



**AN EVALUATION OF SURVIVAL STRATEGIES ADOPTED BY MONOPUMPS  
IN THE MULTICURRENCY SYSTEM (2009 TO 2012)**

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**March 2013**

## DECLARATION PAGE

I .....do hereby declare that this dissertation is the result of my own investigation and research, except to the extent indicated in the Acknowledgements, References and by comments included in the body of the report, and that it has not been submitted in part or in full for any other degree to any other university.

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Student signature

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Date

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Supervisor's Signature

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Name

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Date

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## **DEDICATION**

I want to dedicate this dissertation to our two children, Mufaro and Tadiwanashe.

## **ACKNOWLEDGEMENTS**

I would like to thank Mr Gumbe who was my supervisor for his dedication in seeing that this dissertation is a success. If it was not because of his commitment I was not going to come up with a paper of this nature. I would also like to thank my wife, family, and friends who were so encouraging all the time I was doing my dissertation. Many thanks also go to the Graduate School of Management staff and all the lecturers who were always there to assist whenever I needed help from them.

## **ABSTRACT**

After the introduction of the multicurrency system in Zimbabwe, 2009, the nation witnessed significant economic stability, some sectors of the economy realised improved performance in their operations. Sectors like, manufacturing, are still facing some challenges even though the economy is stable their capacity utilisation levels are still low. This dissertation focuses on the manufacturing industry specifically the engineering sector. It was focusing on the strategies which were adopted by the sector, and their relevancy in this operating environment. To come up with detailed information the researcher used a case study research approach and Monopumps Zimbabwe was used as a case. The drive to embark on this research was driven by the desire to find out why a very low growth rate is being recorded in the manufacturing sector after the introduction of the multicurrency system as compared to other sectors of the economy.

The researcher wanted to evaluate the strategies implemented by management if they are effective to stimulate organisation growth in such an environment. This study reveals that the strategies which are being used by management are not the most appropriate strategies to implement as they are not more specific to the problems it is encountering. The research was done by interviewing the executive and senior managers in the organisation who are involved in strategy formulation. The study was carried out so as to come up with information that would help the organisation under study and other organisations in this sector facing the same challenges. The researcher provides recommendations at the end of the research, which organisations in this situation can adopt if they are to survive.

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## **ABBREVIATIONS /ACRONYMS**

RBZ-Reserve bank of Zimbabwe

GPA-Global political agreement

GDP-Gross domestic product

G.N.U-Government of national unity

DIMAF -Distressed Industries and Marginalised Areas Fund

## **1.0 CHAPTER 1 INTRODUCTION**

This chapter gives an overview of Monopumps operating environment before and after the introduction of the multicurrency system. The macroeconomic environment in which the organisation operated in changed from an unstable that is before 2009 and to a stable one after the introduction of the multicurrency in 2009. It looks at the strategies, which management put in place during and after the period of economic instability to solve the problems which were prevailing. The chapter looks at Monopumps' business approaches after the introduction of the multicurrency system and their effects to the organisation.

### **1.1 BACKGROUND OF THE PROBLEM**

#### **1.1.1 Overview of the Zimbabwean Economy**

The Zimbabwean economy experienced many challenges for the period stretching from 2000 to 2008. This was the period that separated entrepreneurial managers from inexperienced and less knowledgeable managers. This was the period in which the effects of the land redistribution programme started to be felt in Zimbabwe. There were some resistances by the settlers even though they later moved out, but they left some traces of sabotage on their way out of the farms. Moyo (2004) noted that Zimbabwe's land reform, agriculture, and economic policies brought negative changes to its relations with the international community, and this led to a dramatic economic decline. The programme had an impact on the economy as some production levels went down in the farms after its implementation. Its effects were felt in all other sectors because the Zimbabwean economy was agro-based so any problem on agriculture had a knock on effects on other sectors. The nation had to

turn to imports to supplement its food reserves as local farmers were no longer able to meet the demand.

In this period Zimbabwe witnessed the coming in of other new political parties who took advantage of economic instability to establish in the political arena. Moyo (2004) made an assertion that the coming in of new political parties changed the political climate completely as the parties were stronger than the previous opposition parties. Many things took place on the political arena which led to social unrest in Zimbabwe. Parties were not tolerating each other so they ended up creating a tense atmosphere in the society. There was no longer any rule of law in the nation as companies lost their properties during this period. The environment was no longer suitable for investments. Investors could not tolerate the situation that was prevailing, so most of them ended up moving out of Zimbabwe. According to Manyani (2011) this was the period when Zimbabwe experienced the worst decade of economic performance as compared to all other years.

According to Noko (2011) the manufacturing and agricultural sectors always had strong linkages, as agriculture relied on the manufacturing sector for its inputs whereas a significant quantity of agricultural produce was supplied to the manufacturing sector. Noko (2011) also noted that the performance of these two sectors were dependent on each other. Moyo (2004) identified the collapse of agricultural sector due to the land reform implemented by the government, as one of the symptoms that the Zimbabwean economy was collapsing. According to Moyo (2004) between 1999 and 2008, the manufacturing sector declined by 92% when the agricultural sector was facing a lot of problems. According to the African Development Bank (2011) the recent recovery in agriculture has not resulted in a corresponding improvement in the manufacturing sector. The African Development Bank (2011) attributed this lag to some national problems such as unreliable electricity supply, no credit availability in the economy, and uncertainty in the investment climate.

## **1. Hyperinflation**

Economic and political conditions that prevailed in Zimbabwe before 2009 had a direct impact on the performance of organisations. The economy was characterised by high rates of inflation, political instability, and high levels of unemployment. Inflation figures were reaching 231 000.000% levels as of July 2008. In its effort to protect people from the effects of inflation the government introduced some price controls on basic goods. Instead of bringing solutions price controls brought hardships to the business sector as retailers were no longer flexible in conducting business. Some companies relocated to other countries, Zimbabwe was no longer conducive for business. Rao (2008) noted that price controls are likely to thwart innovation efforts as companies may not realise any meaningful returns from their investments in new technology.

According to Makochekanwa (2009) many companies stopped their operations this period as they could no longer sustain their operations. Noko (2011) noted that foreign direct investment went down from US\$400 million in 1998 to US\$30million in 2007. The local currency was no longer of any value as a medium of exchange. For organisations to survive management had to come up with effective survival strategies. The retail sector was characterised by shortages of basic commodities as shop owners were no longer able to cope with the galloping inflation in 2008 (Noko, 2011).

The banking sector faced some challenges in doing their operations. They were experiencing cash shortages as the Reserve bank of Zimbabwe (R.B.Z) was failing to cope up with the daily requirements of banks. People were spending much of their

productive time at banks looking for money. The RBZ ended up coming with some daily maximum withdrawals, and this had a negative impact on the business sector and individual bankers. The figures that were issued were insignificant as they were not meeting people's daily requirements.

## **2. Brain drain**

Brain drain can be defined as the long term migration of professionals, which is detrimental to the development of nations of origin as these people would be participating in the growth of the nation (International Organisation for Migration, 2010).

In an unstable economic environment it is not easy for organisations to meet the needs of their employees as they always demand more than what organisations can afford. Organisations witnessed high staff turnover as employees were looking for greener pastures. Abassi (2007) defined staff turnover as the movement of workers rotation of workers between firms, occupations and between nations. The nation witnessed high levels of brain drain during this period of economic turmoil. International Organisation for Migration (2010) noted that brain impact negatively on the performance of the economy as it led to low production and low capacity utilisation in any nation. During this period many skilled manpower left the nation for other countries as they were looking for greener pastures. Some joined the informal sector and started their own small businesses.

According to International Organisation for Migration (2010) in its 2005 estimates, 11650 emigrants left the country going to other countries in the region and other European nations. The bigger percentages of these people were skilled people as they had some higher chances of being employed in foreign countries because of good quality of Zimbabwean education. Organisations suffered as they lost critical

staff during the period. To stop brain drain the Zimbabwean government ended up implementing some measures in some sectors of the economy. In the health sector government had to bond all its newly qualified health personnel for three years (Chikanda, 2005). Tevera (2008) also mentioned that the government launched a national human resources survey in 2006, with the aim of identifying skills shortages and come up with required solutions to the problems.

### **1.1.1 Economy in the Multicurrency System**

#### **1. Formation of the Global Political Agreement**

The signing of the Global Political Agreement (GPA) in 2008 brought a lot of changes in the political arena. This is an arrangement in which three political parties came together and formed a government. Political stability was realised as political parties started to tolerate each other. With the coming in of the GPA many changes were introduced into the business sector. Political parties were working together to achieve the common goal of stabilising the national economy. The economy was liberalised and foreigners were now free to come and invest in Zimbabwe. The Zimbabwean government introduced some policies that were meant to stimulate economic growth such as the removal of limitations on the amount of foreign currency individuals could keep.

The reforms which were adopted by the government after the signing of the GPA have brought positive results for the economy. According to the African Development Bank (2011) the real GDP (Gross domestic product) grew by about 6% in 2009 and an estimated further growth of 3% was expected in 2010. Noko (2011) made an assertion that political developments and reforms towards improving the investment climate were going to be the major determinants of Zimbabwe's return to a competitive economy.



## **2. Introduction of the multicurrency system**

With the coming in of the Government of National Unity (G.N.U) the multicurrency system was introduced. According to the Reserve Bank of Zimbabwe (2010) a multicurrency system is an arrangement whereby a nation allows the use of more than one currency in its economy as legal tenders. The official introduction of the multicurrency system in Zimbabwe in 2009 brings stability to the nation. According to Noko (2011) the introduction of the multicurrency system allowed the nation to stop hyperinflation, restore stability, increase budgetary discipline, and reestablishment of monetary credibility in the economy. According to the World Bank (2010) many positive changes were witnessed inflation dropped from 231 million percent in July 2008 to a digit in 2010. Makochekanwa (2009) mentioned that after the introduction of the multi-currency system month-on-month inflation declined from the rates above 49 billion percent to less than 1%. The African Development Bank (2011) noted that the use of the multi-currency system along with the implementation of strict financial policies brought down inflation to single digits.

## **3. Business sector performance**

The introduction of the multicurrency brought some stability on the business sector. Organisations could come up with realistic budgets, and they could come up with long term plans. With these changes in the economic environment other sectors' performance improved. The, food and beverages, stock feeds, and milling improved their performance and recorded positive growth on the back of positive capacity utilisation (Confederation of Zimbabwe industries, 2011). Most of the business sectors improved but other sectors kept on struggling to improve their capacity utilisation. The nation also witnessed an inflow of foreign companies selling their products as the economy was liberalised, this created competition for the local industry.

