segment, relying on their ability to find and sell to a narrow range of customers while maintaining excellent customer service. This approach results in high performance in operating efficiency, market development, financial stability and overall business performance.

According to Bergman et al., (2004), the continuous rise of business opportunities and increase of global competition demand proactive strategy making, recognition of new opportunities, an ability to continuously renew the capabilities to face the changing business environment. "To exploit emerging opportunities, organizations need to have methods and practices which help them to be aware of changes in the business environment and to facilitate the development of their abilities. The competitiveness of organization depends on their strategic awareness and changeability concerning future development"(Bergman et al., 2004).

According to Vlaar and Willenborg (2005), entrepreneurial alertness leads people to alter perceptions and change a clearly dysfunctional set of rules, thereby providing a counterbalance against the effects of rigid rules- following behavior. "Entrepreneurial alertness thereby increases a firm's ability to respond to a discontinuity created by radical change and it mitigates any problems related to the extraction of value from a new business caused by its own characteristics. These firms are more likely to give new initiatives a fair chance and they might be less prejudiced by conventional wisdom or by performance of their existing businesses" (Vlaar and Willenborg, 2004).

According to Harker (1998), during a company turnaround firms must improve the ways in which they manage external stakeholders, the internal company climate and decision processes in order to affect a successful business turnaround. "There is a clear way in which successful firms managed the turnaround compared with unsuccessful firms. A key element of this difference was the market manipulation processes used by the successful firms. The vital process of market manipulation involved : environmental comprehension, turnaround planning, destiny development market strategy management (discovering new approaches) and enabled firms to have some control over their future by protecting today's business while providing sound foundations for tomorrow's business" (Harker,1998).

According to Rose-Anderssen et al., (2004), challenges facing manufacturing companies are much fierce competition in a global marketplace characterized by more rapid change. This reality requires a strategy with a stronger emphasis on creativity and innovation.

Christensen and Bower (1996) point out that a distinctive set of capabilities and competencies could serve as the basis for an equally distinct set of competitive advantages and competitive strategies to enable entrepreneurial SME's to set their own 'basis of competition'. Etemad (2003) has consistently argued that paramount among such capabilities is the ability of entrepreneurial firms/SME's to establish and then manage their relations with the others especially at home, where they have a strong knowledge base, social capital and social networks. These locally bases resources relations constitute advantages that empower the entrepreneurial firm's strategy at home and could be leveraged for competing on international markets.

According to Matley (1997), entrepreneurial firms who exhibited high levels of target market knowledge and understanding also employed innovative and/or high growth business strategies. "Entrepreneurial firms were able to read and interpret market development, identify opportunities and reallocate human financial resources to achieve or surpass their globalization targets" (Matley, 1997).

"All business performance is driven in part by the overall economy, consumer spending patterns, capital markets, labor markets, currency and interest rates, industrial supply and demand and patterns of international trade and investment. Understanding and applying the knowledge of how these external dynamics do and will operate to affect your own business is a key part of business strategy" (Daniell, 2004).

"At a time of ever-accelerating change, when more and more organizations find themselves operation in high velocity environments, the ability to look ahead, prepare for the future and help create it is more crucial than ever" (Tsoukas and Shepherd, 2004).

“The role of foresight is to provide business executives with ways of seeing the future with different eyes and fully understanding the possible implications of alternative technological /societal paths. The purpose of foresight is to enhance an organization’s ability to consider various future scenarios without any preconceptions, debate their implications, examine the risks involved, estimate potential benefits, predict the costs/ investment involved to arrive with practical alternatives that can be translated into executable actions” (Makridakis, 2002).

After a thorough review of existing literature, there seems to be strong consensus among researchers and industry professionals that entrepreneurial strategies play a fundamental and critical role in addressing the external challenges facing firms attempting a successful business turnaround.

2.5.5 Market Orientation

According to Perrault and McCarthy (2005), firms with a marketing orientation carry out the marketing concept. “The marketing concept focuses on customer satisfaction, a total company effort and profits as an objective. Instead of just trying to get customers to buy what the firm has produced, a marketing-oriented firm tries to offer customers what they need” (Perrault and McCarthy, 2005).

According to Beverland and Lindgreen (2004), the creation of market orientation involves uncovering long-held assumptions about the nature of commodity products, the nature of production and marketplace power, and the ‘commodity cycle’. They point out that moving a firm towards a new set of values involves changes in the role of leadership, the use of market intelligence and organizational learning styles.

According to Hughes and Morgan (2005), firms by learning through competing in the marketplace, can become aware of their relative resource and marketplace position which prompts them to learn more about their competitor’s offerings and sources of advantages.

They contend that learning and memory can become key resources in the battle for comparative advantages in delivering superior value and performance.

“The marketing-oriented business is able to build and maintain competitive advantage and the business with this orientation is more capable of good sustained performance than one that is less focused. The marketing-oriented firm is customer focused and a generator and disseminator of market intelligence, which is widely used throughout the firm. Such firms are able to sense and respond to market forces with greater precision than more inward looking rivals. As a consequence, the marketing- oriented is able to build and maintain a sustainable competitive advantage by clearly establishing the needs of key buyers and developing the processes that are required to deliver superior customer value over time. The marketing function also espouses the entrepreneurial values that provide an environment in which learning from exploration and experimentation is most likely to take place” (Harker, 2005).

According to Smith (2006), high impact firms involved themselves in high risk, high technology and innovation and complex products. He points out that these firms are proactive in identifying customer needs, and their products were innovative with an impact on customers and they had a strong technology focus.

“Market orientation can be viewed as the organization-wide generation of market intelligence pertaining to current and future customer needs, the dissemination of the intelligence across departments, and the organization-wide responsiveness to that intelligence. Understanding the customer and keeping the rest of organization informed about customer changes so that superior value can be delivered is a major function of marketing as a management function. Businesses develop long-term commitments in order to maintain this relationship through quality, service and innovations. As a result, market orientation has been assumed to be a precondition to success and profitability for most companies” (Kohli and Jaworski, 1990).

“Market orientation businesses possess a competitive advantage in both speed and effectiveness of their responsiveness to opportunities and threats. A business culture is a basis for a competitive advantage only when it is indispensable and difficult to imitate” (Slater, 2001).

In a study conducted by Spillan and Parnell (2006), the results show that a greater emphasis on market orientation philosophy and culture and customer orientation is a significant part of most small and medium enterprise’s marketing efforts. This indicates that marketers show a good understanding of the marketing concept/philosophy. “While customer orientation is a major focus of the market orientation philosophy, a greater emphasis on inter-functional coordination is a major part of the market orientation approach of the small and medium enterprises researched” (Spillan and Parnell, 2006).

Literature reviewed in this regard point clearly to a consensus among researchers and industry professionals that market orientation enables a firm to become more customer focused and enables a firm to better address market needs of potential and existing customers. This invariably leads to an increase in market share and revenue flows.

2.5.6 Product Marketing Strategy

According to Perrault and McCarthy (2005), a product market is a market with very similar needs and sellers offering various close substitute ways of satisfying those needs e.g. the digital camera product market, where many brands (Kodak, Nikon, Minolta and HP) compete for a customer’s attention, and strive to satisfy the need to conveniently record memories.

“As the objective of formulating product-market strategy is to establish a basis for competing by deploying resources and capabilities to bring to market a superior value offering to generate superior performance, it is apparent that capital may be described as strategic if this aids in the realization of such strategy. Hence, the term strategic capital is

used to refer to these tangible and intangible resources that enables the successful realization of product-market strategy” (Hughes and Morgan, 2005).

Hughes and Morgan (2006) further argue that an inability to effectively implement product-market strategy is likely to reduce the firm’s ability/capacity to deliver superior value.

“Turnaround marketing strategies are a vital part of turnaround plans. Market penetration and niche positioning turned out to be valuable strategies for successful companies. The penetration strategy was based on a comprehensive assessment of customer and potential customer needs together with an in-depth knowledge of competitors. Niche marketing was successful for technology intensive/orientated firms because it was low risk, involving existing markets, products and technology. It was profitable because the niche marketers met market needs better than firms that sold casually to the niche and were able to obtain premium prices due to the greater added value delivered. These firms were making use of one of their main intangible assets- staff knowledge and experience to augment their product offerings with creative and valuable commercial services.” (Harker, 2005)

Bantel (1999) states that entrepreneurial firms with typically constrained resources must be careful about the breadth of their product/market commitments as spreading themselves too thin can lead to inadequate resources to develop a sufficient competitive advantage. “Environmental instability is an important dimension in terms of its effects on strategy as it places high demands on decision-makers to adapt their perceptions to match environmental reality and to make appropriate strategic responses. Technological change, an element of environmental instability, creates a variety of opportunities. The lack of dependencies and stakeholder constraints characterizing young entrepreneurial firms, accompanied by relative lack of organizational learning enables them to stay relatively fluid and flexible in their product/ market commitments and to take advantage of such opportunities” (Bantel, 1999).

“Product leaders have to prepare markets and educate potential customers to accept products that never existed. Otherwise, new products that push the state of the art can arrive too far ahead of their time. Every breakthrough product develops sales demand at a natural rate. Academics refer to it as the rate of diffusion of innovation. The challenge for product leaders is to push the rate of diffusion beyond what is natural and common, in order to get demand to climb faster and much earlier during its lifecycle.” (Treacy and Wiersema, 1996)

An extensive review of available literature reveals that product marketing strategies form an integral and critical component of a firm’s overall marketing strategy and goes a long way in either creating new markets and/or maintaining present markets. This inadvertently contributes to a firm’s revenues and profitability.

2.5.7 Research and Development (R&D)

According to Rose-Anderssen et al., (2004), for innovative projects cooperation between marketing and R&D during early project stages, between marketing and operations during later project stages, and between R&D and operations during latter project stages were all positively related to project performance.

According to studies/research conducted by Hughes and Morgan (2006), firms that are characterized by frequent product innovation, exploitation of new technologies in production, high levels of technical and scientific expertise necessary for operations, shorter product life-cycles and high value market solutions view R&D as a key driver of growth.

“The management of R&D should be divided into two sub-functional categories: management of innovation and management of technology. Management of innovation signifies the management and organization of the individual innovation processes with the objective to produce or process innovations. Management of technology signifies the

management and organization of the company's technology base (the portfolio of existing and prospective technological capabilities underlying product and process innovations" (Christensen, 2005). He also consistently argues that the mode of managing R&D should correspond to both the overall strategy-structure constellation of the company, and the specific objectives of the company's innovation and technology strategy.

Craig and Grant (1994) point out that the application of R&D capabilities the firm develops new patents and other forms of proprietary technology and products. They further state that through the application of new product development capabilities and marketing capabilities, the firm creates brand new products. "One of the primary sources of competitive advantage in emerging and technology based companies is innovation. The essence of innovation is creativity. Hence creating and maintaining organizational conditions conducive to innovation requires special managerial consideration" (Craig and Grant, 1994).

"Because innovation is conceptual and perceptual, would-be innovations must also go out and look, ask and listen. Successful innovators use both the right and left sides of their brains. They work out analytically what the innovation has to be to satisfy an opportunity. Then they go out and look at potential users to study their expectations, their values and their needs. Innovation requires talent, ingenuity and knowledge. But when all is said and done, what innovation requires is hard, focused and purposeful work" (Drucker, 2002).

A review of many sources of literature reveals that there is consensus among researchers and industry professionals that R & D should form an integral part of a manufacturing firm's core capabilities aimed at the long term survival and success.

2.5.8 **Product Innovation**

“Innovation can be defined as the development and use of new ideas or behavior in organizations. A new idea could be a new product, service or method of production (technical innovation), a new market, organization structure or administration system. Organizations operating under the present conditions of global competition, rapid technological advances and resource scarcity must innovate in order to grow, to be effective and even to survive. For the purposes of innovation; both the entrepreneurial firm and the innovative unit of a large organization must identify new niches in the market and then develop new products/processes to fill that niche” (Damanpour and Wischnevsky, 2006).

According to Hitt et al., (1990), smaller organizations are considered to be more innovative because they are more flexible, have a higher ability to adapt and improve, and have less difficulty in accepting and implementing change. They also point out that when entrepreneurial opportunities exist, those situations in which new products, processes, services or technologies can be introduced, both small and large firms engage in innovation.