## 1.2 INDUSTRY ANALYSIS

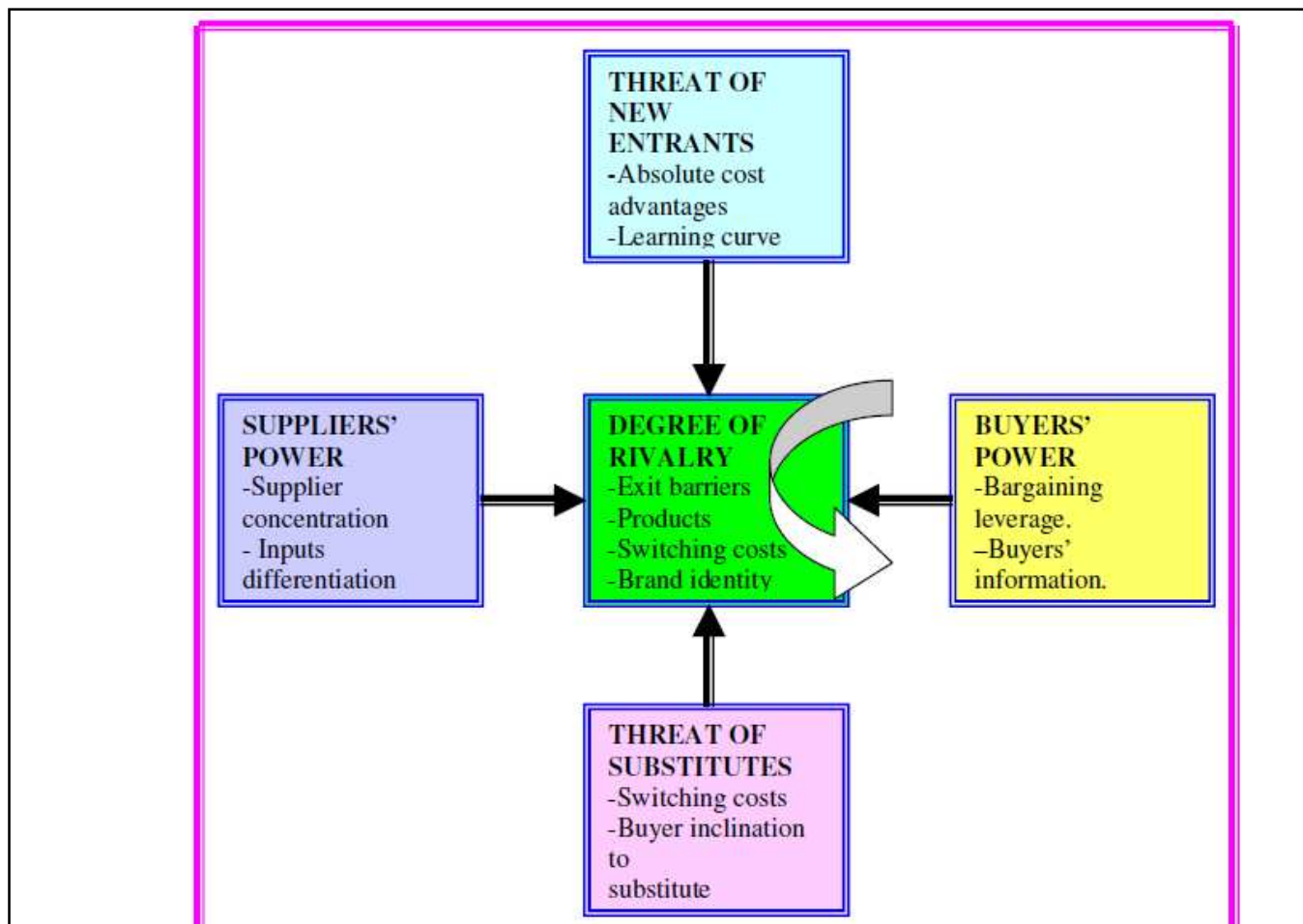


Figure.1.0 Porter's five forces model

Source: Adapted from "Application of Porter's five forces framework in the banking industry of Tanzania: Determine, Develop and Deliver Competitively." By Gabriel, (2006) IMS International Journal, India (2012)

This is a model that measures the industry attractiveness as well as its competitive positioning (Gabriel, 2006). A number of things in this model are relevant to the manufacturing industry in which Monopumps operates in. Effective managers

implement this model in their organisations so that they can gain a competitive advantage over their competitors (Gabriel, 2006). The model looks at the following forces.

### **Degree of rivalry**

The industry in which Monopumps operates in is characterised by a number of foreign and local competitors. The bigger percentage of competitors comprises of small companies. Approximately 70% of competitors are small firms. Most of the competitors are distributors of imported submersible pumps. This product is cheaper as it is just a simple pump, as compared to a Monopumps product. The market share for Monopumps is around 35% and the remainder is shared between small players in the market. For a monopump it is difficult to reduce price to the level of a submersible pump because of production costs involved. For survival Monopumps is sticking to its good brand so that it can retain all its traditional customers.

### **Bargaining power of suppliers**

The suppliers of raw materials to Monopumps are limited in Zimbabwe. This is because most engineering organisations that were in Zimbabwe closed during the period of economic instability. The organisation is sourcing its raw materials and other consumables from South Africa and other countries like India at low costs. With the use of the Internet the bargaining powers of suppliers were reduced.

### **Bargaining powers of buyers**

Buyers in the pump industry have got higher bargaining powers because the market is shrinking. Buyers were affected by the economic downturn that occurred in

Zimbabwe and also by the land distribution programme. Most of the farmers who were the major buyers of irrigation pumps were displaced from farms. The new owners have no access to loans because they do not have collateral security required by banks. Pump manufacturers are competing for the limited number of prospective buyers left. The increase in the number of companies entering this industry means that customers have a bigger pool of suppliers to select from so this increases the power of buyers.

### **Threats of substitutes**

The coming in of foreign players in the field, increases the threats of substitutes. New cheap submersible water pumps have flooded the market. Customers can switch on to these new pumps abandoning the traditional monopump. It is durable but expensive, so clients can switch on to cheaper pumps even though they are not durable. Clients will go for what they can afford, the aspect of durability depends on where the pumps will be used.

### **Barriers to entry**

There are many barriers to entry in this industry. To come up with the required machinery to do all the work involved in this, an organisation has to outlay a lot of money. Sophisticated machinery and highly skilled knowledge base is required to start a firm that specialises in manufacturing pumps. When a buyer chooses a pump for commercial purposes, he looks for something familiar and also durable. It is difficult for new players to break into this market easily. Experienced buyers look at the brand they are used to, so Monopumps has got an advantage of being in the industry for a long time with a trusted brand. It is easy to enter this industry as a distributor than a manufacturer, with the invention of cheaper submersible pumps people can easily import and distribute them on the market.

## **1.3 Monopumps profile**

### **1.3.1 Background**

Monopumps Zimbabwe is a water pump manufacturing company, which was established in 1935. It was formed under Gallaher limited, a tobacco manufacturing holding company that was based in the United Kingdom. Initially Monopumps was established so that it would assist some tobacco farmers with cheap irrigation pumps, through the provision of favourable payment terms to the farmers. The organisation started with one branch, which was the Harare branch and grew up to four branches. The branches were strategically located to serve the whole nation. It had branches in Chegutu, Mutare, Bulawayo, and Harare as its head office.

### **Vision**

The vision of Monopumps is to be a leading manufacturer of quality fluid pumps in the entire region of Southern Africa, using skilled and motivated manpower.

### **Mission statement**

Manufacturing of pumps and accessories profitably for every market and distribute them at affordable prices in and around the Southern African region, whilst adhering to international standards.

## **Values**

1. Continuous improvement
2. Integrity
3. Quality

## **I.S.O certification**

Monopumps was certified to I.S.O 9001-2008 in 2005. This certification is important to the organisation as it ensures that products are manufactured conforming to the international standards. A total quality management system was put in place so that it would be used by the employees as guidelines in all the systems of the organisation.

## **1.3.2 Monopumps business operations**

### **a) Pre- multicurrency era**

When the economy was performing well Monopumps was operating smoothly that is the period before year 2000, it had a market share of approximately 60-70% in Zimbabwe. Most of its clients were the commercial farmers buying irrigation pumps for their farms. With the rise in demand for its products the organisation expanded to other regions for it to be closer to its clients. The organisation was failing to meet the demand for its products. Most of its operations were subcontracted to other players in the engineering sector. The organisation could not meet customer demands if it were to do all its pump components in-house. The following chart shows allocation of work to its subcontractors.

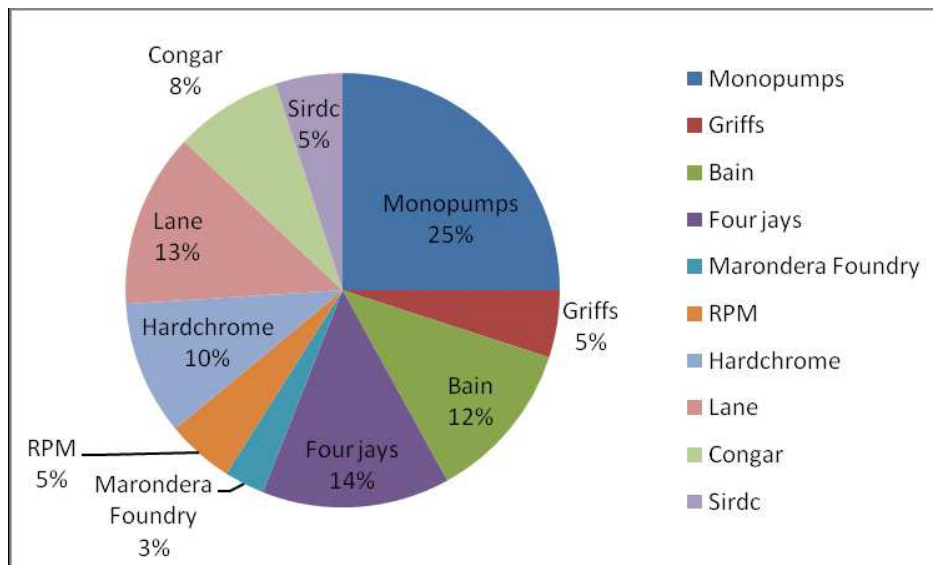


Figure.1.1 Monopumps subcontractors work allocation (2004-2007)

Source: Monopumps production department (2012)

With the introduction of the land redistribution programme in 2000 most white commercial farmers were displaced from their pieces of land and replaced by the black farmers. This had an impact on the performance of the organisation because it had established a long lasting relationship with these farmers. Demand for the products went down because the new farmers had no financial capacity to buy the products as most of them had no access to bank loans as they could not meet the requirements. The displaced farmers had some loan facilities with their banks because they had some properties to use as collateral. The new farmers were more of peasant farmers as they did not possess sufficient farming equipment. With the worsening economic environment because of factors like political polarisation and hyperinflation the organisation saw a fall in its revenues. From the table below it can be seen that sales volumes dropped dramatically between 2007 and 2008 when the economy was in hyperinflation.

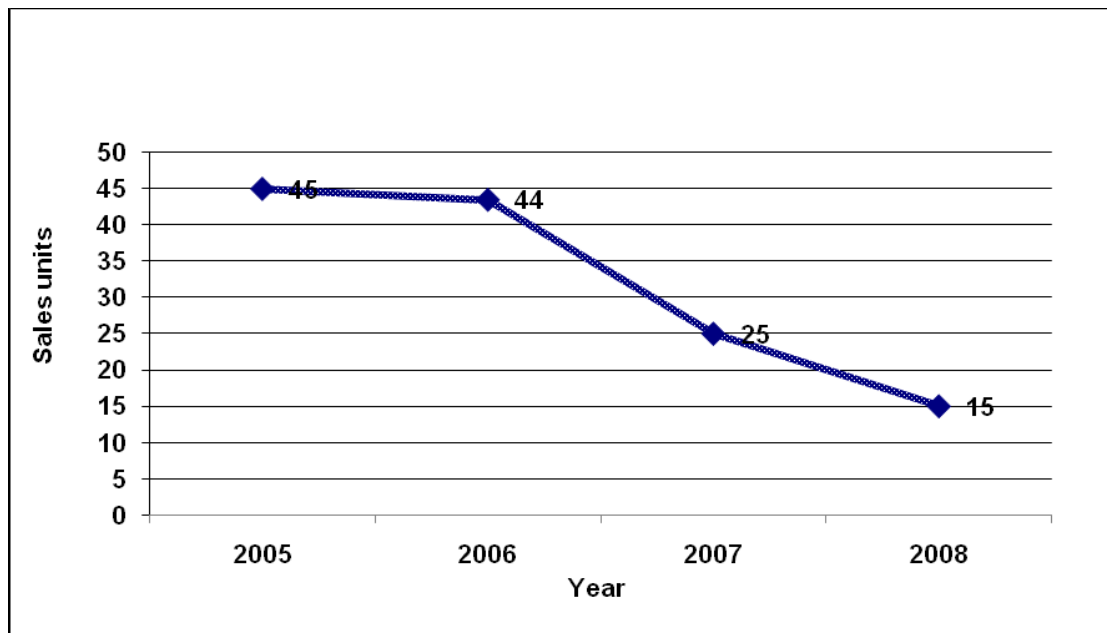


Figure1.2. Company performance between 2005 and 2008(Units in thousands)

Source: Monopumps sales department (2012)

The situation on the macro environment kept on deteriorating until it was unbearable. Many organisations reduced their capacity utilisation that means Monopumps had to recall some of the work it had sent to its subcontractors and do it in-house. This gives the organisation many challenges as some of the work was being done in-house for the first time. This move had an impact on the quality of work that was now produced. This was shown by an increase in number of customer complaints that the organisation started to record. Most of the complaints were associated with manufacturing.

### **Staff turnover**

Within the period when the economy was unstable the organisation lost most of its senior staff to other countries where they were awarded better packages.



Employees were seeing better working conditions and offers in other companies than in Monopumps. Salaries and wages were reviewed annually when things were all right, to quarterly, monthly and after a fortnight, but the situation was too bad for them to be in line with the rate of inflation. Swanson (2007) recommended this strategy of increasing payment periods when an organisation operates in an unstable economy so as to cushion its employees from the effects of economic instability. This strategy did not bring out any positive results as employees were seeing greener pastures outside the organisation. Many dismissals were also recorded as a result of an increase in criminal activities triggered by hardships.

Table1.0 Staff turnover 2004-2009

Year	Resignations	Deaths	Dismissal	Total
a)	b)	c)	d)	e)
2004		1	2	3
2005	2	0	0	2
2006	4	1	6	11
2007	9	0	10	19
2008	12	1	6	19
2009	2	0	0	2
TOTAL	29	3	24	56

Source: Monopumps human resources department (2013)

## b) The multicurrency era

With the introduction of the multicurrency system in February 2009 Monopumps started conducting business on a new page. The economy was stable so that the organisation could come up with long term objectives without fear of short term changes. Management was able to come up with long term budgets as compared to cash budgeting. To raise the money for the raw materials and other business transactions business had to be conducted on cash basis. This system came with some challenges to its clients because money was difficult to come by. The nation

had some liquidity challenges so that banks were no longer able to provide organisations with long term loans. Organisations were finding it very difficult to borrow from local banks because of some high interest rates, which they were charging on short term loans (Noko, 2011).

This liquidity problem reduced the demand for Monopumps products, many clients opted to go for other cheaper substitutes. Kararach, Kadenge and Guvheya (2010) admitted that further progress in the nation was hampered by the liquidity crunch affecting the financial sector that was also worsened by the loss of last resort function of the RBZ. This resulted in depressed sales and reduction in produced units as the organisation could not afford to buy raw materials in large quantities. As time progresses, the situation improved slightly for the organisation, its sales went up because of an improvement in liquidity in the economy.

As a strategy to boost its sales Monopumps started to provide some credit facilities to its clients. The system worked well for a while so that it realises a major boost in its sales volumes. In the few months of introducing the system clients were paying back their credits as per agreed contracts. The problems were encountered later when clients in other sectors who had bought Monopumps products realised that there were some cheap substitutes on the market. They were no longer willing to pay for the goods they had taken in the agreed period and some clients ended up discarding Monopumps' products. As a way of cushioning the organisation from an increase in bad debts management had to stop the credit facilities. The organisation had to implement a focus strategy whereby it concentrated on its loyal clients who knew its products and also some Nongovernmental organisations that had no problems of paying for the products.

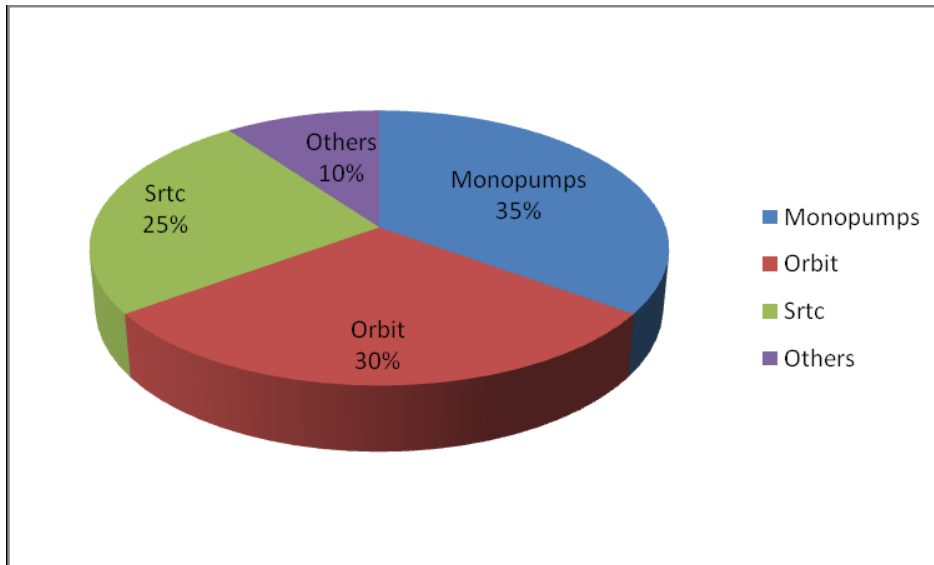


Figure.1.3 Market share distribution chart

Source: Monopumps marketing department (2013)

### 1.2.3 Strategies Implemented

#### 1. Cost cutting strategies

To be competitive in the market the organisation embarked on a low cost drive. With low cost of production it becomes easier for the organisation to compete on low cost leadership. It implemented the following strategies to drive its costs down.

##### a) Recalling products from subcontractors

Monopumps had a lot of work, which was being done by its subcontractors. This was one of its major cost drivers, so it had to recall most of its work from subcontracted companies and started to do it in-house. This was made possible because its factory

was under capacitated, so it had some slack. On operations, which required highly skilled personnel the organisation would rotate its few skilled personnel to do them.

#### Establishment of chrome plating plant

Monopumps products are chrome plated, so the organisation was realising some higher bills from its subcontractors where it was sending them to be chromed. So as to reduce costs on chroming, the organisation came up with its own chrome plant. The plant brings relief to the organisation because the organisation could do their work at their own convenience. They could come up with realistic lead times in delivering service to their customers.

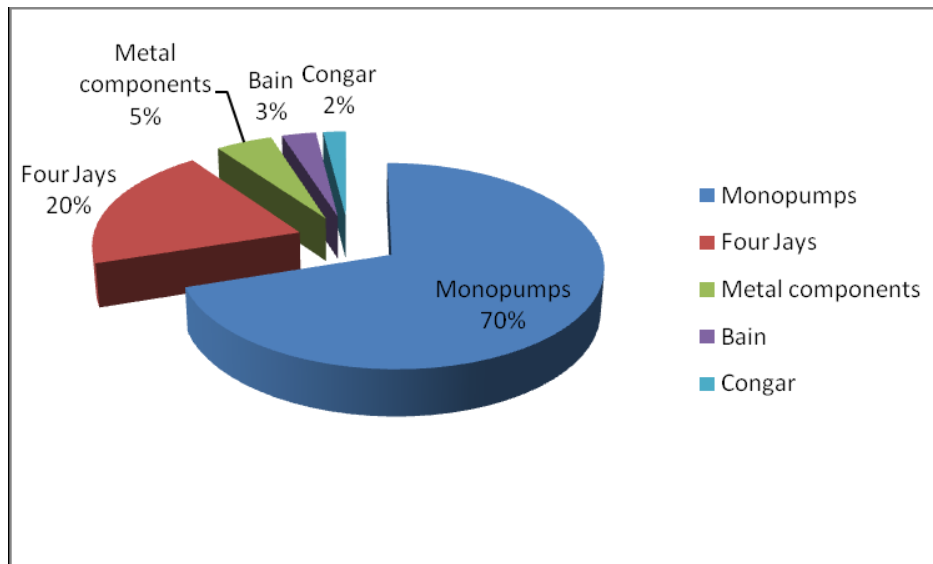


Figure.1.4 Monopumps subcontractors work allocation (2009-2012)

Source: Monopumps Production department (2013)

#### b). Multi-skilling

This is a system whereby employees are trained to do different jobs in an organisation, it opposes specialisation. Monopumps management introduced this system in their endeavor to reduce costs. Most of the employees who were leaving

the organisation were not replaced. People who were already in the organisation were trained to do those extra duties, which were performed by those who left the organisation. The organisation was saving in terms of salaries and wages as few people were left to perform tasks in the organisation. The strategy had some disadvantages of overworking employees as they were required to be always working. This ended up compromising on the quality of work, which was produced in the departments. The effects of this strategy could be seen in the trend of customer complaints, 90% of the customer complaints were related to manufacturing issues.

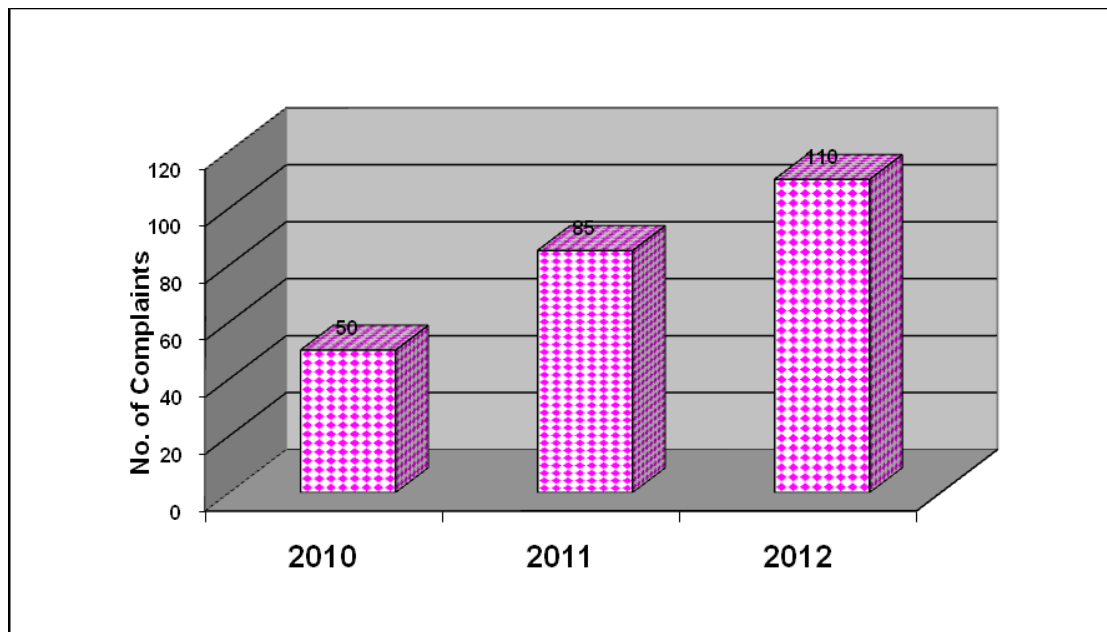


Figure: 1.5 Customer complaints trend

Source: Monopumps marketing department (2013)

### c). Machinery resuscitation

The organisation embarked on a programme of repairing its machines which were down so as to accommodate products being recalled from subcontractors. As most of the company machines were old, some of the machine parts were difficult to find

so it took long for most machines to be back on the production line. Most of the machines which were refurbished were old machines, the quality of work and efficiency of these machines did not meet standards on the international market.