“Innovation in any organization tends to be accompanied by change. Where the innovation is radical rather than incremental, then change is likely to be more significant as new technologies, new knowledge and new ways of working are introduced. Consequently they all involve situations where the organizational dynamics meant the project needed the kind of support a very senior figure within the organization would provide. Detailed analyses of case studies show that support took the form of vision, credibility, protection and access to resources. This kind of support was possible because the individuals concerned were well-respected and influential senior executives in their organizations. This enabled them to provide support without direct involvement in the projects” (Smith, 2006).

“The new product development process is at ‘sharp end’ of creative evolution, though risk aversion may well dictate very cautious decisions and designs. While this seems risk averse and safe in the short term, clearly in the longer term if other firms do innovate and create new products, new capabilities and embrace new technologies, then they will eliminate their more cautious competitors” (Rose-Anderssen et al., 2004).

Perrault and McCarthy (2005) point out that identifying and developing new product ideas is often the key to a firm’s success and survival. They also suggest that in order for firms to move quickly and avoid expensive new product failures, firms should follow an organized new product development process consisting of 5 logical steps: idea generation, screening, idea evaluation, development of the product and marketing mix, and commercialization. They also state that an important element in the new product development process is the continuous evaluation of the new product’s profitability and return on investment.

After careful review of available literature, there seems to be a strong consensus that product innovation is of paramount importance in ensuring a future flow of revenues and profits. There however seems to be a divergence among researchers on how best to manage the product innovation process.

2.5.9 Training and Development

According to Mullins (2005), the purpose of training is to improve knowledge and skills, and to change attitudes. The author further states that training is one of the most important potential motivators and can lead to many possible benefits for both individuals and the organization.

“Training can increase the confidence, motivation and commitment of staff; provide recognition, enhanced responsibility, and the possibility of increased pay and promotion; give a feeling of personal satisfaction and achievement, and broaden opportunities for

career progression; and help to improve the availability, quality and skills of staff. Training is therefore a key element of improved organizational performance. Training serves to increase the level of individual and organizational competence. It helps to reconcile the gap between what should happen and what is happening- between desired targets or standards and actual levels of work performance” (Mullins, 2005).

“Training should be viewed as an investment in people. This is important at any time, but particularly so with the increasing pace of technological, structural and social change. But training for its own sake achieves little. It must be real, operational and rewarding. Training requires the co-operation of line managers, adequate finance and resources, time skilled staff and a supporting appraisal system” (Mullins, 2005).

According to Mullins (2005), development involves a combination of knowledge and varied experience. He further states that development should be seen as taking place through a combination of theoretical and practical involvement. “The advancement of human relations skills is ideally seen as stemming from deliberate and constructive self-development” (Mullins, 2005).

According to Cushway (1994), the main reason for understanding training is for the organization to ensure that it achieves the best possible return from its investment in its most important resource: its employees. “To this effect, the main aim of any training will be to achieve some kind of change in knowledge, skills, experience, behavior and attitude which enhances the effectiveness of the employee. Development is concerned with giving individuals the necessary knowledge, skills and experience to enable them to undertake greater and more demanding roles and responsibilities” (Cushway, 1994).

According to Noe et al., (2005), training refers to a planned approach by a company to facilitate employees’ learning of job-related competencies. “These competencies include knowledge, skills or behaviors that are critical for successful job performance. The goal of training is for employees to master the knowledge, skills, and behaviors emphasized in training and to apply them to their day-to-day activities. Recently it has been

acknowledged that to offer a competitive advantage, training has to involve more than just basic skill development. Training is moving away from a primary focus on teaching employees specific skills to a broader focus of creating and sharing knowledge. That is, to use training to gain a competitive advantage, a firm should view training as a way to create intellectual capital” (Noe et al., 2005).

“With regards to the creation of intellectual capital, most companies have adopted a broader approach, which is known as high leverage training. High leverage training is linked to strategic business goals and objectives, uses an instructional design process to ensure training is effective, and compares or benchmarks the company’s training programs against those of other companies. High leverage training practices also helps to create working conditions that encourage continuous learning. Continuous learning requires employees to understand the entire work system including the relationships among their jobs, their work units and the company. Employees are expected to acquire new skills and knowledge, apply them to their jobs and share this information with other employees.”(Noe et al, 2005)

Noe et al., (2005) states that employee development refers to formal education, job experiences, relationships, and assessment of personality and abilities that help employees prepare for the future. The author further states that because employee development is future orientated, it involves learning that is not necessarily related to an employee’s current job. “Development also helps employees prepare for changes in their current jobs that may result from new technology, work designs, new customers, or new product markets. Development prepares them for other positions in the company and increases their ability to move into jobs that may not yet exist” (Noe et al., 2005).

According to Campbell (1991), cited by Noe et al., (2005), there are four approaches that are used to develop employees: formal education, assessment, job experiences, and interpersonal relationships. “Formal education programs include off-site and on-site programs designed specifically for the company’s employees, short courses offered by consultants or universities, executive management courses and MBA programmes.

Assessment involves collecting information and providing feedback to employees about their behavior, communication style or skills. Assessment is more frequently used to identify employees with managerial potential and to measure current managers' strengths and weaknesses. Most employee development occurs through job experiences. There are many ways in which job experiences can be used for employee development. These include enlarging the current job, job rotation, transfers, promotions, and temporary assignments with other companies" (Noe et al., 2005).

According to Senge (1990), organizations need to develop a culture of learning and to instill people's commitment and capacity to learn at all levels in an organization. Senge (1990) suggests that there are five basic features of a learning organization: systems thinking (the recognition that things are interconnected and organizations are complex systems, personal mastery (the competencies and skills associated with management including spiritual growth, mental models (the driving and fundamental values and principles of the organization, shared vision (the importance of co-operation and a shared vision by team members, and team learning (the two mutually complementary practices of dialogues and discussion, first separating them and then combining them).

Garratt (1996), points out that learning organizations have essentially four characteristics: it encourages people at all levels of the organization to learn regularly and rigorously from their work, it has systems for capturing and learning information and moving it where it is needed, it values learning and it is able to transform itself continuously.

There seems to be a very strong consensus emanating from literature reviewed that training and development should be viewed as an investment in personnel and which, if managed properly, will yield an above average return on investment in the short -, medium-, and long term. This will contribute to the long term survival and success of an organization.

2.5.10 **Total Quality Management (TQM)**

According to Chase et al., (2006), TQM is defined as managing the entire organization so that it excels on all dimensions of products and services that are important to the customer. Chase et al (2006) further state that TQM has two fundamental operational goals, namely: careful design of the product and/or service; and ensuring that the organization's systems can consistently produce the design.

According to an article in the Institute of Management journal (Nov. 2001), TQM is defined as follows "a way of managing which gives everyone in the organization responsibility for delivering quality to the final customer. TQM views each task in the organization as fundamentally a process which is in customer supplier/supplier relationship with the next customer. The aim at each stage is to define and meet the customer's requirements with the aim of maximizing the satisfaction of the consumer at the lowest possible cost".

Oakland (1994), states that TQM requires the creation of a corporate identity and a supportive environment. "It involves setting the highest standards for quality at the lowest costs, effective training including teambuilding throughout the organization, integrating systems and technology with people and the motivation, participation and commitment of staff at all levels of the organization" (Oakland, 1994).

Pentecost (1990), identified the following as key elements of TQM: a total process involving all operations and management units in the organization, and led from the top; the customer as king with every strategy, process and action directly related to satisfying customers' needs; a greater emphasis on rational information collection and analysis using modern technology where appropriate; an emphasis on a different approach to looking at the costs of poor quality by examining all processes in the organization which add to costs; a greater involvement of people, recognizing that they are a great untapped resource in most companies; teamwork as crucially important, involving multi-discipline and multi-level working to solve problems and to meet customers' needs; and the

requirements for creative thinking and the ability to think beyond the immediate job or work environment.

According to Heizer and Render (2000), TQM refers to a quality emphasis that encompasses the entire organization, from supplier to customer. Heizer and Render (2000) further state that TQM stresses a commitment by management to have a continuing companywide drive toward excellence in all aspects of products and services that are important to the customer. "There are six concepts for an effective TQM program: continuous improvement; employee empowerment; benchmarking; just-in-time; Taguchi concepts; and knowledge of TQM tools" (Heizer and Render, 2000).

"Total quality management requires a never-ending process of continuous improvement that covers people, equipment, suppliers, materials, and procedures. The basis of the philosophy is that every aspect of an operation can be improved. Employee empowerment means involving employees in every step of the production process. Consistently, business literature suggests that some 85% of quality problems have to do with materials and processes, not with employee performance. Therefore, the task is to design equipment and processes that produce the desired quality. This is best done with a high degree of involvement by those who understand the shortcomings of the system. Those dealing with the system on a daily basis understand it better than anyone else" (Heizer and Render, 2000).

"Techniques for building employee empowerment include: building communication networks that include employees; developing open, supportive supervisors; moving responsibility from both managers and staff to production employees; building high-morale organizations; and creating such formal organizations structures as teams and quality circles" (Heizer and Render, 2000).

"Benchmarking is another ingredient in an organization's TQM program. Benchmarking involves selecting a demonstrated standard of products, services, costs, or practices that

represent the very best performance for processes or activities very similar to your own. The following steps for developing benchmarks are as follows: determine what to benchmark; form a benchmark team; identify benchmarking partners; collect and analyze benchmarking information; and take action to match or exceed the benchmark” (Heizer and Render, 2000).

“The philosophy behind just-in-time (JIT) is one of continuing improvement and enforced problem solving. JIT systems are designed to produce or deliver goods just as they are needed. JIT is related to quality in three ways: it cuts the cost of quality; it improves quality; and it improves the quality of work life for employees” (Heizer and Render, 2000).

According to Wadsworth et al., (2001), TQM is a management approach that strives for the following in any business environment. “These include the establishment of clear mid- and long term vision and strategies; the proper utilization of the concepts, values and scientific methods of TQM; the regarding of human resources and information as vital organizational infrastructures; the effective operation of an quality assurance system and other cross-functional management systems such as cost, delivery, environment and safety; the maintenance of sound relations with customers, employees, society, suppliers and shareholders; the continuous realization of corporate objectives in the form of achieving an organization’s mission, building an organization’s reputation and continuously securing profits” (Wadsworth et al, 2001).

Wadsworth et al., (2001) point out that the universally accepted goals of TQM are lower costs, higher revenues, delighted customers, and empowered employees. “Higher quality can mean lower costs by reducing errors, rework, and non-value-added work. The costs associated with preventing errors during design are often far less than the costs of correcting the errors during production. Higher quality also means more satisfied customers, increased market share, and premium prices. Customers are increasingly demanding high-quality goods and services. Most leading organizations realize that empowered employees are a major goal of TQM. These organizations want to create an

organization that not solves the problem of today, but are ready to solve, or avoid the potential problems of tomorrow” (Wadsworth et al., 2001).

After an extensive literature review, there seems to be consensus among researchers that the tried and tested philosophy of TQM plays a positive and significant role in the survival and success of an organization, in the short-, medium- and long term. This has been attested to by both academic researchers and industry professionals.

2.5.11 Sustainable Competitive Advantage

According to Daniell (2006), defining the priorities for a business will require you to define how best to differentiate from competitors. He further suggests that priorities should all lead to a competitive advantage and will need to highlight those broad directives whose accomplishment will ensure that the vision is realized and that the resource allocation decisions are made which get the best results from operations, create a sustainable competitive advantage and maximize value to shareholders and other stakeholders in the organization.

“An industry’s critical success factors are the particular strategy elements, product attributes, competitive capabilities that spell the difference between being a strong competitor and a weak competitor- and sometimes between profit and loss. Critical success factors by their very nature are so important to competitive success that all firms in the industry must pay close attention to them or risk becoming an industry also-ran. Correctly diagnosing an industry’s critical success factors raises the chance of crafting a sound strategy. The goal of company strategists should be to design a strategy aimed at stacking up well on all of the industry critical success factors and trying to be distinctively better than rivals on possibly one or two of the critical success factors” (Thompson and Strickland, 2006).