#### **d). Recycling of products**

As a strategy to remain in business, Monopumps started a programme of recycling its products. The organisation had a team of people who went around collecting old and damaged pumps from their clients. The collected products reworked on and converted into pumps that were sold again on the market. This helped the organisation so much as they were getting the old pumps at cheaper prices and they were coming in large quantities. This programme reduced pressure of sourcing for some raw materials.

#### **e). Centralised procurement**

Procurement of goods for the organisation was centralised to its head office. This was done so that the organisation can be in control of all purchasing activities. Branches could only purchase when the situation was urgent, but still they would buy from approved suppliers. This strategy was implemented because a lot of anomalies were discovered in the system. This would reduce some procurement costs as large orders attract some discounts. Most of the suppliers were not third parties so as to reduce costs associated with middlemen.

## **2. Other strategies**

### **a). Sticking to the brand**

With the introduction of the multicurrency system other foreign companies started to see some business opportunities in Zimbabwe. Some cheap submersible pumps from manufacturers in China, Italy, South Africa, and Japan entered onto the market. This posed tough competition for Monopumps, which had never been exposed to such kind of competition before. It was the only company in Zimbabwe that was producing and distributing its own type of pump in Zimbabwe. The price of its competitor products were way below those, which were manufactured locally.

As a survival strategy the organisation maintained its brand for it to retain its loyal clients who were used to its products. For those clients who had used Monopumps products, they knew that they are efficient and durable that is why they are sold at higher price. Most of the substitutes that flooding the market were cheap in terms of cost, but they were not durable.

### **b). Product Support**

To remain competitive in this environment the organisation had to restructure its repairs department. It was restructured so that it would be in a position to attend to all customer requirements at a low cost. Monopumps repairs section was restructured in such a way that it would attend to all water pumps, including those of its rivals on the market. The number of pump fitters was added and were sent for further training. Customers who brought rival pumps for repairs were advised to try Monopumps products. This repairs service attracted some clients to come and buy its products because of its back up services, unlike some of its foreign competitors.

The repairs team embarked on doing some installations that were not being done before.

### **1.3.0 SWOT Analysis**

The researcher used SWOT analysis to examine the state of Monopumps so that a proper evaluation of strategies implemented could be done.

#### **Strengths**

1. The company has got machinery which can allow it to subcontract its services
2. Its products are durable and it has a tried and tested brand as compared to its competitors.
3. Its products are repairable compared to those of its competitors
4. The organisation can manufacture pumps unlike some of its competitors who are just distributors.

#### **Opportunities**

1. They can take advantage of company closures to do chrome plating and machining for other companies.
2. The organisation can employ technicians who are being laid off by other companies at affordable salaries.
3. The organisation can also import pumps and sale at a profit.



## **Weaknesses**

1. Higher staff turnover means that it was left with less experienced staff.
2. Old machinery means that the quality of work done would be compromised
3. No in house smaller cheap products to compete with imports

## **Threats**

1. The organisation had a threat of new entrances into the market as barriers to entry in this industry are very low.
2. Threats of substitutes as other cheaper diesel powered pumps are coming into Zimbabwe.
3. Threats of new technology as new pumps that are solar powered are coming on the market so with power problems in Zimbabwe people will end up opting to go for them.
4. Threats of skills flight as new competitors are seeing that Monopumps have got highly skilled personnel in this area.

## **1.4 STATEMENT OF THE PROBLEM**

The Zimbabwean economic environment, which was volatile because of the hyperinflation was stabilised by the introduction of the multicurrency system in February 2009. Organisations have increased their capacity utilisation levels, some have reached 67% levels and they are realising higher profit margins. For Monopumps the situation is not the same as it is still struggling with capacity utilisation of below 35% and small profit margins. After the nation adopted the multicurrency regime the company adopted a number of strategies but there are no positive changes, hence the need to evaluate its survival strategies.

## **1.5. AIM OF THE STUDY**

The aim of the study is to establish the business strategies that are being implemented by Monopumps Zimbabwe. The paper seeks to examine whether the low capacity utilisation by Monopumps in a stable environment is because of lack of resources or inappropriate strategies. The research is going to evaluate the strategies, which the organisation is using and their suitability for the organisation. The study also aims to enlighten Monopumps management on other strategies which it can adopt if it is to be successful. The study also aims to assist all senior management in the engineering sector on the best strategies to implement if the organisation is faced with the same problems as being faced by Monopumps.

The researcher also aims to analyse the literature on survival strategies and give his way of thinking and new findings to the board of knowledge.

## **1.6. RESEARCH OBJECTIVES**

The study aims to establish the following

- a) To establish the compatibility of the strategies with the problems being faced.
- b) To establish the relevancy of survival strategies being implemented
- c) To establish the effectiveness of strategies being implemented.
- d) To recommend other means which can make selected strategies effective thereby enhancing the organisation's chances of survival

## **1.7. RESEARCH QUESTIONS**

The study seeks to address the following questions:

- a) How compatible are the strategies being implemented by Monopumps to its problems?
- b) Are the strategies being used by Monopumps relevant to the problems being faced by the organisation?
- c) How effective are the implemented strategies?
- d) What recommendations can be given to Monopumps management?
- e) Has management been effective in coming up with the survival strategies?

## **1. 8. PROPOSITION**

This research proposes that Monopumps is failing to perform well in this multicurrency system because its management is failing to come up with effective survival strategies that are specific to its challenges. The study evaluates how effective are the strategies implemented by the organisation.

## **1.9. SIGNIFICANCE OF THE STUDY**

This research will assist Monopumps to measure the impact of their strategies on their survival. It is going to highlight to Monopumps top management on the important aspects to look at when they are coming up with their business strategies. Organisations need to have a deeper understanding of their operating environment and their capabilities if they are to survive. This study will help organisations to come up with business strategies that enable them to be competitive in local and international markets. That would help industry management to embrace new ways

of conducting business, which will allow them to compete at a global scale and maximise on their returns on investments. It also helps organisations in this sector to be forward looking rather than to concentrate on the prevailing situation.

## **1.10 SCOPE OF RESEARCH**

The research is going to look at the strategies that were implemented by Monopumps and evaluation of their effectiveness in the current situation. The research will focus on the multicurrency period and background to the study will cover the period 2000 to 2008. The researcher is going to engage the executives and heads of departments. All of these people are based at the main branch that is in Harare.

## **1.11 DISSERTATION STRUCTURE**

### **Chapter 1**

It is going to focus mainly on introducing the topic and giving a background of the area of concern.

### **Chapter 2**

The chapter looks at reviewing literature.

### **Chapter 3**

The chapter looks at the research design, research strategy, research philosophy, methods of data collection and processing that were used.

### **Chapter 4**

The chapter focuses on the analysis of results.

### **Chapter 5**

The chapter looks at conclusions and recommendations.

## **1.12 CHAPTER SUMMARY**

Chapter one looks at introducing the topic under study this area gives the reader an insight into what the research is about. It looks at the background of the research that is where the research is coming from. It is an area that leads to the problem statement, which is the reason why this research is being carried out. The chapter looks at the aim of the research which is what the research has to accomplish. It looks at the significance of the study, this focuses on the impact of the study to the nation and sector under study. It focuses on how it will benefit organisations under study and the policy makers in coming up with policies. The scope of research looks at the parameters in which the research is being carried in. It looks at the area in which the research will be conducted, the population and the sector the researcher is focusing on.

## **2.0 CHAPTER 2 LITERATURE REVIEW**

### **2.1 INTRODUCTION**

This chapter is a review of literature on survival strategies that are relevant to declining industries. It gives an overview of the literature on determinants of strategic choices, causes of industry decline and strategic options that can be adopted by firms in declining industries.

### **2.2 STRATEGY DEFINED**

The researcher looked at a number of definitions by different authors so that the meaning would be clearly brought out.

Pearce and Robinson (2008) gives an overview of strategy, they defined a strategy as a general approach that guides a firm's major actions designed to achieve long term objectives.

Malshie and Sohie (2009) defined a strategy as a combination of choices of what to do and what not to do into a system that creates the requisite fit between environmental needs and company business. They looked at the importance of verifying options available to the organisation and selection of the best option that allows firms to meet the requirements of the market.

According to Hitt, Ireland and Hoskisson (2009) a strategy is set of obligations which are coordinated and well integrated designed to exploit organisational competence for the organisation to be competitive on the market. These authors looked at a number of important areas in defining strategy, such as coordination and integration

of commitments these aspects are very important for any strategy to work. Good strategies may not achieve the intended results if they are not well coordinated.

From all these definitions a strategy can be defined as a long term option, which management selects to implement in an organisation for it to realise competitive advantage over its competitors with its available resources. A strategy has to be the best option, which brings competitive advantage to the organisation. It has to meet the strategic fit, the organisation must be in a position to meet all the requirements for implementing the strategy.

All these authors explored strategy in terms of its characteristics and how it is implemented in any firm. Kariuki, Awino and Ogutu (2007) noted that the many factors influence the selection of strategies which will change the performance of the organisation. Papulova and Papulova (2006) made an assertion that effective strategies comes from management's understanding of market needs and their commitment to satisfy it more effectively and profitably than by competitors.

## **2.3 TYPES OF STRATEGIES**

Crafting of the firm strategies is determined by the organisation's short and long term goals. Kluyver and Pearce (2009) identified the following categories of strategies that are crafted in firms at different organisational levels.

### **2.3.1. Corporate strategies**

These are crafted by the chief executive officer and other senior executives of the organisation. These are the strategies which determine the direction of the organisation the vision, the mission statement and values of the organisation are

crafted at this level. According to Sanders and Capenter (2009) corporate strategies look at the whole organisation's performance.

Hitt, Ireland and Hoskisson (2009) noted that corporate level strategies specify actions taken by firms to gain competitive advantage on the market. These strategies are prone to approval by the board of directors. Corporate strategies shape the direction of the organisation all other strategies are crafted in line with these strategies.

### **2.3.2. Business strategies**

Business strategies are crafted focusing on the successful performance of one specific line of business. According to Fitzroy and Hulbert (2005) these strategies are concerned with creating and maintaining a competitive advantage, generating and responding to changes in the industry. Crafting of the business level strategies is done by the head of the business unit. The strategies are crafted in line with the corporate strategies. Whenever the business unit head comes up with the strategies they are to be approved by the corporate heads. Pearce and Robinson (2010) noted that in single business enterprises, corporate and business strategies are combined to business strategies. This is so because the strategy for the whole organisation involves only one distinct line of business.

### **2.3.3. Functional area strategies**

Functional area strategies are concerned with the carrying out of certain functions within the business. Thompson, Strickland and Gamble (2010) identified a company's product development strategy as one of the functional area strategies. It



represents management's game plan for keeping the company's product line up in tune with what buyers are looking for. Functional strategies are more specific than business strategies because they focus on exact areas of concern. These strategies are crafted by the heads of the specific functions and the general managers are the ones who would assess them to see if they are in line with the business strategies (Pearce & Robinson, 2010). The general managers have got the duty to correct crafted functional strategies if they are not in line with the business strategies.

Strategies are crafted at different levels to suit the needs of an organisation at each stage. People at different levels in the organisation brings a diversity of ideas into the business strategy making process it also makes people to buy into the strategies crafted. Pearce and Robinson (2010) noted that all these strategies differ in terms of people who craft them, the time frame and their specificity at each level. Strategies, which are crafted by senior management, have got a long time horizon and they are general in nature. Those which are crafted by low level managers have a shorter time horizon and are too specific.

## **2.4 DETERMINANTS OF STRATEGY CHOICES**

Robinson and Pearce (2011) noted that there are three economic goals that guide the strategic direction of every business and these are survival, growth and profitability. For any organisation to be successful it has to be well established that is, its future has to be bright. Survival of business is the most fundamental thing an organisation has to look into before it focuses on the other two aspects. Thompson, Strickland and Gamble (2010) identified the following determinants of strategic choices.

## **2.4.1 Industry capabilities and weaknesses**

Thompson, Strickland and Gamble (2010) noted that the strategic fit of the business plays an important role in formulating the strategies of the organisation, the company's internal resource strengths and weaknesses have to be evaluated. This evaluation is of greater importance in strategy formulation as this will bring out the organisation's capabilities and weaknesses before it commits itself to what it cannot sustain. Management has to look at opportunities and threats in their operating environment so that they will be able to come up with strategies which suits the environment.

## **2.4.2 Nature of the industry**

The nature of the industry determines the strategies to be implemented in an organisation.

According to Pearce and Robinson (2008) management can enhance the ways an organisation can achieve competitive advantage by taking into account industry conditions. Understanding industry conditions helps management to understand the firm's position and comes up with strategies that are suitable. One of the effective tools that management can use to analyse industry nature is the industry life cycle. The industry life cycle identifies stages of industry development and it clearly brings out its nature at each stage. If wrong strategies are applied in any situation they will not bring about the desired results. There are stages on the lifecycle of the industry that requires organisations to invest heavily and others which require the opposite to be done.

When an industry is in the emerging stages it is coming on the market so organisations entering this industry has to know that there are many uncertainties as little or no information is available. Organisations in this industry need to come up with a lot of innovation so they can be able to convince new users on the market. At the growth stage organisation will be competing for market share so companies have to grow their market shares at a rate higher than the industry average if they are to be successful (Thompson, Strickland & Gamble, 2010). A lot of advertising, research and development efforts have to be done so as to increase the market share. This will help these organisations to have bigger market, which they will rely on when the industry is on the maturity stage.

At maturity stage organisations will not be able to increase their market share so they will be concentrating on maintaining their market share. Market share can only be increased through taking other competitors market. This can be through advertising, differentiation and low cost leadership efforts (Robinson & Pearce, 2008). From maturity the industry can go into decline so management has to come up with strategies, which will make their organisations to survive. The researcher is going to concentrate much on the declining industry because this is the stage where the organisation under review falls in. If inefficient survival strategies are implemented companies are bound to fail (Johnson, Scholes & Whittington, 2008).

The different stages on the cycle are determined by the rate of growth of industry sales (Kluyver & Pearce, 2009). An understanding of the industry life cycle and matching organisations to it, helps senior management in formulating strategies. This is because it becomes easier to determine the organisation's required strategies for each specific stage of the industry.

## 2.5 DECLINING INDUSTRY

According to Pearson and Robinson (2009) declining industries are industries which produce products which have low demand as compared to the expected national demand for the products. Nagle and Hogan (2006) defined a declining industry as an industry that is characterised by a downward trend in demand due to new players in the market bringing in better solutions to their needs.

From the above definitions it can be deduced that a declining industry is one in which there is a reduction in the demand for the products or services offered and this result in firms failing to sustain their operations as profit levels will go down. Wheelan and Hunger (2010) asserts that reduction in demand can be due to the introduction of, high quality, efficient technology, cheap products on the market and change in political or economic environment. These can be due to an influx of cheap imports, improved technology coming on the market or change in tastes of the consumers.

According to Burpit and Vale (2010) firms in such industries face the prospect of bankruptcy if they fail to maintain a reasonable level of capacity utilisation. This is because with a higher capacity utilisation the organisation would be able to enjoy the economies of scale unlike when it is undercapitalised. An undercapitalised firm would be the burden of higher fixed overheads, if the situation is not addressed the firm collapse. In this industry it is impossible to pass the expense onto the consumers as players in the industry compete on reducing prices so as to attract customers. So firms in a decline industry settle for reduced profit margins for them to survive. Cameron, Sutton and Whetten (2005) identified two stages of industry decline. The first stage occurs when an organisation's adaptation to its main market goes down, the second stage occurs, when the organisation's resources start to deteriorate.

## 2.5.1 Indicators of industry decline

Manimala (2011) identified the following indicators of industry decline.

### a) Decline in sales volumes

When an industry starts to decline, their sales volume goes down. This is because some of the sales are being taken by competitors through substitutes, quality products being offered by other competitors. Decline in sales volumes also can be due to change in consumer tastes. Sales volumes for Monopumps went down as new players with cheaper submersible pumps entered the market. Some other buyers were displaced out of farms thereby reducing the number of potential buyers.

### b) Decline in profits

It is difficult to charge higher prices on goods when the industry is declining as the customer base will be shrinking, so the profit margins will go down because of this.

### c) Pulling out of major players

When major players in the market start to pull out of the industry, it can be perceived as a sign that the industry is declining so these players are no longer seeing any future in the market.

### d) Reduction in capacity utilisation

Firms reduce their production capacities as the number of buyers will be reduced.

### e) Low wages

Firms in a declining industry find it difficult to offer higher wages as they will not be able to sustain them because of reduced profitability.

## 2.5.2 Causes of industry decline

Industry decline can be caused by so many factors and these are either internal or external factors. They can either be internal or external factors or both of them.

### Internal factors

Internal factors are those which emanate from the industry, like poor management can cause industry decline. If the industry has got poor leadership that does not adapt to the market conditions prevailing at the time, it is bound to fail (Walshe, Harvey, Hyde and Pandit, 2004). Operational efficiency was also noted by Panchali (2005) as one of the causes of industry decline. Organisations need to operate at higher efficiency rates if they are to succeed in business. Inefficiencies make organisations to operate at higher costs than what other players are incurring. When a product is introduced on the market and it fails to bring out the necessary returns as was expected out of it, business may suffer from huge losses incurred and this may have a long term effects on its performance. Scherrer (2003) made an assertion that even though managers are in direct control of the business 80% of industry decline are due to their inability to control these internal functions of business.

### External Factors

External factors that causes decline are those which comes from outside the organisation. Some external factors that were identified by Panchali (2005) are adverse governmental or controlling authority behaviours, unfavourable market conditions, industrial problems, higher costs of inputs and fluctuations in commodity prices. Baker (2005) also identified innovations, technology and recessions as contributory factors to the decline of industry. Shift in technology can cause industry

decline as new technology always comes with new products and services which appeals to consumers.

From the external and internal factors of industry it can be noted that there are two key factors that can contribute to industry decline, which are poor management and unstable operating environment. Management can do their best for an industry but if the operating environment is not stable their efforts will not yield anything. On the other side if the operating environment is stable but industry management is poor the organisation is most likely to suffer from the incompetence. Monopumps is operating in a stable environment which allows it to have some long term plans, so its performance is mainly determined by its management and the country's policies and regulations.

## **2.6.0 STRATEGIC OPTIONS IN A DECLINE INDUSTRY**

Response to industry decline is determined by the situation severity. Robinson and Pearce (2011) defined, situation severity as the simplicity with which turnaround can be implemented for company survival. When the severity is low the organisation can focus on implementing strategies that does not require urgent attention. Johnson, Scholes and Whittington (2008) noted that organisations operating in any environment with low situation severity can come up with strategies that bring long term results. When situation severity is high has to quickly stabilize the decline because bankruptcy is imminent. Pearce and Robinson (2008) identified selling of unproductive assets and keeping the most productive ones as the most effective way of serving firms in declining industries. This will reduce unnecessary expenses associated with unproductive assets and firms will efficiently use productive assets.

As the industry is associated with high competition and reduced profit margins effective and timely strategies need to be implemented if organisations are to succeed. Prasad (2006) identified the use of different set of skills to look into the causes of industry decline as one of the strategies that can be used to turnaround organisations in decline. If management fail to come up with right strategies at the right time firms are likely to fail. If management remains the same they may continue repeating the same mistakes that are causing decline. New management brings new ideas in the organisation. Strategies that are implemented in this nature of environment are more of survival strategies because firms want to remain in business even though the profit margins have gone down. Survival strategies are those tactics that an organisation implements to remain in business.

Thompson, Strickland & Gamble (2011) identified the following strategies that can be implemented in a decline market, offensive strategy, defend strategy, immediate abandonment of business and harvesting strategy but low cost strategy is the key for survival. Rasheed (2006) noted that organisations in decline can also choose to implement growth or stability strategies over and above contraction and consolidation turnaround strategies.

### **2.6.1 Consolidation Strategies**

This is whereby an organisation attempts to gain a stronger position in a declining industry. This strategy is more appropriate for firms that go into decline while they are financially strong. Organisations comes up with innovative ways of conducting business, they take advantage of the problems faced by other players in the industry. An organisation that uses this strategy employs highly qualified personnel who are being retrenched by other firms in the industry. While other players in the market will be looking at some ways of moving out, a firm that employs this strategy will be focusing on expanding its business. A successful consolidation leaves a firm



poised to profit after a shake-out, with a large market share in a restructured, less competitive industry (Nagle & Hogan, 2006). According to Ebben and Johnson (2006) industries that use this strategy are faced with two alternatives, to exploit old certainties or explore new possibilities.

When organisations exploit old certainties, they are coming up with new business strategies on the old business that is they are revamping the old business so it becomes more viable again. Exploration of new business possibilities occurs when organisations look for new business opportunities. According to Beckam (2006) exploration involves scouting around for new effective ways of doing business. So an organisation can only use exploration when it is well equipped with well armed intellectual capacity. On the same concept, Droege and Dong (2008) suggested also that entrepreneurial firms can either implement efficiency or substitution through innovation as part of its consolidation. Thompson, Strickland and Gamble (2010) identified the following ways in which an organisation can consolidate its operations.

### **1. Cost leadership strategy**

Low cost leadership entails offering standard products and services at lowest competitive prices. According to Robinson and Pearce (2011) business success built on cost leadership requires the business to provide its products or services below what its competitors can achieve. Hitt, Ireland and Hoskisson( 2009) defined low cost leadership as the firms efforts to come up with efficient ways of doing things so that it can provide its customers products and services at the lowest cost, relative to that of competitors

To be successful the strategy must be sustainable as other competitors tend to imitate this strategy. According to Thompson, Strickland and Gamble (2010) for

maximum effectiveness to be attained, companies employing cost leadership strategies need to implement it in a way that its competitors cannot copy if it is to be successful. Organisations usually manage to maintain their low cost leadership through coming up with an efficient value chain system or do some of the activities cost effectively (Robinson & Pearce, 2011). According to Strickland, Thompson and Gamble (2010) a firm can implement this strategy such as.

Cost reduction strategies are associated with pruning down all unnecessary costs in the business operations. Cost reduction can be in the form of business process reengineering so that the business can come up with a low cost operating system. This can be in the form of an automated procurement system. Johnson, Scholes and Whittington (2008) identified the following activities, which the business can implement to reduce its costs

a) Efficient production and procurement systems

If an organisation comes up with efficient production systems, it would be able to reduce its cost of production and come up with a competitive product on the market. Efficiency can be attained through introducing new technology into the business. Kow (2004) noted that the development and use of innovative technologies would obviously give competitive advantage to organisations and help them to gain market acceptance and share quickly. Research and development can also be used to improve the efficiency of organisations, investments in this area can be recovered gradually from the benefits realised from efficient production systems (Kow, 2004). Efficient systems will make the organisation improve its profits in the short run thereby investing in other new system improving technologies. Smith and Graves (2005) noted that efficient systems can help the organisation to win back stakeholder support and raise external resources to fund other operations. With higher productivity organisation realises higher returns from few resources.

Thompson, Strickland and Gamble (2010) noted that the use of online systems and sophisticated software like the enterprise resource planning (ERP) and manufacturing execution system (MES) greatly reduce production times and labour costs associated with these operations. These systems would allow the organisation to organisation to come up with efficient production systems and also efficient inventory management system.