According to Hamel and Prahalad (1994), core competencies of a corporation are those capabilities which are fundamental to competitive advantage and central to strategy formulation. They further argue that for long run competitive success, firms must recognize and nurture their core competencies as those can more than likely be leveraged to create a sustainable competitive advantage.

“A firm is said to have a sustainable competitive advantage when it is able to implement a value-creating strategy not being simultaneously implemented by a current/potential competitor, and when these other firms are unable to duplicate the benefits of such strategy. Whereas the attainment of a sustainable competitive advantage can be expected to lead to superior performance (in terms of market share, sales revenue and profitability), these superior returns will only persist in a consistent way if these resources and capabilities underlying the advantage are limited or inelastic in supply. Supply inelasticity of some internal resources implies that firms that possess them may be able to generate above normal profits even in the long run” (Rialp, 2000).

After reviewing existing literature on, there seems to be a strong convergence among researchers that the pursuit of a sustainable competitive advantage is critical to the long term survival and success of a firm.

2.5.12 Business Performance and Profitability

Balgobin and Pandit (2001) point out that a successful recovery, in its most subdued form, may involve mere survival with economic performance only just acceptable to the firm's various stakeholders. On the other hand, in its most positive form, the recovery may lead to the firm achieving sustainable, superior competitive positions in its chosen areas of activity.

According to Harrington et al., (2002), ultimate proof of a turnaround strategy's sustainability comes after the implementation of the survival plan that sees a return to profitability.

According to Gowen and Tallon (2004), greater competitive and economic pressures have made corporate turnaround strategies critical to the survival of many high technology international business organizations. "A survey of American and U.S. subsidiaries of Japanese electronic firms illustrate that American firms achieve greater return on investment, operating profit margin and cash flow, but lower sales growth and less labor cost improvement than Japanese corporations" (Gowen and Tallon, 2004).

According to study conducted by Harker (2004) into the Australian heavy engineering industry, effective turnaround management involved making a series of holistic changes to strategies, structures and practices throughout the organization.

"The activities aimed at corporate/business turnaround entail steps taken towards meeting the firm's objectives of growth and development, and growth in the market share. In the recovery phase, firms could follow the objectives of profitability by altering the resource commitment or by pursuing new products and markets. Investments made in this regard should be long-term oriented aimed at improving the firm's financial position." (Chathoth et al., 2005).

2.5.13 Multi-skilling

According to Noe et al., (2005), the task of multi-skilling systemically involves moving an individual from one job to another, either temporarily or over a period of time. "This should be viewed as a task based intervention" (Noe et al., 2005).

According to Hackman and Oldham (1976), cited by Noe et al., (2005), the job assignments may be in a single functional area or department or in various functional areas of the organization.

2.5.14 Niche Markets

According to Stanton and Walker (2002), niche marketing refers to the choice of a single market segment. “This strategy enables a seller to penetrate one market in depth and to acquire a reputation as a specialist or an expert in this limited market. Niche marketing is also known as concentrated segmentation. For a niche market to exist, it must be accessible, have an adequate customer base to generate profits and must be sustainable in the long term” (Stanton and Walker, 2002).

2.5.15 Strategic Alliances

According to Thompson and Strickland (2006), a strategic alliance is a collaborative partnership where two or companies join forces to achieve mutually beneficial strategic outcomes. “This enables companies to seize opportunities on the frontiers of advancing technology, or to build resource strengths and business strengths to compete successfully in the product markets of the future” (Thompson and Strickland, 2006).

2.5.16 Brand Management

According to Perrault and McCarthy (2005), branding means the use of a name, term, symbols or design to identify a product or service. “The process of brand management requires the appointment of a product/brand manager or specialist who then becomes the product’s champion and enthusiast throughout the organization. The brand manager’s responsibility includes setting the brand’s marketing objectives, plans what action are

needed to achieve these objectives, schedules and co-ordinates all the marketing activities and reports to the group marketing manager” (Perrault and McCarthy, 2005).

2.5.17 Technology Intensive

According to Hughes and Morgan (2004), firms/industries which are classified as technology intensive or high-tech are characterized by frequent product innovation, exploitation of new technologies in production, a high level of technical and scientific expertise necessary for operations, high value market solutions, and R&D being a key driver of growth.

After a careful study / review of literature available, there seems to be convergence among researchers and scholars of corporate/business strategy that a successful corporate/business turnaround should manifest itself through a sustained improvement in business performance and profitability.

2.6 Response to Research Objectives

After an extensive literature review process, the researcher is now able to provide a response to the first six research objectives as outlined in my research proposal.

It can conclusively stated that market orientation contributes significantly to the implementation of an ‘entrepreneurial response’ as the adoption of a market orientation mindset enables the firm to address customer needs both proactively and reactively, and anticipate changing customer needs as well as market trends. Research shows that market orientation creates superior value for buyers and also impacts upon company performance positively.

The formulation and implementation of specific product marketing strategies enables a firm to access niche markets with confidence knowing product marketing strategies can be customized for these markets. A very broad product marketing strategy will not be able to provide an effective marketing mix to address all the needs of a specific niche market.

R&D must, firstly, be seen as being an important contributor to future company revenues, profitability as well as survival in the long run. All necessary capital and operating expenditure in R&D projects must be viewed as an investment, with the aim being to maximize the return on this investment.

Secondly, “The management of R&D should be divided into two sub-functional categories: management of innovation and management of technology. Management of innovation signifies the management and organization of the individual innovation processes with the objective to produce or process innovations. Management of technology signifies the management and organization of the company’s technology base (the portfolio of existing and prospective technological capabilities underlying product and process innovations)” (Christensen, 2005).

Thirdly, R&D must enjoy total commitment from the senior management cadre at a company in order to play a meaningful role in product and process innovation.

Consistent and regular product innovation enables a firm to bring existing products with necessary enhancements or totally new products to the market which enables a firm to either hold or expand its market share in its chosen product markets. This again contributes to the present and future stream of revenues and profits. Constant and regular product innovation also contributes to firms being able to create a sustainable competitive advantage in their chosen product markets.

Critical Success Factors facing the Textile Industry

According to an article that appeared in the Financial Mail (1/04/2005) and an extract from the KwaZulu-Natal Economic Review 2005, some of the critical success factors facing the textile manufacturing industry are:

- i) A skilled and well qualified workforce.
- ii) The acquisition and use of world class technology, both in terms of capital equipment and operating processes.
- iii) An unwavering adherence to internationally accepted quality standards in the manufacture of products.
- iv) The optimum utilization of plant capacity with the aim to improve operational efficiency.
- v) The capability and readiness to form strategic alliances and joint ventures with overseas companies with the aim of accessing and serving international product markets.

According to an article that appeared in the Financial Mail (30/06/2006), a memorandum of understanding (MOU) has been reached with the Chinese government wherein it has been agreed that there will be import limitations on 31 clothing and textile product categories until the end of 2008. This is expected to enable our national textile and clothing manufacturing firms in obtaining a greater share of the domestic market, thereby increasing employment in this sector.

2.7 The South African Textile Industry

The information on the South African textile industry was obtained by accessing the official website (Internet 4) of the Textile Federation of South Africa. The Textile Federation is comprised of five Constituent Trade Associations, namely:

- a) South African Cotton Textile Manufacturers' Association
- b) South African Worsted Manufacturers' Trade Association
- c) National Fabric Knitters' Trade Association
- d) South African Technical Textile Manufacturers Association
- e) Fibre Group

2.7.1 Current Trading Environment

"The South African textile industry is currently facing difficult trading conditions. Employment in the industry has declined from 70500 in 2003 to just below 50500 in 2006. In addition a number of textile mills have recently closed and have been forced to retrench staff"(Internet 4).

"Imports of yarns increased from 77000 tons in 2001 to 99000 tons in 2006, an increase of 29%, while imports of fabrics have remained relatively constant with 94900 tons in 2001 and 95300 tons in 2006. Much larger increases were recorded by imports of made up textiles which increased from 4900 tons in 2001 to 28700 tons in 2006, an increase of nearly 500%, and imports of clothing which increased from 139 million items in 2001 to 567 million items in 2006, an increase of over 300%" (Internet 4).

"Historically textile and clothing imports into South Africa originated from a wide range of countries, chief amongst which were Taiwan, South Korea and Europe. However, since 2001 imports have increasingly been sourced mainly from China. In the case of clothing imports, 89% currently originates from China, 3% from India and the remaining 8% from the rest of the world while 60% of all made up textiles (blankets, bed sheets, towels and curtains) originate from China" (Internet 4).

2.7.2 Strategic Issues

The China Restraint Arrangement was introduced on 1 Jan 2007. There have been subsequent changes to the original quota regulations and these were introduced on 27 March 2007. These changes include the following:

- a) The tightening of the definition of “foreign brands”
- b) A provision for additional quota for special purpose clothing e.g. firemen’s gear and specialized sporting gear; and
- c) A provision for additional quota for strategic circumstances whereby increased quota will be granted to written commitments by importers to increase local procurement over a 5 year period and to support technology upgrading and skills development in the local industry.

The quota has had positive effects. Some sectors in the textile industry have seen an upturn in business as a result of the quotas but this is not universal across all sectors of the industry.

China Quota Summary

Description	Units	Imports Jan05-Jun06	Quotas		Quotas%	
			07	08	07	08
Total Fabric	*000kg	17384	13930	16304	120	141
Knitted Clothing	*000kg	170684	74907	81666	66	72
Woven Clothing	*000kg	211297	101084	109931	72	78
Curtains	*000kg	6122	4778	5151	117	126

The above table was extracted from the website: www.textfed.com

Trade Agreements

The following trade agreements are currently in effect:

- a) Africa Growth and Opportunity Act
- b) South Africa/ European Union Trade Development and Cooperation Agreement
- c) Southern African Development Community (SADC) Free Trade Agreement

The following trade agreements are under negotiation:

- a) South African Customs Union (SACU) / European Free Trade Association (EFTA) Free Trade Agreement
- b) SACU/ Mercosur Preferential Trade Agreement
- c) SADC/ EU Economic Partnership Agreement
- d) World Trade Organization Doha Development Round
- e) SACU/ India Preferential Trade Agreement

Textile Industry Statistics (2006)

Volume of Production	92.3 million tons
Sales	R 18.4 billion
Employment	50500
Number of Companies	89
Imports	R 6.9 billion
Exports	R 3.1 billion

The above set of statistics was obtained from the website: www.textfed.com

2.8 Critical Questions

Based on the literature review and the problems stated in chapter 1, this study intends to pursue the following research questions.

- i) To highlight some of the typical internal problems/limitations and external challenges that textile manufacturing firms that lead them to experience declining business performance and profitability.
- ii) To outline the functional level strategies that textile manufacturing firms implement in order to adequately address the internal problems/limitations and external challenges.
- iii) To determine what impact a business turnaround at a textile manufacturing firm has on business performance and profitability over a 3 year period.
- iv) To determine the actions being undertaken by firms in the textile manufacturing industry in order to address the critical success factors so that remain globally competitive and successful.

2.9 Evidence of Business Turnaround at Gelvenor

The business turnaround at the company has been in progress for the past three and a half years, and it is expected to be complete by June 2008. The business turnaround was effected by primarily moving away from the production and marketing of apparel fabrics to a greater emphasis being laid on the production and marketing of high value technically engineered fabrics.

To date, 65% of sales turnover at the company is due to the sale of technically advanced fabrics (used in the manufacture of industrial, automotive, military, medical and sports applications) and 35% of sales turnover is due to the sale of apparel fabrics (used in the

manufacture of school wear, corporate wear and active adventure wear). The company also began to seek and access/develop niche markets.

As at March 2007, the company's turnover had risen by over 32% based on pre turnaround figures. This has resulted in an increase in sales revenue by 22% and a subsequent increase in profitability of approximately 16% based on pre-turnaround figures. The increase in profitability was also due to a reduction in operating expenses over the past two and a half years.

2.10 Conclusion and Summary

This chapter yielded answers to certain of the research questions after the literature survey was completed. This has resulted in the corresponding research objectives being met. However, those remaining unanswered research questions will only be addressed after the empirical research has been completed. In the next chapter, the emphasis will be on the research methodology being adopted. The appropriate research strategy, data collection method, research instrument and research bias will be discussed.

CHAPTER THREE

Research Methodology

3.1 Introduction

This chapter will describe the qualitative research approach that has been followed to provide answers to the research questions that were presented at the end of the previous chapter. It will address issues such as the appropriateness of a case study as a research strategy, data that is collected, the sources of data and participants, the data collection method, the case study protocol (field procedures and the interview schedule) and research bias.

3.2 Nature of Qualitative Research

According to Leedy and Ormrod (2006), qualitative research is a multifaceted approach and given the principles of conceptual blending, the borders between the literature, the researcher, the data and the results may sometimes appear vague. Leedy and Ormrod (2006) further state that the researcher can be considered as a data collection instrument while the literature forms part of the data. The authors further state that although the researcher may try to describe the data, the data sources and data collection separately, some of these descriptions may overlap.

According to Blumberg et al., (2006), qualitative studies base their accounts on qualitative information (i.e. words, sentences and narratives). “When making the choice as to whether to conduct a qualitative or quantitative study you need to consider the following questions: what is your research problem; are you attempting to conduct an

explorative, descriptive, causal or predictive study; what is the objective; and what kind of information do you want to obtain?” (Blumberg et al., 2006).

“When we consider the scope of qualitative research, several approaches are adaptable for exploratory investigations of management questions: in-depth interviewing; participant observations; projective techniques and psychological testing; case studies; expert interviewing; and document analysis. When these approaches are combined, four exploratory techniques emerge with wide applicability for the management researcher: secondary data analysis; experience surveys, focus groups and two stage designs” (Blumberg et al., 2006).

According to Leedy and Ormrod (2006), qualitative research is of such a nature that the research questions may develop as the study develops. This means that in some cases questions might develop as others are answered. Certain research questions may be answered after the literature review has been completed, while certain questions may arise that would have to be answered during the empirical research.

3.3 The Nature of a Methodology

According to Lubbe (1999), a methodology may serve as a set of rules for reasoning whereby evaluation of facts can be used to draw inferences. According to Remenyi (1990), cited by Lubbe (1999), the use of a methodology infers some competence in logical reasoning.

“Therefore, the primary benefits of a scientific methodology are that: it facilitates communication between scientists, allowing them to share experiences. It also makes replication of the research easier. Replication of research is always necessary to safeguard against unintentional errors as well as deception or fraud” (Lubbe, 1999).

According to Lubbe (1999), the use of a methodology ensures that an acceptable logical structure is being used. “Scientific research requires both empirical observation and valid logical reasoning. The methodology is an articulation of valid logical reasoning. It further serves to institutionalize conceptual frameworks for communication, rules for reasoning, procedures and methods for observance and verification. Methodology demands conformity. However, care must be taken that methodology does not hinder new discoveries and, by implication, scientific progress.” (Lubbe, 1999)

3.4 Case Study as a Research Strategy

According to Lubbe (1999), as a research strategy it is a technique for answering who, why and how questions. “The use of multiple evidence allows the researcher to provide a convincing argument as an answer to the questions. It is not essential to the validity of the case study research method that a case study should be able to be generalized. The relevance of a case study is more important than its generality. When a case study is carried out systemically, critically and aimed at the improvement of understanding, then it is relevant” (Lubbe, 1999).

Lubbe (1999) further points out that from a research point of view, the case study methodology is a way of establishing valid and reliable information or research findings which add to the accumulated knowledge of the processes by which business and many other organizations function.

According to Bell (1987), cited by Lubbe (1999), the case study methodology has been described as an umbrella term for a group of research methods which have in common the decision to focus an enquiry around a specific instance or event.

According to Blumberg et al., (2006), case study research is suitable for explanatory, descriptive and exploratory research, like the other approaches. “With case study research it is possible to distinguish between single and multiple case studies. The former relies on one single case, while the latter calls for the investigation of several cases. There are

occasions when a single case study is quite sufficient. If the intended case study research provides the closing critical study to a long series of case studies, a single case study is adequate. Such a critical case study requires a well-developed theory, and the case should be an acceptable real-life example of the circumstances in which the theoretical propositions need to be investigated” (Blumberg et al., 2006).

3.5 Data that Was Collected

According to Blumberg et al., (2006), a personal interview is a two-way conversation initiated by an interviewer to obtain information from a participant. “The differences in the roles of interviewer and participant are pronounced. The greatest value lies in the depth of information and detail that can be secured. The interviewer can also do more things to improve the quality of the information received than with any other method” (Blumberg et al., 2006).

Personal interviews were used for collecting information for evidence. The interviews within the case study were of a structured nature where each respondent was asked a fixed set of open-ended questions. The questions that appeared in the interview guide were easy to understand, clear, concise and open-ended. This elicited to a large extent clear and relevant answers from the respondents by enabling them to refer to the past, present and future. The questions posed to each respondent allowed him/her to answer in the context of their specific functional area as well as by referring to the organization as a whole. The respondents were given a fair and adequate chance to answer the questions posed to them.

“Case studies thrive on the multiple sources of evidence used. The rationale behind using multiple sources of evidence is that you develop converging lines of enquiry, and can apply a process of triangulation. The principle of triangulation increases the power of your evidence only if sources are independent from each other” (Blumberg et al., 2006).

Multiple sources of information/evidence were also used to ensure the reliability of collected data. This included the review of internal company documentation and a review of published data (both on Gelvenor Textiles and the state of the textile manufacturing industry in general). Initially, the firm's website (Internet 1) was accessed to gain an insight in the firm's business and product offerings so as to better prepare the researcher for the interviews that were conducted.

3.6 Sources of Data and Participants

The empirical research was conducted at Gelvenor Textiles, based in Hammarsdale (KwaZulu-Natal). A representative sample of 10 employees was used. This consisted of employees at different management levels and from different functional areas of the business. Interviews were held on a one to one basis with each respondent during normal office hours at the firm's premises in Hammarsdale.

The following respondents were interviewed: the managing director, sales director, financial manager, quality assurance systems manager, training and development manager, weaving manager, wetting process manager, development manager, human resources manager and the warping manager. The duration of employment of the interviewees (employment at Gelvenor Textiles) ranged from 6 years to 27 years. The names and job titles of the respondents were not disclosed due to the granting of a request for confidentiality.

The researcher felt that a sample size of 10 respondents was adequate as key role players/decision makers were included. This allowed the researcher to elicit adequate information from the respondents concerned as they (the respondents) possessed a good and thorough understanding of their immediate functional working area as well as a holistic understanding of organizational issues, due to their vast experience gained at the company and their managerial/supervisory/leadership position.

3.7 Data Collection Method

According to Lubbe (1999), the case study method presumes a well-defined problem with clearly defined research questions. The researcher has to ensure that these aspects are in place before data collection begins. Leedy and Ormrod (2006) point out that the data collection process might influence what the researcher seeks out or collects during later parts of the study as some responses of interviewees might lead to additional questions and discussions.

Once ethical clearance (appendix three) was obtained from the University Ethics Committee, the researcher embarked on the interview process in order to obtain empirical data. Initially, a written request for consent to conduct research at Gelvenor Textiles was e-mailed to the firm. Once a written consent was obtained from the directors of the firm (appendix one), the researcher contacted the firm to set up personal interviews with at least 10 managers from different functional areas

The training and development manager played a facilitative role in arranging the interviews with the relevant respondents. The interviews with each respondent took approximately 45 minutes as they were very eager and enthusiastic to answer the questions posed to them. This also allowed the respondents sufficient time to formulate and articulate their responses, while at the same time it allowed the researcher to clarify any 'grey' areas so as to get a better understanding of the responses given. Respondents were informed well in advance of scheduled interviews and they had adequate time to familiarise themselves with the interview questions.

3.8 Analysis of Case Study Evidence

Content analysis will be used to identify frequencies and intensities with which themes and concepts appear in interviewee responses. Content categories will be set up for counting the number of occurrences of these categories in the case study data.

The frequencies of concepts and perceptions that occur frequently in the data collected will be analyzed to determine if any meaningful inferences can be made.

3.9 The Case Study Protocol

According to Lubbe (1999), the case study protocol is both the instrument, with which the case study is conducted, as well as the general rules and procedures with which the work is carried out. The protocol for the field procedures is what should be followed in order to conduct empirical research.

3.9.1 Field Procedures

- “a) Find at least three informants for each case study. This is for purpose of data validation.
- b) At least two informants should be senior managers.
- c) Obtain access to informants through a trusted intermediary, or gatekeeper who will be able and willing to play a facilitative role.
- d) Make initial contact with the organization at the highest possible level in order to obtain consent to conduct empirical research.
- e) Schedule a convenient interview time so that minimum disturbances occur and the respondents are able to answer the questions as relaxed as possible.
- f) All interviews should be preferably be recorded.

- g) The information obtained during the interview should be supported with documentary evidence.
- h) Interview respondents in their offices rather than interview rooms.
- i) Involve as many members of staff as possible, in general conversation about the organization” (Lubbe, 1999).

3.9.2 Interview schedule

“At the centre of the case study protocol is the interview questions that reflect the actual enquiry. The questions are reminders or prompts to the investigator concerning the information that has to be collected” (Lubbe, 1999).

According to Blumberg et al., (2006), three broad conditions must be met in order to have a successful personal interview: the participant must possess the information being targeted by the investigative questions; the participant must understand his or her role in the interview as the provider of accurate information; and the participant must perceive adequate motivation to cooperate.

The questions that appeared on the interview schedule were as follows:

- a) What internal problems/ limitations did your firm experience in the past that led to a decline in business performance and weak profitability?
- b) What external challenges/threats did your firm encounter in the past that led to a decline in business performance and weak profitability?
- c) What functional level strategies did your firm implement in order to adequately address the internal problems/ limitations during their business turnaround?

- d) What functional level strategies did the firm implement in order to adequately address the external challenges during their business turnaround?
- e) What impact has the business turnaround had on business performance and profitability during the past 3 years?
- f) What steps is the firm currently undertaking in order to address the critical success factors that face the textile manufacturing industry so as to remain globally competitive and successful?

3.10 Conclusions and Summary

In outlining the research methodology section, explicit references was made to the work of three contemporary academic researchers. This provided the researcher with a framework within which empirical research was conducted. Overall, the empirical research conducted at Gelvenor Textiles went very well as the staff and management were welcoming, cooperative, and helpful and showed a sincere attempt to participate in the interviews. A very professional, but friendly rapport was established early on between the researcher and the interviewees. This resulted in interviewees being honest, open and willing to share their knowledge both in terms of their functional area expertise and organizational insight. All interviewees stuck to their scheduled interview times and dates. In the next chapter, the data collected during the empirical research will be presented as per respondent.

CHAPTER FOUR

DATA PRESENTATION

4.1 Introduction

In this chapter data collected during empirical research is presented as per respondent. Each respondent was asked the same set of research questions and their responses were recorded as objectively as possible. The transcripts of the interviews were placed in this chapter as it forms an integral part of the empirical research study.

4.2 Transcripts of Interviews

Respondent 1

What internal problems/ limitations did your firm experience in the past that led to a decline in business performance and weak profitability?

- i) Lack of suitably qualified technical staff to perform routine, as well as ad-hoc maintenance of equipment/ machines.
- ii) Poor internal communication from upper organizational levels down to lower organizational levels. This resulted in mixed messages being received by operational staff.
- iii) Inadequate quality controls during the procurement of raw materials and during the manufacture of synthetic fibres. This resulted in a number of orders being rejected.

What external challenges/ threats did your firm encounter in the past that led to a decline in business performance and profitability?

- i) Cheap imports of raw materials and finished garments from overseas, especially China.
- ii) Long logistical pipeline when having to meet customer orders. This can be attributed to the length of time it took for imported raw materials to arrive at the factory premises.
- iii) Fluctuations in the rand/dollar exchange rates. When the rand appreciated against the dollar, exports of finished products declined. Also, customers from within the country chose to import their fabrics from overseas at a lower cost. On the upside, Gelvenor was able to procure its raw materials from overseas at a lower cost.
- iv) Because the textile manufacturing industry was shrinking, the firm lost approximately 40% of its customers as these firms chose to stop business.
- v) High technical staff turnover as technicians chose to leave the textile industry and enter industries which were expanding e.g. the automotive industry.