Pearce and Robinson (2008) identified the use of low cost distribution channels as one of the strategies which organisations can use for survival. This strategy helps organisations to reduce on their operating costs thereby realising higher returns from their businesses

#### b) Tighten financial control

Johnson, Scholes and Whittington (2008) identified tight financial control as one of the strategies that management can implement in the organisation for it to remain afloat. Measures have to be put in place that ensures that there is tight financial control in place. This would be ideal because the efforts done to generate more revenue by other departments would be in vain if this area is not monitored. Management has to centralise all matters which pertain the disbursement of funds. Pearce and Robinson (2011) assert that periodic financial reports can be produced so that management would be able to see cash flow and put some control measures if there is a need to do so before the situation deteriorates.

### c) Use of lower cost raw materials

Organisations can use low cost raw materials in place of expensive ones. According to Thompson, Strickland and Gamble (2010) organisations can substitute the use of low cost raw materials for high cost raw materials or component parts. This strategy entails that the organisation uses cheap raw materials to produce high cost components. This means the organisation will generate higher profits as its mark up will be high. This strategy works well if consumers still realise value for their money. This strategy must not compromise on the quality of products.

Johnson, Scholes and Whittington (2008) assert that organisations can procure raw materials from cheaper suppliers so as to reduce on costs. Raw materials can be cheaper if organisations come up with efficient supply chains. If just in time inventory systems are put in place inventory holding costs will be reduced thereby reducing the costs of raw materials.

### d) Retrenchment strategy

Organisations can improve their competitiveness by streamlining their operations so that they will be left with highly profitable products in the firm. Thompson, Strickland and Gamble (2010) made an assertion that pruning slow selling products from the production line can eliminate costs associated with numerous product versions. This strategy reduces unnecessary costs on unprofitable products on the production line. All the resources that were channeled towards the production of these resources will be used on improving operations and other systems associated with productive products.

This form of strategy is implemented so as to put the organisation in a more competitive position on the market. This is done so that organisations can concentrate on areas where they can operate efficiently, thereby realising higher returns. All less productive business operations are stopped and the business focuses on the most profitable sections. Inefficient machinery is sold so that maintenance costs are reduced on machinery. This strategy is usually associated with the retrenchment of employees which results in the reduction of workforce Casico (2004), but it has to focus on all areas of the organisation, which are not productive. The main aim of this strategy is to reduce some operating costs so that the organisation can survive in an environment with low profit margins. Pearce and Robinson (2010) bring out retrenchment as a way of reducing labour costs. The organisation reduces the number of employees and would be left with a number a sustainable number. Uncritical employees are laid off so as to reduce its production costs. Manimalla (2011) noted that firms experiencing declining sales and profits margins resort to retrenchment as their most prominent turnaround strategy. Management incentives can be reviewed downwards when the industry is in a decline state so as a way of reducing operational costs.

#### e) Outsourcing

As a cost cutting strategy firms can adopt outsourcing strategy. This is whereby the organisation subcontracts some of its work to other firms, who have core competence in those areas. Organisations can outsource some of their activities as a way of reducing production costs. Johnson, Scholes and Whittington (2008) mentioned that outsourcing occurs where organisations decide to subcontract services or products that were previously done in house. Outsourcing involves the transferring of business regular activities to an outside service provider to do them on their behalf (Rasheed, 2006). The organisation would be left to do work in areas where it has its core competence. According to Thompson, Strickland and Gamble (2010) outsourcing the performance of certain value chain activities is more

economical as outside specialists can perform them at a lower cost than doing them in house.

## **2. Differentiation strategies**

Pearce and Robinson (2011) assert that differentiating strategies require that the business have sustainable advantages that allow it to provide buyers with unique products or services. For this strategy to be successful organisations has to focus on certain markets (Kluyver & Pearce, 2009). Management has to work closely with these people so that they identify their special needs and the prices they are prepared to pay for the goods. The firm comes up with products which are different from those supplied to others in the market, which suit the given market. This serves the organisation from a lot of competition as their products would be unique and of value to the market. It reduces on unnecessary costs associated with supplying same type of goods to the whole market. Thompson, Strickland and Gamble (2010) identified the following differentiation methods.

### **a) Incorporate unique attributes that lowers users operating costs**

Thompson, Strickland and Gamble (2010) noted that an organisation can differentiate its products by including product attributes and features that reduces the costs associated with using the product. This can be in the form of coming up with products with lower power consumption rates, reliable products which does not require frequent repair and maintenance costs this will lower the buyer's costs. The organisation can also provide free technical support to its customers so as to avoid unnecessary failures of the product. This strategy can be achieved if the organisation has got innovative employees and the organisational culture supports it.

#### b) Incorporating features that raises product performance

This strategy entails coming up with products that are user friendly and also are easily accepted by other would be buyers. Thompson, Strickland and Gamble (2010) identified the following features, cleanliness, safety, less noise and maintenance free as compared to rival brands as performance enhancing attributes of products and services offered by an organisation. Organisations these days are carbon green conscious so if organisations keep on producing products which emit a lot of carbon they are likely to lose out as buyers goes for the clean ones.

#### c) Differentiating on the basis of organisational competencies

An organisation can differentiate its services and products on the basis of its competence. Thompson, Strickland and Gamble (2010) identified core and distinctive competencies as factors that give a company unique capabilities that deliver value to customers and differentiate the company from its rivals. To survive industry decline organisations can use their competencies to come up with better designs of products which appeal to the market. Highly skilled staff and a bigger number of quality machines can be used for competitive advantage.

For differentiation strategies to be effective management has to know what the market requires and what their competitors are offering. This will give organisations a clear understanding of what areas it can bring some changes into the organisation. Kluyver and Pearce (2009) mentioned that successful differentiation can only achieve its intended results if the firm comes up with products and services of higher value which meet their requirements and if management knows how much they are prepared to pay.

### **3. Focus strategies**

#### a) Customer focus

To turn around the fortunes of the business an organisation has to be customer focused. If there are any changes in the needs of customers, management has to come up with new ways of adapting to the needs of the market. Quality of products has to meet the requirements of the market. According to Rosairo, Kawamura and Peiris (2004) poor quality can be a cause of product organisation failure, so successful organisations compete on quality, not costs.

Focusing can also be done on a small market so that the organisation can meet its needs effectively. According to Boehlje and Gray (2010) focusing on a specific set of customers limits the appeal of the offering to a small market, thereby allowing it to provide well tailored services to its customers. To be successful with this strategy the organisation creates some strong relations with its market so that it would be aware of their needs. Parrish, Cassil and Oxenham (2006), assert that a declining market may have profitable segments with growth potential which firms can identify and concentrate on.

#### b) Brand image

Pearce and Robinson (2010) noted that brand loyalty is difficult to break in customers. There are some loyal customers who are used to certain brand so that even when new brands are introduced on the market they will not change. Alley and Mullen (2012) made an assertion that there is the stage of brand loyalty at which consumers will accept no substitute for their brand which they are used to. Firms can identify their loyal customers in the market and target that group of customers as their niche to focus on.



#### **4. Competitive strategies**

##### a) Benchmarking

According to Thompson, Strickland and Gamble benchmarking is key to the process of identifying, studying and implementing best practices. Management has to look outside the organisation and see what others are doing in other organisations. They adopt these good business practices and improve them so that they can meet the best practices in the world. This strategy allows the organisation to be always abreast with changes on the market. Thompson, Strickland and Gamble (2010) said that this strategy pays off to the organisation as it adopts current ways of doing business in its operations thereby improving the ways in which value chain activities are performed. Kluyver and Pearce (2009) also noted that cost benchmarking can be used to compare the organisation's costs to those of its competitors. This allows the organisation to measure its efficiency as compared to its competitors.

##### b) Total quality management system

Thompson, Strickland and Gamble (2010) defined it as a philosophy of managing business that emphasises on continuous improvements in all phases of operations. Implementation of this system improves the operating systems of the organisation. This system improves the quality of goods produced by organisations. If an organisation offers quality goods and services they will become competitive on the market thereby attracting higher revenues and profits. An organisation can use total quality management as a strategic option in a declining industry.

### c) Business Process Reengineering

This is a strategy whereby the firm changes the way it does its business. It is a business approach of redesigning the way work is done to better support the organisation's mission and reduce cost. Hammer and Champy (1993) defined it as the redesigning of business processes to improve measures of performance, like, cost, quality, and speed. Business process reengineering is implemented in an organisation so that the organisation can come up with an efficient way of conducting business. According to Pearce and Robinson (2010) business process reengineering is introduced in an organisation to come up with well defined processes that ensures the efficient utilisation of resources.

### d) Changes in top management

Murphy and Meyers (2008) identified the nature of top management as of greater significance for success or failure for any organisation than the company's products, skills or other assets. For any organisation on the decline it is either management has come up with poor business strategies or management failed to see the problems of the organisation and solve them before it was too late. Organisations may change management, so that new ideas can be injected into the business (Jacoby, 2004). According to Murphy and Meyers (2008) top changing of top management is a precondition for most successful turnarounds. Chief executive officer's personality attributes influences the strategic choices implemented thereby influencing firm performance (Kathuria & Porth, 2003). This is because top management crafts the strategies of the organisation so if the organisation changes personnel in other organisation's structures leaving top management problems will remain in the organisation.

The first step or priority in a turnaround situation is to recognise that new management brings in fresh ideas to the organisation thereby making some

differences (Murphy & Meyers, 2008). New management will bring in new ideas in the organisation. Under these conditions performance management becomes voluntary and leads to better results as compared to management initiated performance appraisal and monitoring (Manimala, 2011). The performance management will make senior management to produce results as they will know that their performance is under surveillance.

#### e) Employee empowerment

When employees are empowered employees they develop a sense of belonging and they will play an important role in the turnaround of an organisation (Vara, 2006). They will work to see to it that the turnaround strategies are implemented and results are realised as they buy into the strategies. Prasad (2006) noted that empowerment will encourage and motivate employees to offer their innovation, best for the company with a customer service mindset. Empowered employees bring a lot of input into the organisation.

### **2.6.2 Aggressive strategies**

Yannopoulos (2011) identified two ways in which organisations can implement aggressive strategies for survival and these are direct and indirect attack. Firms adopt any of these strategies, depending on the strength of their competitors. An organisation can use direct attack when its competitors are not very strong this is because even if they retaliate they will not cause a lot of harm to the business. Indirect attack is used when competitors are strong as this will allow the organisation to carry out its operations unnoticed. Yannopoulos (2011) comes up with the following forms of aggressive strategies.

### **a) Launching frontal attack**

The firm goes after the customers of its competitor with the same products, price, promotions and distribution. Yannopoulos (2011) mentioned that this strategy works well when the attacking firm identifies the weakest point of its rival. It can divert resources from other areas of the business and focus them on attacking the weak point. This strategy has got a risk of retaliation by the rival firm, if the attacking firm has fewer resources it will end up incurring losses. Organisations that implement this form of strategy have to study more about the firms they want to attack so as to avoid unnecessary losses.

### **b) Launching a flanking attack**

This is a form of aggressive strategy whereby firms target areas that are not well served by competitors. Firms can go into areas that are being left by competitors because they are not profitable and concentrate on that area. If firms in the industry are offering poor services or their business conditions are not flexible flanking firms can provide these services to the market. Flanking firms may succeed with this strategy if they differentiate their products from those of competitors, and they have to lie low. Failure to do this will make other competitors to retaliate thereby causing the firm to realise losses.

### **c) Guerrilla attack strategy**

According to Yannopoulos (2011) this strategy involves a smaller player in the industry attacking established firms. The main aim of this strategy is to weaken strong players in the industry through random attacks and also to keep the enemy unstable as it will not know when the next attack would be and at which area of its business would be attacked. These attacks can be through raiding competitor sources of supplies and attacking specific segments or products. Guerrilla attacks by

firms are only appropriate if they will make the attacked organisation to use its resources to protect itself because by so doing it would retard its level of growth. This will allow the attacking firm to expand while its rival is consolidating its resources.