What functional level strategies did the firm implement in order to adequately address the internal problems/ limitations during their business turnaround?

- i) Strong focus and substantial investment in training and development of technical staff in the facets of research, development, production and quality assurance. Technical staff have been encouraged to be multiskilled so as to address the skills shortage when it arises. This has been a fairly successful labour practice during the past 3 years.
- ii) Regular departmental meetings (either weekly, monthly) are held to familiarise staff at all levels in a department about common objectives both at a functional level and an organizational level. Also, each department receives

a quality report to indicate how they are meeting agreed upon quality assurance objectives.

- iii) The firm embraces quality at all levels, be it product, service or training. In this regard, the firm has obtained ISO 9002 and ISO14001 accreditation.
- iv) Product innovation as opposed to product imitation will remain an area of high focus and investment.

What functional level strategies did the firm implement in order to adequately address the external challenges during their business turnaround?

- i) Better management of costs with respect to the logistical supply chain, as well as a concerted effort to improve turnaround time in respect of raw materials procurement.
- ii) The firm has focused heavily on accessing niche markets by producing and selling high value technically engineered products. 70% of sales revenue comes from the sale of high technology industrial, technical and specialized fabrics which are engineered for performance and reliability; and 30% of sales revenue comes from the sales of apparel fabrics.
- iii) During the weakening of the rand/ dollar exchange rate, the firm tries to increase to increase its exports of high value technically engineered products.
- iv) Better remuneration packages, as well more training and development opportunities were afforded to existing staff and new recruits.
- v) A strong focus on exports and the development of new markets and products. With this in mind, the firm has increased its presence and participation at international trade shows/exhibitions.
- vi) The firm is on the continual look out to appoint new agents abroad in order to access new markets.
- vii) Strategic links with leading fibre, chemical, and yarn manufacturers throughout the world has enabled the firm to be at the forefront of technical knowledge.

What impact has the business turnaround had on the business performance and profitability during the past 3 years?

- i) By accessing niche markets and increasing the development, production and sale of high value technically engineered products, the firm has been able to regain lost sales in terms of revenue and thus remain profitable.
- ii) Reduction in the cost of doing business, especially keeping down the costs of using essential services such as water and electricity. This has contributed to more stable profitability level.
- iii) The firm has met with some measure of success by changing perceptions among potential and existing international customers that products from Africa are inferior. This has led to an increase in international sales of high value products, which has impacted positively on business performance and profitability.
- iv) The firm has stabilised its workforce during the past 3 years, with an adequate skills base to meet research, development and production needs. This has reduced the employee turnover drastically.
- v) The firm is more certain of its key competitors in the marketplace and as such is able to handle, direct and indirect competition more comprehensively.

What steps is the firm currently undertaking in order to address the critical success factors that face the textile manufacturing firm so as to remain globally competitive and successful?

- i) The sales staffs are encouraged to become product specialists. This will enable them to develop appropriate product marketing strategies.

- ii) The focus on developing and/or accessing niche markets with high value technically engineered products has led the firm in creating a sustainable competitive advantage in many product markets.
- iii) The firm regards people, customers and employees as its greatest asset and it strives to serve them in the best possible way. The market orientation culture has facilitated this mindset to a great degree.
- iv) The firm is committed to continuous training and development in technical, quality assurance and management areas.
- v) There will continue to be a strong focus on developing strategic relationships, and the active seeking of opportunities for joint ventures.
- vi) To build the Gelvenor name into a local and international brand so that the name Gelvenor becomes synonymous with innovation, quality, service delivery and technology.
- vii) To fully understand our customers and coax them into becoming long term partners in our business. This will be achieved through exceptional service delivery, continuous marketing and promotion of the Gelvenor brand and actively building strong relationships with key personnel.

Respondent 2

What internal problems/ limitations did your firm experience in the past that led to a decline in business performance and weak profitability?

- i) Lack of suitably qualified technically skilled staff.
- ii) Quality problems both with raw materials acquired and production processes. This led to finished goods being rejected, stock overruns and machine downtime.
- iii) Poor internal communication led to information/ messages being distorted as it filtered downwards to operational staff.

What external challenges/ threats did your firm encounter in the past that led to a decline in business performance and weak profitability?

- i) Cheap imports of raw materials as well as finished garments from low cost countries, especially China.
- ii) Fluctuations in the rand/ dollar exchange rate. In this regard, when the rand appreciates against the dollar, exports of finished products decline. This also enables Gelvenor's customers within South Africa to import raw materials cheaply from abroad.
- iii) Cost of raw materials for high value industrial fabrics are high as they need to be imported. This is especially apparent when rand depreciates against the dollar.
- iv) The shrinking textile industry means more clothing and textile factories will close, with the result there will be fewer customers to sell to.
- v) Local fabric demand has been falling on average about 15% annually.
- vi) Loss of appropriately qualified technical personnel to other expanding industries.
- vii) Declining selling prices of finished products.

What functional level strategies did the firm implement in order to adequately address the internal problems/ limitations during their business turnaround?

- i) Strong emphasis on in-house training and development with regards to technical needs, and quality assurance. This served to address the lack of technical skills required to perform regular maintenance and repairs, as well focusing on ensuring that quality of raw materials ordered and production processes met agreed upon quality standards at the lowest cost.

- ii) The firm has embarked on a program of multi-skilling technically oriented staff so as to address any skills shortage that may arise.
- iii) Regular departmental meetings (weekly, monthly) are held in order to crucial issues with staff concerned regarding functional and organisational needs.
- iv) The implementation of system to measure and manage quality adherence. In this regard, each department has a scoreboard that records its performance against agreed upon key performance indicators e.g. efficiency, capacity utilization, level of rejects and absenteeism.
- v) Strong focus on product innovation as a means to generate a future stream of revenues and profitability.
- vi) Cost minimization and reduction has enjoyed management attention with regards to raw materials acquired, operations and waste efficiency.

What functional level strategies did the firm implement in order to adequately address the external challenges during their business turnaround?

- i) Phasing out of low profitability products
- ii) Strong focus on developing high value technically engineered products.
- iii) Focus on niche markets and formulating appropriate product marketing strategies to serve these markets.
- iv) Challenged price increases of imported raw materials with suppliers. This led to lower input costs in the production of finished products.
- v) A successful attempt has been made in achieving a balance between the quantity of exports with the amount of raw materials imported so as to keep all levels of inventory (raw materials, work-in-process and finished goods) at an optimum level.
- vi) Specifications in sales contracts that point out that quoted prices of finished goods depends on the rand/dollar exchange rate being within a certain range. If the exchange moved out of this range, it could an increase in quoted prices of finished goods.

- vii) The textile industry as a whole successfully lobbied the DTI to finalise export incentive schemes. This has resulted in positive spin-offs for textile manufacturers and exporters.
- viii) Training of sales staff to become product specialists, so technical knowledge was imparted first hand to customers.

What impact has the business turnaround had on business performance and profitability during the past 3 years?

- i) Better control of raw material costs
- ii) Better management of the cost of essential services (electricity and water). In this regard, water effluent plant was successfully completed.
- iii) The successful attempt at accessing niche markets and offering high value products meant lost revenue was regained and profitability has been relatively stable over the past 3 years.
- iv) The firm is now more certain about role players in the textile manufacturing industry and this has resulted in better knowledge of the industry dynamics.
- v) Staff turnover among technically skilled personnel has been reduced drastically as they see a more stable and expansive future for themselves.

What steps is the firm currently undertaking in order to address the critical success factors that face the textile manufacturing industry so as to remain globally competitive and successful?

- i) To focus on niche markets domestically and internationally and offering high value technically engineered products to these markets.
- ii) To become more customer orientated and to encourage them in becoming long term business partners. This has led the firm in adopting a marketing orientation approach to doing business.

- iii) The adherence to international quality assurance principles and practices.
- iv) The unrelenting quest to provide training and development to staff in the areas of technology usage, technical know-how, quality assurance and customer service.
- v) The formation of joint ventures and strategic alliances in order to access product markets.
- vi) A continued emphasis on product and process innovation.
- vii) To identify and investigate new future technologies that can move Gelvenor a few steps ahead of their competitors.

Respondent 3

What internal problems/ limitations did your firm experience in the past that led to a decline in business performance and weak profitability?

- i) Poor internal communication, both upwards and downwards. This resulted in employees lower down the organisational hierarchy not having knowledge of the mission statement and performance targets.
- ii) Limitations in logistics planning.
- iii) Lack of appropriate technical skills in development and maintenance.
- iv) Quality assurance problems experienced at various stages: raw material procurement, production processes and final inspection of finished goods.

What external challenges/ threats did your firm experience in the past that led to a decline in business performance and weak profitability?

- i) Cheap imports of raw materials and finished garments, especially from China.

- ii) The appreciation of the rand against the dollar had a two fold effect: Gelvenor's domestic customers found it more cost effective to import from overseas, and the level of exports declined as it was seen to be expensive.
- iii) The constant pressure on selling prices to be competitive even though input costs were on the rise.
- iv) Long logistical pipeline
- v) The need to offer products that adhere to internationally acceptable quality assurance standards.
- vi) The declining textile manufacturing industry resulted in existing customers (both clothing and textile companies) closing down with a resultant loss in revenue.

What functional level strategies did the firm implement in order to adequately address the internal problems/ limitations during their business turnaround?

- i) Intensive training and development in the area of technical skills, quality assurance systems and customer service.
- ii) Broke down sales market into clearly defined product and geographic areas.
- iii) Use of a scorecard approach to measure how individuals and departments were performing on agreed upon key performance indicators.
- iv) Implementation of new logistical programs to measure quantity of raw materials ordered and the provision thereof. This enabled sales staff to quote more accurate delivery dates of finished products.
- v) In order to be technologically competitive, strategic links were forged with leading fibre, chemical and yarn manufacturers globally.
- vi) Committed to international quality standards at all levels: product, process, service and training and development.
- vii) Continual acquisition and adoption of world class technology (process and equipment) allows firm to keep pace technological advancement and to be

technically able to meet the challenge of producing technically engineered high value products.

What functional level strategies did the firm implement in order to adequately address the external challenges during their business turnaround?

- i) Focus on development and marketing of high value technically engineered fabrics to niche markets.
- ii) The focus on niche markets and specialty products/advanced fabrics helps to avoid competition with China and maximize value added capability.
- iii) The winning of Government contracts.
- iv) Development of medical textiles to combat AIDS and bacterial infections.
- v) Developing unique solutions for specific industrial applications.
- vi) The adherence to internationally accepted quality assurance standards at all levels: product, customer service and; training and development of staff.
- vii) Strong emphasis on products innovation as opposed to product imitation.
- viii) Hiring and retention of highly skilled technical staff through a combination of measures: training, remuneration, internal promotions and a stable work environment.

What impact has the business turnaround had on business performance and profitability during the past 3 years?

- i) The focus on keeping the cost of raw materials low and better management of operating costs have contributed to a more stable profitability level.
- ii) The focuses on niche markets and high value technically engineered products have resulted in market share gain and a return of lost revenues. Now, approximately 30% of revenues are generated by sale of apparel fabric and 70% of revenues are generated by the sale of industrial, medical, automotive and parachute fabrics.

- iii) The firm is more than ever committed to research and development of new technically advanced industrial, technical and specialty fabrics. This is reflected in the capital expenditure budget of R11.5 million for the 2006/2007 financial year.
- iv) There is a drastic reduction in turnover of technically skilled staff as they experience a more stable and expansive work environment. This results in committed, focused, diligent and productive workforce.
- v) The firm is now more certain of key role-players in the domestic textile manufacturing industry and this augurs well for gaining market share.

What steps is the firm currently undertaking in order to address the critical success factors that face the textile manufacturing industry so as to remain globally competitive and successful?

- i) Greater focus on high value niche markets.
- ii) Commitment to continued process and product innovation in order to deliver technically advanced fabrics that keep abreast of customer requirements and technological challenges.
- iii) The development of strategic relationships, and the seeking of opportunities for joint ventures.
- iv) The pursuit of excellence in quality assurance at all levels.
- v) Becoming more market oriented by delivering superior value to customers directly and indirectly.
- vi) Greater exposure at international trade fairs/exhibitions.
- vii) The building of the Gelvenor brand into a local and international brand and the promotion of this brand by forging strong relationships with key stakeholders.
- viii) Development and training of staff in order to achieve world class service delivery.

Respondent 4

What internal problems/ limitations did your firm experience in the past that led to a decline in business performance and weak profitability?

- i) Poor internal communication, both vertically and horizontally.
- ii) Poor staff morale as result of shrinking textile manufacturing industry.
Employees were uncertain of their jobs. This resulted in some instances of poor attention to detail on part of employees.
- iii) Lack of appropriate technical skills.
- iv) Quality problems experienced with raw materials ordered, and with production processes. This resulted in rejects of finished products.
- v) Complacency among staff members as Gelvenor is one of few synthetic fibre weavers. This caused staff to resist departmental and organizational change.

What external challenges/ threats did your firm encounter in the past that led to a decline in business performance and weak profitability?

- i) Cheap imports of raw materials and finished garments, especially from China.
- ii) Fluctuating rand/ dollar exchange. The appreciation of the rand had a twofold effect: level of exports dropped and domestic customers were able to purchase their raw materials at lower cost from overseas.
- iii) Lack of emotional maturity among young recruits. This resulted in them job hopping because of unrealistic salary expectations or complaining and subsequently resigning because of traveling distances from their homes to place of work.
- iv) High staff turnover among highly skilled technical staff because of shrinking textiles industry. Staff left to work in industries which were more stable and expanding e.g. the automotive industry.

- v) Constant upward trend in the price of crude oil. The by-products obtained during oil refining serve as an input to the manufacture of synthetic yarns.
- vi) Selling prices/ export income is expected to improve only marginally.

What functional level strategies did the firm implement in order to adequately address the internal problems/ limitations during their business turnaround?

- i) Enforced regular meetings between managers and supervisors; and between supervisors and operational staff so that crucial issues are discussed and feedback obtained.
- ii) Intense training in quality assurance measurement and reporting systems to make all levels of employees more quality conscious. To this effect, monthly reports on quality adherence are handed out to each department so that their performance can be measured against expected standards.
- iii) Strong focus on technical training and development so that technically skilled staff have the requisite skills and know-how.
- iv) Technical staff was encouraged to undergo multi-skilling so that shortage of skills can be prevented. Those technical staff that were apathetic to this practice or resisted it, were moved out of the firm.
- v) During recruitment of employees, Gelvenor engaged in a process to employ only the best. To this end, potential employees were subject to psychometric tests, behavioral assessment tests and thorough reference checking.
- vi) Gelvenor continues to treat people, employees and customers as their greatest asset and to this end it strives to serve them in the best possible way.

What functional level strategies did the firm implement in order to adequately address external challenges during their business turnaround?

- i) Sourcing raw materials from more than raw material supplier so as to improve turnaround time for delivery of raw materials and obtain lower purchase prices.
- ii) Faster response to customer needs.
- iii) Purchase of raw material in larger than normal quantities if a price increase is anticipated.
- iv) Focus on production and export of high value technically engineered fibres to specific niche markets. This ensures a stable revenue flow, and negates competition from China with regards to the import of low value fibres.
- v) Unrelenting adherence to international accepted quality assurance principles and practices at all levels: product, innovation, customer service and delivery; and training and development.
- vi) Acquisition of world class technology in order to produce technically advanced fibres for industrial, aeronautical, medical and military purposes.
- vii) Strong emphasis on product innovation, rather than product imitation.

What impact has the business turnaround had on business performance and profitability during the past 3 years?

- i) Gelvenor is now more certain of its domestic market share as fringe role players have dropped out of the clothing and textile industry.
- ii) The focus on offering high value technically advanced products for sale combined with the emphasis on cost-cutting at an operational level; has resulted in an improved and stable profitability level and cash flow.
- iii) The firm's business operations are running smoothly as a result of a more stable and competent workforce. Employees at all organisational levels feel more secure in their jobs and are more committed and productive.
- iv) Gelvenor's capital expenditure budget (R12million) for the current financial year indicates that heavy investment in acquiring world class technology has

already been made, and this should contribute to increased sales, market share and profitability in the near future.

What steps is the firm currently undertaking in order to address the critical success factors that face the textile manufacturing industry so as to remain globally competitive and successful?

- i) Adherence to principles and practice of a world class manufacturing philosophy.
- ii) Commitment to the quality assurance mindset and practice.
- iii) Acquisition and use of world class technology for research, development, manufacture and export of technically advanced fabrics.
- iv) Focus and pursuit of high value niche markets.
- v) Prioritizing process and product innovation.
- vi) Commitment to becoming a market oriented firm.
- vii) The formation of strategic alliances with key role-players.
- viii) More exposure at international trade shows/ exhibitions.

Respondent 5

What internal problems/ limitations did your firm experience in the past that led to a decline in business performance and weak profitability?

- i) Quality problems with finished products and raw material inputs –led to poor quality fabrics and customer rejects.
- ii) Machinery breakdowns due to poor maintenance.
- iii) Staff members were apathetic to the practice of multi-skilling.
- iv) Death of young staff members as result of AIDS related illnesses.
- v) Lack of appropriate technical skills.

What external challenges/ threats did your firm encounter in the past that led to a decline in business performance and weak profitability?

- i) Cheap imports of raw materials and finished garments from overseas- especially China.
- ii) A shrinking clothing and textile industry with massive job losses and the closure of many companies. This led to a shrinking customer base domestically.
- iii) Fluctuations in the rand/dollar exchange rate. When the rand appreciates against the dollar, exports decline and South African companies in the clothing and textile manufacturing industry find it cheaper to import raw materials and finished garments.
- iv) High turnover of skilled technical staff that left the clothing and textile industry to obtain jobs in other expanding industries e.g. the automotive industry.

What functional level strategies did the firm implement in order to adequately address the internal problems/ limitations during their business turnaround?

- i) Introduced the practice of multi-skilling among technical staff so as to proactively address skills shortage.
- ii) Intensive training in quality assurance in all aspects of business operations.
- iii) Intense training and development to all members of staff, both in technical and functional areas.
- iv) The introduction of a learnership/ apprenticeship program to skill unemployed from local communities with the view to employing them when vacancies arose.
- v) Awareness and educational programs in AIDS prevention and management to all staff members.

- vi) The introduction of a scorecard system in order to monitor how departments were performing against key performance indicators. This has led to an increase in productivity, a decrease in the cost of rework, and a greater focus on organisational goals.

What functional level strategies did the firm implement in order to adequately address the external challenges during their business turnaround?

- i) Strong focus on high value niche markets.
- ii) A move away from apparel fabric to technically advanced fabrics.
- iii) Build up stock levels of fabrics mainly for the corporate, school wear, sports and leisurewear markets so as to reduce lead times when customer orders are placed.
- iv) Focus on total customer service and satisfaction.
- v) The firm actively promotes the philosophy and practice whereby people, employees and customers are regarded as its greatest asset.

What impact has the business turnaround had on business performance and profitability during the past 3 years?

- i) Operating expenses have been reduced.
- ii) Training and development is now viewed as an investment in people.
- iii) Niche markets are yielding an additional flow of revenue that replaces the loss of income as a result of cheap imports.

What steps is the firm currently undertaking in order to address the critical success factors that face the textile manufacturing industry so as to remain globally competitive and successful?

- i) Acquisition of world class technology so as to manufacture and deliver technically advanced fabrics and to be at leading edge of technological developments.
- ii) Many production processes have been automated in order to reduce operator handling errors and improve turnaround time for completion.
- iii) Improve communication channels throughout the organization so that employees understand why things are being done. This subsequently increases commitment and participation among workforce so that departmental and organizational goals are achieved.
- iv) Continued focus on training and development so as to maximize the true potential of staff so as to remain globally competitive.

Respondent 6

What internal problems/ limitations did your firm experience in the past that led to a decline in business performance and weak profitability?

- i) Lack of appropriate technical skills to perform routine maintenance work.
- ii) Unrealistic salary expectations among young employees.
- iii) Increase in operating costs/ cost of doing business.
- iv) Poor communication among employees, both vertically and laterally.
- v) Loss of technical staff due to AIDS related illnesses and death.

What external challenges/ threats did your firm encounter in the past that led to a decline in business performance and weak profitability?

- i) Cheap imports of clothing and textiles from overseas, especially China.
- ii) Turnover among highly skilled technical staff that left to join firms in industries that were in an expansionary mode.

- iii) Cost of raw materials for technically engineered fabrics that was being imported, was too high.
- iv) Turnaround for delivery of raw materials was too long.
- v) The rising cost of crude oil meant that certain synthetic fibres became more expensive, as these fibres are a derivative from the refining of crude oil.

What functional level strategies did the firm implement in order to adequately address the internal problems/ limitations during their business turnaround?

- i) Continual training and development of staff, in both technical and functional disciplines.
- ii) Disciplinary measures put in place to address excessive absenteeism.
- iii) Management at various levels was encouraged to hold regular weekly/ monthly meetings with their staff so as to inform them of critical issues. This also encouraged staff to openly discuss issues on hand and their feedback is given serious consideration.
- iv) The introduction of a scorecard system to enable the various departments to monitor their actual performance against agreed upon key performance indicators. This has led to an increase in productivity and focus.
- v) Intensive training in all aspects of quality assurance has led to a minimization/ reduction in rejects of finished products.
- vi) The practice of multi-skilling among technical staff to address the lack of skills and provide sufficient in-house maintenance skills.

What functional level strategies did the firm implement in order to adequately address the external challenges during their business turnaround?

- i) Stricter with suppliers when negotiating raw material prices.
- ii) When purchasing dyes and chemicals, emphasis was laid on procuring raw materials that met certain specifications and quality standards.

- iii) Focus on accessing and supplying niche markets.
- iv) Emphasis on developing, producing and supplying high value technically advanced fabrics.
- v) Building of strategic alliances with customers and suppliers in order to be at the forefront of technology.
- vi) Quality awareness at the product, innovation and customer service level.

What impact has the business turnaround had on business performance and profitability during the past 3 years?

- i) Operating expenses have drastically reduced, especially with regard to essential services.
- ii) The practice of producing and marketing high value technically advanced fabrics for niche markets has resulted in additional income that has served to restore revenue levels that was declining as a result of cheap imports.
- iii) There seems to more certainty and confidence among staff with the result that staff-turnover is very low.
- iv) Profitability seems to be at stable level.

What steps is the firm currently undertaking in order to address the critical success factors that face the textile manufacturing industry so as to remain globally competitive and successful?

- i) Intensive training and development in order to raise the skills base so that firm can compete internationally.
- ii) Continued focus on offering high value technically advanced fabrics to niche markets.
- iii) Strong emphasis on world class customer care and service.
- iv) Long term commitment to product innovation as a means of guaranteeing future flows of revenues.

- v) Seeking to continue the practice of establishing joint ventures with other companies in order to access and serve niche markets, both domestically and internationally.
- vi) Ongoing commitment to the principles and practice of internationally accepted quality standards.

Respondent 7

What internal problems/ limitations did your firm experience in the past that led to a decline in business performance and weak profitability?

- i) Loss of skills to other manufacturing industries.
- ii) Poor adherence to quality standards and specifications.
- iii) Loss of shop floor/ technical personnel to AIDS related illnesses and death.
- iv) Poor internal communication meant staff in various departments was receiving different messages.

What external challenges/ threats did your firm encounter in the past that led to a decline in business performance and profitability?

- i) Cheap imports of raw materials and finished garments from overseas, especially from China.
- ii) Fluctuations in rand/ dollar exchange rate. The appreciation of the rand has a twofold effect: it has a dampening effect on exports, while encouraging domestic customers to import raw materials at a lower cost.
- iii) A shrinking clothing and textile industry meant skilled personnel were leaving to work in other manufacturing industries e.g. the automotive industry.
- iv) As a result of poor quality checks of raw materials, a number of rejects in finished fabrics occurred. This added to the price of non-conformance.