### **2.6.3 Defensive strategies**

According to Yannopoulos (2011) noted that the main purpose of implementing defensive strategies by firms is to discourage attacks from potential rivals as they will find it unattractive to do so. When a firm implemented defensive strategies it is coming with a position that makes the industry unattractive for other players who might want to enter. The organisation be putting some barriers to entry to other prospective competitors. These strategies are more appropriate when they are implemented to deter those competitors who want to invest in the industry. There are many defensive strategies that organisations can implement like, signaling, introduction of fighting brands engagement in cross parry, but the researcher will look into the following.

#### **a) Signaling intent**

This is a form of strategy, which Yannopoulos (2011) identified as the method used by organisations to signal their intentions to their competitors. Firms defending their positions in the industry may use different media to communicate their intentions to other players in the industry. Defending organisations can make some threats of retaliation to some organisations that may want to take certain actions. Defending firms may announce that they would meet their rival's prices if they enter the industry. This will discourage all the firms that wanted to enter into the industry.

#### b) Capacity expansion

Manufacturing firms may produce excess capacity as an entry deterrent measure to other organisations, which might want to enter the industry. This strategy makes it difficult for other entrants to come and introduce products on the market because the market already has excess. With this strategy manufacturing firms can come up with products of different types and sizes so that they would be able to satisfy all the market needs. This would deter other players from entering the market because all possible areas of the industry would have been covered.

#### c) Introduction of fighting brands

With this strategy Yannopoulos (2011) asserts that the defending organisation introduces some fighting brands to fight competitor's brands threatening their major brands. These can be in the form of the firm's premium brands priced lower. This will have an effect of reducing profit margins on the side of the competitor so that if its resource base is limited it is likely to pull out of the industry. This strategy allows the defending organisation to enjoy the profits in the industry alone when other competitors pull out.

### **2.6.4 Harvesting Strategies**

These are the strategies, which are implemented by organisations that are facing a focus on winding up business operations before it realises some losses on the market. Exiting the market can be through selling the firm to competitors in the same market because of decline in sales growth. To other players in the market it is a welcome move because it means reduction in competition on the market, thereby increasing profitability. Carpenter and Sanders (2009) pointed out that exit does not signify failure because this can be the best option to preserve shareholder value.

Harvesting strategies can be implemented in two ways, namely, slow exit strategy and fast exit strategy.

**a) Slow exit strategy**

This is a harvesting strategy whereby the organisation pulls out of the market gradually. According to Thompson, Strickland and Gamble (2010) the key objective of slow exit is to generate the maximum amount of cash as much as possible from the business before winding up operations. With this strategy the organisation stops all capital expenditures or it does not attach high priority on them. Efforts are made to make the plant and equipment run without replacing them with new ones. Operating expenses are reduced as much as possible so that the organisation can compensate on declining sales and reduced profits. The organisation can tolerate declining sales to certain levels, if the rate goes down below the anticipated the firm can be sold before realising losses.

**b) Fast exit/Abandonment**

A fast exit strategy is whereby the business is sold, when the signs of decline in the industry are identified. This strategy need to be implemented by management who are always alert of what is taking place in the market. Misinterpretation of market conditions can raise unnecessary alarm that might end up giving rise to wrong decisions. The management can keep on holding to a declining industry, which will later on led to some losses. If management capitalise on the first mover advantage and quickly their firm they can realise better returns from it. On the other hand it is also risk to dispose the firm because of the decline in sales in the industry as this can be due to short term factors, which will pass.

Under such a scenario management can sell the firm at a lower price while the business is still viable. Lavie and Rosenkopf (2006) noted that fast exit need good

timing because if it is delayed until other players realised that quick harvesting is the solution, it can become difficult to dispose the firm. Other competitors would also like to follow the same route so buyers would end up having higher bargaining powers than sellers. Firms become difficult to dispose under such a scenario.

### **2.6.5 Combination efforts**

This is a form of turnaround strategy, which involves the coming together of different organisations and conduct business together. This can be in the form of strategic alliances, this allows the organisations to pull together their resources and give them the capacity to become competitive again on the market. It brings back the competitive edge to the organisations as they will develop in the financial matters, technologically, and also interaction of professionals from different backgrounds will bring a diversity of ideas into the organisation. Malcolm and Graves (2009) noted that this will help in raising stakeholder support and also it will help to fund other strategies.

## **2.7 EVALUATION OF STRATEGIES**

The success of all turnaround strategies lies on the effective way of implementing the turnaround process. If the process is not properly done the company may continue to decline while strategies are in place. All these strategies have to be implemented after considering other factors that affects the operations of the business. If they are just implemented in isolation they might not bring out the intended results.

Hitt, Ireland and Hoskisson (2009) noted that if cost leadership and cost reduction strategies are implemented without looking at other factors it can lead to limited level



of innovation employment of lower skilled workers, which results in poor quality of products and services. Low cost leadership can be a source of higher amounts of revenue as organisations would be able to sell bigger volumes if customers are price sensitive. Johnson, Scholes and Whittington (2008) identified wrong perception by customers as one of the disadvantages of low cost leadership as some clients attach the price of a product to its quality. Thompson, Strickland and Gamble (2010) made an assertion that low cost provider is usually not sustainable for a long period as competition always find ways to imitate.

Pearce and Robinson (2010) noted that all competitive strategies that are put in place by organisations bring efficiency and realignment of all business processes. Kluyver and Pearce (2009) noted that strategies for competitiveness like business process reengineering and total quality management system and others are usually associated with costs so if they fail to yield results the organisation will end up being worse. Harvesting strategies need management to know the timing because they can harvest organisations with the potential of rebounding.

## **2.8 CONCLUSION**

Management has the duty to identify suitable strategies to be adopted by the organisation as they are the heads of companies. Management determines the success or failure of organisations. If organisations implement the strategies discussed above to turnaround the performance of their businesses they are bound to succeed. It is the duty of management to select the best strategies which suit their organisations. Problems faced by organisations in conducting business are different and different survival strategies are to be applied to suit each organisation's requirements. For organisations in a decline market like Monopumps they have to come up with strategies which do not require the use of a lot of resources because

they will find it difficult to recover in the long run. They have to concentrate on strategies which reduce costs and generate a lot of revenue for their survival. When organisations are facing a lot of competition in a growing industry outlaying of cash through advertisements, promotions and research and development is inevitable. The returns to be realised out of a business determines the nature of strategies to be adopted.

All the strategies discussed in this chapter are very important but for them to work organisational culture has to be aligned with the vision of the organisation. If organisation culture is not incorporated in coming up with survival strategies many strategies can be implemented but they will not bring any changes. Culture determines how things are done in the organisation if it is not receptive to change even new management may find it difficult to bring change in the organisation.

## **3.0 CHAPTER THREE RESEARCH METHODOLOGY**

### **3.1 INTRODUCTION**

This chapter explored at how the research was carried out. It looked at the research design, research philosophy, research strategy, population and sampling techniques, data collection methods and research procedure which were used.

### **3.2 RESEARCH DESIGN**

Greener (2008) defined a research design as a grand plan of approach to a research topic that depends on the following factors, research topic, audience for the research, time and resources available. Saunders, Lewis and Thornhil (2007) described research design as the general plan used by researchers to answer the research questions. A research design provides guidelines on data collection and analysis of a particular study. Nachimias and Nachimias (2008) underscored its importance in any research as it acts as a linkage between theory and argument that informed the research and collected data. According to Limpanitgul (2009) research design is a blue print that allows researchers to come up with answers to the phenomenon understudy in any research project.

For the purpose of this research the researcher used descriptive and explanatory research methods. Devaus (2001) defined explanatory research as a research method that seeks to answer the “why” questions about certain occurrences. The same author went on to define descriptive research as a form of research, which seeks to explain the state of things on the ground. According to Leedy and Ormrod (2005) descriptive research takes things as they are, there is no alteration of situations on the ground. A descriptive research approach examines the situation or phenomenon, in its current state there is no alteration of the situation understudy.

The nature of the research required bringing out the status quo of the organisation and why things were like that.

Research can be qualitative, quantitative, or mixed that is triangulation. Ghauri and Gronhaug (2005) defined triangulation as a combination of approaches in the study of the same situation or phenomenon. Cresswell (2008) defined quantitative research as a method in which the researcher collects quantifiable data and analyses it using statistical packages in an unbiased manner. Cresswell (2009) defined qualitative research as a method in which the researcher relies on people's views in the form of words and analyse them in a subjective or biased manner. Glesne (2006) noted that qualitative methods strive to understand phenomena through the use of individuals' perspectives. Leedy and Ormrod (2005) identified three classifications of quantitative research namely descriptive, experimental and causal comparative. Ghauri and Gronhaug (2005) noted that the main difference between these two research methods is not of quality but the procedure followed, in quantitative there is measurement while qualitative does not involve it.

For this study the researcher adopted qualitative research. Cresswell (2003) made an assertion that qualitative research is an effective model as it allows researchers to be highly involved with the phenomenon under study thereby giving the researcher an opportunity to get detailed information. This approach is built on inductive, rather than deductive reasoning as the researcher is involved. This means that the researcher needs to be more involved in data collection rather than basing results on collected data only. Leedy and Ormrod (2005) noted that this approach can be used to serve the purpose of verification, interpretation, description and evaluation.

Mack et al (2005) identified the following advantages associated with using this approach.

1. It makes use of open ended questions and probing, thereby allowing respondents to use their own words instead of being forced to select from fixed responses. This allows respondents to express themselves fully.
2. It allows the researcher the flexibility to probe initial responses.

The researcher had to adopt this method because the area under study required a lot of probing. With qualitative approach it was difficult it was easier for the researcher to get clarifications on unclear responses and he could also analyse the body language of the respondent.

### **3.3 RESEARCH PHILOSOPHY**

Jonker and Pennink (2010) defined a research philosophy as fundamental assumptions and beliefs of people's perceptions of the world that serve as a thinking framework that guides the researcher. There are two universally used research philosophies namely, the positivist and phenomenological. Neuman (2011) emphasises the importance to know and understand the research paradigm to be applied in conducting research because it influences how a study is framed and helps in the understanding of a phenomena

Cresswell (2003) noted that a phenomenological method seeks data drawn from a particular site or context often using personal observation of the researcher and specific data for a given case. It makes use of research instruments which generate qualitative data, for example interviews. In this research the researcher used triangulation of data sources information was gathered from the executive and heads of departments. This choice was prompted by the fact that the topic, which was under review required detailed and correct information to be gathered. There is a

need for inductive theorising in this research, the researcher had to be part of the research and also take information gathered to come up with conclusions.

For effective data collection the researcher had to adopt interviews, the choice of this method was influenced by the need to collect detailed information required for this study. Interviews allow the researcher to probe more on the answers given by respondents and clarify questions which might not be clear to respondents.

For data analysis the phenomenological approach was the most appropriate strategy, this was so because the researcher would be able to collect detailed data of a phenomenon. According to Cresswell (2008) there are multiple realities, which are difficult to measure and the only way to understand them is by studying them in detail in the context of their occurrences. The nature of research prompted the researcher to use the phenomenological research approach.

### **3.4 RESEARCH STRATEGY**

The purpose of this section was to come out with the most suitable type of study that would bring out answers to the research questions. Saunders, etal (2007) defined strategy as a plan of how one would answer some research questions. There are different strategies that are used to conduct researches. Saunders, etal (2007) identified the following research strategies, case study, surveys, grounded theory, archival research, action research, ethnography and experiment. The case study approach was used because it gives the researcher detailed information of what was taking place in the organisation understudy.