- v) Cost of raw materials used in the manufacture of technically engineered high value fabrics, was on the continual rise.

What functional level strategies did the firm implement in order to adequately address the internal problems/ limitations during their business turnaround?

- i) Intensive training and development for staff in both technical and functional areas.
- ii) Strong emphasis on quality assurance at all levels: product, innovation and customer service.
- iii) The practice of multi-skilling is being strongly pursued among technical and operational staff members. Those employees, who are apathetic, are in danger of losing their jobs.
- iv) A larger skills base is being built among shop floor personnel, whereby unemployed persons from the local township are given training in specific areas with the view to employing them when vacancies arise.
- v) Training in the management and handling of AIDS related illnesses given to all staff.
- vi) Continual salary upgrades to technically skilled personnel so that they reach a competitive salary level depending on their skill level and competency.

What functional level strategies did the firm implement in order to adequately address the external challenges during their business turnaround?

- i) Strong focus on niche markets
- ii) Emphasis on product innovation
- iii) Development, production and marketing of high value technically engineered fabrics.

- iv) Formation of strategic alliances with suppliers of choice so as to be at forefront of technological knowledge.
- v) Acquisition of world class technology and the implementation
- vi) Implementation of best case manufacturing practices.
- vii) Ongoing adherence to internationally quality assurance standards.

What impact has the business turnaround had on business performance and profitability during the past 3 years?

- i) In certain product markets, there has been an increase in market share.
- ii) The successful targeting of niche markets with high value technically advanced fabrics has led to an increase in revenue flows with the result that income and profitability levels are increasing to former levels.
- iii) A reduction in operating costs (especially the cost of essential services) combined with lower levels of fabric rejects has also led to enhanced revenue levels.
- iv) The profitability levels over the past 3 years have remained fairly stable with a favorable rand/dollar exchange rate.
- v) There seems to be greater job certainty and confidence among technically skilled staff resulting in greater commitment and productivity.

What steps are the firm currently undertaking in order to address the critical success factors that the textile manufacturing industry so as to remain globally competitive and successful?

- i) Rationalization of product range with a major shift from apparel fabrics to technically advanced fabrics for industrial, aeronautical, automotive, medical and sports purposes.
- ii) Continued focus on offering high value fabrics to niche markets.

- iii) In order to maintain its reputation for quality and innovation, and to keep pace with rapid technological advancement, the plant is being continually upgraded and replaced.
- iv) Continued emphasis on training and developing staff so as to motivate and maximize their true potential to achieve world class process improvements and service delivery.
- v) To fully understand customers and to encourage them to become long term partners in Gelvenor's business operations.
- vi) Explore opportunities for joint ventures in order to access high value niche markets.
- vii) Ongoing commitment and adherence to the internationally accepted ISO 9002 and 14001 quality standards.

Respondent 8

What internal problems/ limitations did your firm experience in the past that led that led to a decline in business performance and weak profitability?

- i) Lack of appropriate technical skills.
- ii) Poor communication throughout the organization, both vertically and laterally.
- iii) Quality problems with raw materials ordered and certain production processes.
- iv) Unrealistic salary expectations among young employees.
- v) Absenteeism due to various reasons resulting in loss of productive time.

What external challenges/ threats did your firm encounter in the past that led to a decline in business performance and weak profitability?

- i) Cheap imports of raw materials and finished garments, especially from China.
- ii) Fluctuations in the rand/ dollar exchange rate.

- iii) The loss of technically skilled personnel due to a shrinking clothing and textiles industry. Skills outflow to other manufacturing industries that were in an expansionary mode.
- iv) Long lead times for the delivery of raw materials needed in the manufacture of high value added technically advanced fabrics.
- v) Closure of many clothing and textile factories.
- vi) Increase in crude oil prices meant the cost of certain synthetic fibres is on continual rise since these fibres are derived as a by-product of oil-refining.

What functional level strategies did the firm implement in order to adequately address the internal problems/ limitations during their business turnaround?

- i) Employed more highly skilled technical staff
- ii) Greater priority given to training and development of employees at all levels. Some of this is outsourced, while others are done at tertiary institutions.
- iii) Multi-skilling among technical staff is being driven with great impetus so as to address skills shortage.
- iv) Absenteeism among staff members is receiving urgent attention and appropriate disciplinary measures are being meted out.
- v) Emphasis on AIDS awareness and educational programs.
- vi) Concerted effort has been undertaken to minimize/ reduce operating expenses/ cost of doing business.
- vii) Regular departmental meetings held in order to discuss critical issues with all staff members so that common understanding is reached with regards to key performance indicators and organizational goals. Feedback is given due consideration.

What functional level strategies did the firm implement in order to adequately address the external challenges during their business turnaround?

- i) Focus on niche markets.
- ii) Focus on producing and marketing high value technically advanced fabrics.
- iii) Emphasis on product innovation for the aeronautical, automotive, medical, industrial and ballistics market.
- iv) Committed to internationally accepted quality assurance principles and practices so as to minimize the purchase of raw materials with defects and to ensure that the production processes don't yield excessive substandard/ defective fabrics. A 5% tolerance level was allowed.
- v) Emphasis laid on delivering superior customer service.
- vi) Greater focus on establishing strategic alliances with suppliers of raw materials.

What impact has the business turnaround had on business performance and profitability during the past 3 years?

- i) Raw materials and work-in-process inventory levels were drastically reduced.
- ii) Operating costs/ cost of doing business was also reduced, especially the cost of raw materials (yarn, synthetic fibres and chemicals). This contributed marginally to a recovery in profitability.
- iii) Technical staff feels more certain of their jobs. This renewed confidence has translated into greater commitment and productivity.

What steps is the firm currently undertaking in order to address the critical success factors that face the textile manufacturing industry so as to remain globally competitive and successful?

- i) Committed to development of many advanced fibres for niche markets, especially in automotive, aeronautical, medical, industrial and ballistics field.
- ii) Continuous upgrade of equipment and acquisition of world class technology to keep pace with technological advancement.
- iii) The firm will continue to focus on product innovation.

- iv) Committed to grow its exports and develop new markets and products.
- v) To understand our customers and encourage them into becoming long term partners in Gelvenor's business operations.
- vi) Committed to development, training and motivation of staff in order to enable them to realize their full potential.
- vii) To identify and investigate new future technologies (electronic fibres, plasma and intelligent fabrics) that will give the firm a technological edge in the marketplace. Partnerships will be formed with suppliers, customers, equipment producers and scientific institutions.

Respondent 9

What internal problems/limitations did your firm experience in the past that led to a decline in business performance and profitability?

- i) Loss of technical skills to other manufacturing industries
- ii) Quality problems with regards to equipment maintenance.
- iii) Operating costs were on continual increase.
- iv) Loss of shop floor personnel to AIDS related illnesses and death.

What external challenges/ threats did your firm encounter in the past that led to a decline in business performance and weak profitability?

- i) Cheap imports of raw materials and finished garments from overseas, especially China.
- ii) Shrinking clothing and textiles industry led to closure of many companies. This meant that our customer base was significantly reduced.
- iii) General apathy and uncertainty among young/ experienced skilled technicians to join the textile industry.

- iv) Fluctuations in the rand/dollar exchange rate. The appreciation of the rand had a two fold effect: level of exports decreased and domestic customers found it cheaper to import raw materials and/or finished fabrics.
- v) Cost of raw materials that is used for manufacture of technically advanced fabrics was too high.
- vi) Negative perceptions among overseas customers.

What functional level strategies did the firm implement in order to adequately address the internal problems/ limitations during their business turnaround?

- i) Intensive training and development to staff, in appropriate technical and functional areas.
- ii) Market related salaries offered so as to retain staff.
- iii) Carrying of an inventory of key critical parts so that the downtime for maintenance and repairs can be kept to a minimum.
- iv) Focus on quality at all levels: product, innovation and customer service.
- v) Treating people, employees and customers as their greatest asset.
- vi) Regular workshops/ departmental meetings to discuss critical issues so that key performance indicators are met and organizational goals are fully understood.
- vii) Deliberate move away from apparel fabrics to industrial, aeronautical, automotive, military and medical fabrics.

What functional level strategies did the firm implement in order to adequately address the external challenges during their business turnaround?

- i) Offered customers an option of purchasing a range of products at one of at least 3 price levels: budget, medium and premium.
- ii) Strong focus on high value niche markets.

- iii) Priority given to developing and marketing high value technically engineered fabrics.
- iv) The formation of strategic alliances with suppliers of raw materials so as to remain the forefront of technological developments.
- v) The securing of Government contracts.
- vi) Focus on product innovation.
- vii) Building of Gelvenor name into a strong local and international brand.
- viii) Continual upgrade and replacement of the plant in order to maintain the firm's reputation for quality and innovation and to keep pace with technological advancements.

What impact had the business turnaround had on business performance and profitability during the past 3 years?

- i) A reduction in operating expenses and general cost of doing business has contributed to an increase in profitability.
- ii) There seems to be greater certainty among staff of the firm's performance. This has led to a higher level of confidence, commitment and productivity.
- iii) The targeting of niche markets with high value technically advanced fabrics has led to a gain in market share in certain product markets with a resultant increase in revenue flows and profitability.

What steps is the firm currently undertaking in order to address the critical success factors that face the textile manufacturing industry so as to remain globally competitive and successful?

- i) The development of strategic relationships with suppliers, customers and professional associations and the active exploration of opportunities for joint ventures.

- ii) Sustained focus on offering high value technically advanced fabrics to niche markets.
- iii) Growth of exports and development of new markets and products.
- iv) Committed to product innovation for the industrial, aeronautical, automotive, medical and military markets.
- v) The active pursuit of quality awareness and adherence at all levels: product, innovation, customer service or training and development.
- vi) To continually train, develop and motivate staff.
- vii) To fully understand our customers and coax them to becoming long term partners.

Respondent 10

What internal problems/ limitations did your firm experience in the past that led to a decline in business performance and weak profitability?

- i) Lack of sufficient technical skills.
- ii) Unrealistic salary expectations among young technicians (loom spinners, tuners and mechanics).
- iii) Poor internal communication
- iv) Staff were not able to meet deadlines or carry out requisite work unless under constant supervision and monitoring by supervisors/ shift leaders.
- v) Unacceptable amount of rejects among raw materials due to defects. This led to substandard/ poor quality finished fabrics.

What external challenges/ threats did your firm encounter in the past that led to a decline in business performance and weak profitability?

- i) Cheap imports of raw materials and finished garments from overseas, especially China.
- ii) Shrinking clothing and textile industry meant that factories were closing down with a resultant loss of customers.
- iii) Loss of skilled personnel to other expanding manufacturing industries.
- iv) Fluctuations in the rand/dollar exchange rate. The appreciation of the rand had a twofold effect: the level of exports declined and other firms were able to source raw materials at a lower cost from overseas.
- v) High cost associated with importing raw materials used in the manufacture of high value technically advanced fabrics.

What functional level strategies did your firm implement in order to adequately address the internal problems/ limitations during their business turnaround?

- i) Special emphasis on training and development in the technical, functional and quality control fields.
- ii) An increased focus on workshops/ departmental meetings so the critical issues are discussed and consensus reached on key performance indicators. Staffs were encouraged to give feedback. This helped to increase commitment, cooperation and productivity as they better understood their departmental objectives and organisational goals.
- iii) The practice of multi-skilling was actively pursued among technically skilled staff so as to address skills shortage.
- iv) More competitive salary packages were offered to staff and special emphasis was given to maximizing their true potential.
- v) Renegotiated many supplier contracts so that cost of raw materials was lowered and turnaround time for delivery improved.
- vi) Intensive training in quality assurance and quality control at all levels: product, innovation, training and customer service.

What functional level strategies did your firm implement in order to adequately address the external challenges encountered during their business turnaround?

- i) Strong focus on developing, producing and marketing high value technically advanced fabrics.
- ii) Continued focus on niche markets in the following areas: industrial, aeronautical, automotive, medical and military.
- iii) The continual replacement and upgrading of plant and equipment so as to keep pace with technological advancement.
- iv) The formation of strategic alliances with the suppliers of various raw materials.
- v) Ongoing commitment to product and process innovation.
- vi) Unrelenting adherence to internationally accepted quality assurance principles and practices.

What impact has the business turnaround had on business performance and profitability during the past 3 years?

- i) Greater emphasis on cost reduction both in terms of operating expenses and cost of raw materials. This has led to a initial improvement in profitability and then a stabilization thereof.
- ii) The focus on technically advanced fabrics also led to greater revenue flows which compensated for the loss of income from the shrinking apparel product market.
- iii) There seems to be greater certainty and confidence among staff of their jobs and the firm's future ongoing business operations. This has led to higher levels of commitment and productivity.

What steps is the firm currently undertaking in order to address the critical success factors that face the textile manufacturing industry so as to remain globally competitive and successful?

- i) The firm is committed to developing strategic relationships and developing joint ventures with other firms.
- ii) Continued focus on growing its exports and the development on new products and markets.
- iii) Product innovation will continue to be a key area of focus.
- iv) The continual acquisition of world class technology in order to maintain our reputation for quality and innovation.
- v) Sustained focus on developing, producing and marketing high value technically engineered fabrics for a wide variety of industrial, aeronautical, scientific, automotive, military and medical applications.
- vi) To promote our status as a major supplier to niche markets.
- vii) To work closely with customers thereby encouraging them to become long term business partners.

4.3 Conclusion and Summary

From the data presented, it can be seen that certain themes were addressed more frequently than others. It is reasonable to assume that these themes must be of great importance to the respondents and therefore will contribute significantly of the recommendations outlined. The next chapter covers the analysis of data, subsequent recommendations, limitations of the study and conclusions.

CHAPTER FIVE

DATA ANALYSIS, RECOMMENDATIONS AND CONCLUSIONS

5.1 Introduction

In this chapter, the analysis of data; limitations of the study; subsequent recommendations and the conclusion will be presented. Furthermore, corrective actions and suggestions will be outlined that will hopefully serve to broaden the understanding of the subject area.

5.2 Theoretical Framework for the Analysis of Data

Content analysis was applied to the empirical data/ interviewee responses so as to identify frequencies and intensities with which themes and concepts occur. The result of the content analysis was divided into two main categories, strategic enablers and operational enablers of the business turnaround were identified.

The term strategic enablers refer to those drivers of the business turnaround that was implemented over a period of three years and required the attention and commitment of middle and senior management as they were seen to have a greater impact on creating a sustained competitive advantage in the long term. The term operational enablers refer to those drivers of the business turnaround that was implemented over a period of eighteen months and required the attention and commitment of team leaders, supervisors, junior managers and middle managers. The implementation of operational enablers had a major impact on the routine management tasks of the company.

The more involved participation on part of employees leads to greater commitment and productivity. Interviewees mentioned that internal communication was a weakness a few years ago. They further stated that information filtering from top management was often not adequately/ correctly reported to employees at lower organizational levels. However, this problem has been resolved by the holding of regular meetings (weekly/ bi-weekly) between managers and supervisors, between supervisors and shift leaders and between shift leaders and employees. At the various meetings, critical issues affecting departments are discussed and feedback is given. This practice has been successful as it elicits greater understanding, commitment and participation among employees at lower organizational levels.

5.4.4 Product Innovation

Responses obtained while interviewing indicate that Gelvenor is strongly focused and committed to product innovation, especially in the development of high value technically engineered fabrics. Some of the activities mentioned by the interviewees that serve to confirm this are: a strong focus on technical training, acquisition of world class technology, development of technically advanced fabrics, seeking or developing niche markets, a quest to acquire futuristic technology so as to keep a technological edge in the textile field.

5.4.5 Total Quality Management

The following activities mentioned by respondents substantiate this claim: the firm embraces quality at all levels, be it service, product, innovation or training, the ongoing adherence to internationally accepted quality principles and practices, the setting-up and distribution of quality reports to all departments that indicate and monitor how they performing against agreed upon quality standards e.g. % of defects allowed or price of non-conformance.

Once the pre-turnaround performance has been achieved, a company embarks on growing its business through a combination of marketing, formation of strategic alliances and joint ventures. It has also emanated from the study conducted that a business turnaround involves the participation, commitment and active involvement of the entire organization.

5.13 Conclusion

After a careful and thorough analysis of the empirical data and the subsequent review of results obtained, the study indicates without a doubt that for a successful business turnaround to occur there must be a compelling and deliberate attempt on the part of the firm's management and ownership to initiate and manage change so that desired level of business performance and profitability is restored.

It was initially proposed that a business turnaround comes about as result of the successful implementation of 'efficiency' strategies and 'entrepreneurial' strategies which serve to address the decline in business performance. The findings of the study confirm this hypothesis by focusing on operational enablers and strategic enablers. Some of the operational enablers as well strategic enablers identified serve to address internal causes of a business decline; whereas the remaining operational enablers and strategic enablers identified serve to address external causes of a business decline.

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Internet Sources

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Internet 3	www.google.com	Accessed 5 th March and 2 nd June 2007
Internet 4	www.textfed.co.za	Accessed 6 th June 2007

Ajith Maharaj - Re: Request for consent to conduct research

From: <mturnbull@gelvenor.co.za>
To: "Ajith Maharaj" <205524382@ukzn.ac.za>
Date: 3/19/2007 9:23 AM
Subject: Re: Request for consent to conduct research

Hi Ajith,

The directors have agreed to allowing your project to commence, with one requirement.

We wish to see the results of the project before you leave, we must ensure that no information is damaging to Gelvenor Textiles, in either a technological or organisational manner.

Thanks & Regards,

Malcolm Turnbull
Training and Development Manager
mturnbull@gelvenor.co.za
Tel - 031 - 7368039
Fax - 031 - 7361625

Content analysis showing relative frequencies per theme

Content Category (Operational Enablers)

Training and Development (TD)

<u>Sub-Themes</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>total</u>
1. Lack of technical skills	1	1	1	1	1	1	1	1	1	1	10
2. Technical training done in-house	0	0	0	1	0	0	1	0	0	0	2
3. Focus on training, development and motivation of staff so that they realise their full potential	1	1	2	1	2	1	1	1	1	1	12
4. Staff encouraged embrace multiskilling	1	1	1	1	1	1	1	1	1	0	9
5. The firm embraces quality at all levels, be it product, service or training	2	1	0	0	1	1	0	0	1	1	7
TOTAL	5	4	4	4	5	4	4	3	4	4	41

Multi-skilling (MS)

<u>Sub-Themes</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>total</u>
1. Lack of qualified staff to perform routine and maintenance work	1	1	1	1	2	1	1	1	1	1	11
2. Staff are encouraged to be multi-skilled	1	1	1	1	1	1	1	1	1	1	10
3. Employees are our greatest asset		0	0	1	1	0	0	0	0	0	2
4. Focus on training, development and motivation of staff so that they realise they full potential	1	1	2	1	1	2	1	1	1	1	12
TOTAL	3	3	4	4	5	4	3	3	3	3	35

Internal Communication (IC)

<u>Sub-Themes</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>total</u>
1. Poor internal communication	1	1	1	1	1	1	1	1	1	1	10
2. Regular departmental meetings to discuss critical issues and obtain feedback	1	1	2	2	2	2	1	1	2	2	16
3. The firm embraces quality at all levels be it service, product or training.	1	1	1	0	1	1	1	1	0	0	7
TOTAL	3	4	3	3	4	4	3	3	3	3	33

Product Innovation (PI)

<u>Sub-Themes</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>total</u>
1. Strong focus on technical training	1	1	1	1	1	1	1	1	1	1	10
2. Development and marketing of technically engineered products	2	1	1	2	1	1	0	1	2	1	12
3. Seeking high value niche markets	1	1	2	2	1	1	1	1	2	1	13
4. Acquisition of world class technology	1	0	1	0	0	0	1	0	1	1	5
5. Strong focus on product innovation	0	1	0	1	1	1	2	1	1	1	9
TOTAL	5	4	5	6	4	4	5	4	7	5	49

Quality Assurance (QA)

<u>Sub-Themes</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>Total</u>
1. Quality control problems with raw materials purchased/ production processes/ finished fabrics	1	1	1	1	1	1	1	1	1	1	10
2. The firm embraces quality at all levels, be it service, product or training	1	1	1	0	1	1	1	1	0	0	7
3. Adherence to internationally accepted quality principles and practices	1	2	2	2	1	1	1	0	2	2	14
4. Continuous focus on training in quality control and quality assurance.	1	1	2	1	1	2	2	1	1	2	14
TOTAL	4	5	6	4	4	5	5	3	4	5	45

Content Category (Strategic Enablers)

Market Orientation (MO)

<u>Sub-Themes</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>total</u>
1. The firm embraces quality at all levels, be it product, service or training	1	1	1	0	1	1	1	1	0	0	7
2. Seeking and accessing niche markets	1	1	2	2	1	2	2	1	2	2	16
3. Building long-term relationships with customers	1	1	1	2	1	1	1	1	2	1	12
4. Strong focus on exports/ formation of joint ventures	2	1	1	1	0	0	1	1	1	1	9
5. Increasing its presence at international trade fairs/ exhibitions	1	1	1	0	0	0	0	0	1	0	4
6. Building strategic alliances with suppliers of raw materials.	1	0	1	0	1	1	0	1	1	1	7
TOTAL	7	5	7	5	4	5	5	5	7	5	55

Niche Markets (NM)

<u>Sub-Themes</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>total</u>
1. Cheap imports of raw materials and finished garments, especially from China.	1	1	1	1	2	1	1	1	2	1	12
2. Increase in production and sale of high value advanced fabrics for a wide variety of applications.	2	2	2	2	1	1	2	2	2	2	18
3. Strong focus on niche markets.	1	2	2	1	1	2	1	2	1	1	14
TOTAL	4	5	5	4	4	4	4	5	5	4	44

Strategic Alliances (SA)

<u>Sub-Themes</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>total</u>
1. Strategic links with fibre, chemical and yarn manufacturers worldwide.	1	1	1	1	1	1	1	1	1	0	9
2. Focus on building strategic relationships.	2	0	1	1	0	1	0	1	1	1	8
3. Encourage customers to become long term partners in our business.	2	2	2	1	1	2	2	0	1	2	15
4. Actively seek membership and affiliation to professional bodies/organizations.	1	1	1	1	1	0	0	1	0	0	6
TOTAL	6	5	5	4	3	4	3	3	3	3	38

Brand Management (BM)

<u>Sub-Themes</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>total</u>
1. The firm embraces quality at all levels, be it product, service or training.	1	1	1	0	1	1	1	1	0	0	7
2. Strong focus on exports / formation of joint ventures.	2	1	1	1	0	0	1	1	1	1	9
3. Delivering superior customer service.	1	1	2	1	1	1	1	2	2	1	13
4. Sales staff are encouraged to become product specialists.	0	1	2	0	1	0	1	0	1	1	7
5. To build the Gelvenor name into a local and international brand.	2	1	1	1	1	1	0	1	1	0	9
TOTAL	6	5	7	3	4	3	4	5	5	3	45

Technology Intensive Focus

<u>Sub-Themes</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>total</u>
1. Acquisition of world class technology	1	0	1	0	0	0	1	0	1	1	5
2. Developing advanced technical skills	1	1	1	2	0	1	1	1	1	0	9
3. Development and marketing of technically engineered products	2	1	1	2	1	1	0	1	2	2	13
4. Committed to leading edge research and development (R&D)	0	1	1	0	1	0	0	1	0	0	4
5. Partnerships are being formed with relevant role-players to identify and investigate futuristic technology.	2	1	0	1	0	0	0	0	0	0	4
TOTAL	6	4	4	5	2	2	2	3	4	3	35

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

16 APRIL 2007

MR. A MAHARAJ (205524382)
GRADUATE SCHOOL OF BUSINESS

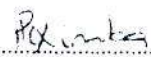
Dear Mr. Maharaj

ETHICAL CLEARANCE APPROVAL NUMBER: HSS/0172/07M

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

"Managing business turnaround at a textile manufacturing company: A case study approach"

Yours faithfully


MS. PHUMELELE XIMBA
RESEARCH OFFICE

cc. Faculty Officer (Christel Haddon)
cc. Supervisor (Mr M Challenor)