## **Case study approach**

Yin (1994) defined a case study as an empirical enquiry used to investigate phenomena within its real life context. Ghauri and Gronhaug (2005) noted that case studies can be based on the use of quantitative and qualitative research methods and they can use a number of methods for data collection. The researcher used a case study approach in this study so that in depth information can be gathered in the area under study. According to Yin (1994) a case study method allows the researchers to retain the holistic and meaningful characteristics of real life events. This made it the most suitable approach to use in this study as it is more practical than theoretical.

Collis and Hussey (2009) defined a case study as research approach used to study a single phenomenon in its state using different approaches to obtain detailed knowledge. This strategy was used because it was convenient to the researcher as the time allocated for this research was limited. It was easy to gather data using this method as the data sources were easily accessible to the researcher. The researcher was also prompted to use a case study approach because it is an instrument used to collect qualitative data, for this research it was the most appropriate.

## **3.5 POPULATION AND SAMPLING TECHNIQUES**

### **3.5.1 Population**

Kitchenham and Pfleeger (2002) defined target population as a group or individuals to whom the survey applies. Canhao and Keogh (2003) looked at a population as an entire group of objects of a particular type under study, which is a grouping of

organisms, units, or characteristics of interest to the investigator. Yount (2006) defined a population as all the possible cases that is, persons, objects, or events that constitute a known whole. The target population in this research is the executive management and departmental heads of Monopumps who are involved in strategy formulation. The population constitutes of eleven people.

### **3.5.2 Sampling/Selection of participants**

Yount (2006) defined sampling as a process of selecting a group of subjects that are representative of the larger group from which they were selected. This group of subjects selected is known as the sample. Mack et al (2005) defined a sample as a subset of a population which has all the characteristics of the population. Sampling is done in researches so that researchers can save time, money and other resources in conducting researches. To come up with correct results from the study the researchers has to come up with samples that are true representatives of the population. In this research the researcher had to involve all people who are in the executive and all heads of departments that is the whole population of the study. The use of the whole population was prompted by the fact that it is less than thirty. According to Cresswell (2003) for populations less than thirty a census is conducted, that is all elements in it are used in the research.

#### **3.5.2.1 Sampling techniques**

There are two different types of sampling namely probabilistic and judgemental or non probabilistic sampling. Probabilistic sampling is a sampling process that utilises some forms of random selection in which each unit has a nonzero chance of being selected in the sample (Mack et al, 2005). In non-probability sampling, probabilities cannot be assigned to units objectively as the researcher is subjective of the elements to include in the sample, this compromises on the reliability of the sample



results in terms of probability. The researcher selects the sample according to his convenience or generality in nature. According to Creswell (2008) the main purpose of qualitative research is not to generalise the findings but to get an in depth understanding of the phenomenon under research.

### **Non- probability sampling**

Newman (2009) identified the following non-probability sampling techniques, judgemental sampling, convenience sampling and quota sampling methods. He noted that these methods permits easy selection of samples, but they may give misleading results if they are not representative of the population.

#### a) Convenience sampling method

This sampling method makes use of components that are convenient to the researcher. According to Newman (2009) the drawback of this sampling method is that it may not come up with some sample elements, which provide the required information for the research. Newman (2009) noted that this weakness makes this method unpopular with most researchers.

#### b) Quota sampling method

This is a sampling method in which the researcher identifies the population from which the sample is coming from. The researcher identifies the attributes of importance for the research for example, age, work experience, positions in organisation and others. After this the researcher comes up with a way of selecting the required number from the population. This can be through interviews, the rate at which things are occurring or other means appropriate. Newman (2009) noted that this method is better than convenience sampling as it incorporates variations in

sample elements. It has also a weakness that it might also not give a representative sample. The figure for a quota is arbitrarily fixed it might not be a correct figure.

c) Judgemental or purposive sampling.

According to Newman (2009) judgemental sampling occurs when the researcher uses his judgment to select the sample with a specific purpose in mind. Cresswell (2008) defined it as a sampling method in which the researcher intentionally selects the sample elements that would give required information concerning a phenomenon under research. This sampling technique is subjective to the researcher.

### **3. Census**

According to Cresswell (2003) a census is a method of data collection whereby data is collected from every element in the population. For the purpose of this research a census was used. The use of this technique was influenced by the size of the population of management which was below thirty. According to Wegner (2010) a census is the most appropriate method to use for a population of less than thirty. For populations above thirty a census becomes expensive and time consuming to conduct. The total number of executives was four, that is, the General Manager, Chief executive officer, Finance director, and the Operations director. All seven heads of departments were included in the research. The total number of senior management is eleven and this comprised the number of participants in this research.

### **3.6.0 DATA COLLECTION METHODS**

There are different data collection methods that are used some are suitable for qualitative research and some for quantitative research. According to Mavrosti

(2004) quantitative research is a methodology, which represents human experience in numerical categories and qualitative research as a methodology that gives a detailed analysis of the substance of human experience. According to Cresswell (2008) in qualitative research the researcher selects people or sites that can best help in understanding the central phenomenon. Cresswell (2008) made an assertion that in case study research many methods of data collection can be used. The following are some of the instruments that can be used in conducting research.

### **3.6.1 Questionnaire**

Cresswell (2008) defined a questionnaire as a form designed in a survey for participants to complete and return to the researcher. Eta (2008) defined a questionnaire as a set of questions for gathering data from respondents. Cresswell (2008) identified three methods of administering questionnaires which are hand, postal and electronic way.

#### Advantages of using questionnaires

Cresswell (2008) identified the following advantages questionnaires.

1. Low cost of administration
2. Questionnaires can be sent to respondents that are far away from the researcher and far apart from each, no distance barrier.
3. Anonymity allows respondents to provide accurate information without any fear. This is of greater importance in situations where people are to provide sensitive information.

#### Disadvantages of using questionnaires

Leedy and Ormrod (2005) identified the following weaknesses of questionnaires.

1. The return rate can be very low

2. There is no room for participants to give their views that are not in line with the structured questions.
3. The information gathered on questionnaires depends on the understanding of the participants.

### **3.6.2 Interview**

This form of data collection instrument is usually used in qualitative research it is commonly used in case study researches. Leedy and Ormrod (2005) identified the following ways in which interviews can be conducted.

#### **a) Telephone interviews**

This is the form of interview whereby the interviewer and the interviewee communicate using telephone. This form of administering an interview has got some advantages of, covering a wider geographical area, it is easier to administer, and it also allows unlimited call backs if there are some areas that need clarification (Green, 2008). The method poses the following disadvantages, it requires trained interviewers, there is a possibility of interviewer bias and also there can be a problem of representation.

#### **b) Face to face interviews**

These are interviews that are administered by the interviewer in direct contact with the respondent. This form of interview is involving because the researcher need to secure the place to conduct the interview from, and some refreshments might also be required. It also has some weaknesses of distance limitation, it is more ideal for respondents closer to the interviewer. The advantage of using this form of data collection is that the interviewer can assess the body language during the interview.

## Nature of interviews

Interviews can be structured in three forms, structured, semi-structured and unstructured (Leedy & Ormrod, 2005). In structured interviews the interviewer asks standard set of questions and nothing more and in semi-structured interviews a few probing questions are added to the standard set of questions. Unstructured interviews involve asking questions that are not standardised, probing questions would be asked, which are tailor made to the interviewee. Depending on the sample of the research interviews can be conducted in different ways. In this research semi-structured questions were used. The researcher selected to use this form of interview questions so that responses on other questions could be clarified.

## Advantages of using interviews in research

Leedy and Ormrod (2005) identified the following advantages of interviews.

1. The interviewer can establish a rapport with participants thereby realising a higher response rate.
2. Interviews give room for clarifying ambiguous questions to the interviewee, and the interviewee can also clarify ambiguous answers to the interviewer.
3. The interviewer can also take note of the nonverbal behaviour

## Disadvantages

1. The main disadvantage of interviews is of time consumption if there are a big number of people to be interviewed.
2. Telephone interviews may also be difficult to conduct as it may be not be easy to establish rapport on telephone for people to spare their time.

3. They reduce the sample size
4. Data can be difficult to analyse if there are some contradictions

The choice of using interviews in this research was influenced by the type of information that the researcher was looking for it was confidential information. Some other managers found it very difficult to disclose information but after some assurance by the researcher that their information was safe they ended up responding positively. Some of the questions needed to be explained so interviews made it easier for the researcher to get the required information. According to Cresswell (2008) in qualitative research, interviews are more appropriate as they allow the researcher to gather a lot of information on a specific phenomenon thereby gaining a deeper understanding. Interviews were conducted in offices of the respondents thereby making the environment so conducive to them.

### **3.7 Research Procedure**

In this research the researcher comes up with the interview guide to be used in conducting the research. This instrument was pilot tested to see its relevancy in the study and to see if there were any amendments to be done to it. After pilot testing was done appointments were done with the respondents. Two members of the executive were interviewed the chief executive officer and the Operations director and heads of departments were all interviewed. All the participants were asked the same questions which were on the interview guide and each respondent was allocated an answer sheet where responses were recorded. After data was collected the researcher compared responses supplied by the different people. Conclusions were then drawn from these responses that were given by the respondents. The researcher had to compare the research proposition and the findings. Recommendations were given basing on the research findings.

### **3.8 RESEARCH LIMITATIONS**

The research had limitations of time as some of the managers ended up allocating a small amount of time than agreed before to the researcher because of their busy schedules. Some of the managers were not aware of what was taking place in other departments so their responses were not reliable. The researcher had also some limitations of literature, which pertain to this area in Zimbabwe as there are limited previous researches in this area. The researcher had to rely mostly on researches done in other nations.

### **3.9 ETHICAL CONSIDERATIONS**

Drew, Hardman and Hosp (2008) noted that the following ethical considerations have to be done if the research is to be effective and meaningful.

#### 1) Explaining purpose of study

The researcher explained the purpose of study to the respondents and all the processes involved in carrying the study. It was disclosed to the participants before they took in the research how they were going to participate and what was demanded out of them. According to Jones and Kottler (2006) it is important for participants understand the purpose and methods of the study and what is required out of them. They also have to know their rights as participants.

#### 2) Seeking consent

Drew and Hardman (2007) identified two types of consent researchers can seek from participants that are, direct consent and substitute consent. For the purpose of

this research direct consent was asked for, from all people who participated. The researcher had to ask for direct consent so that people would respond freely.

### 3) Ask for access to information

The researcher asked for access to some information that the organisation regarded as private and confidential. Interviewed personnel were asked for permission and time to conduct the interviews at their workplaces.

### 4) Confidentiality

All the data collected was treated as private and confidential no names of respondents were attached to data collected. No information was disclosed to any other person except the researcher.

## **3.10 CONCLUSION**

In any research this is the most important chapter as it determines the results of the research. If not properly done the research will not be able to meet the research objectives. An understanding of all areas that pertain to this area is important if the research is to answer the research questions.



## **4.0 CHAPTER FOUR FINDINGS AND DISCUSSION OF RESULTS**

### **4.1 INTRODUCTION**

This chapter analyses the research findings from the in-depth interviews which were carried out with Monopumps management and discusses them. This was done by comparing the findings to the literature review. Results were presented using tables. The tables summarises the responses that were given by participants on given questions. It summarises the responses that were given by the Chief executive officer, Operations director, Finance director, General Manager and seven heads of departments of Monopumps. The findings and analysis were used to test if the researcher's proposition was correct.

### **4.2 RESPONSE RATE**

A response rate of 100% was attained in this research because the number of participants was small and they were closer to the researcher. According to Saunders (2003) this response rate validates the research findings.

### **4.3 NATURE OF INTERVIEWS**

Semi structured face to face interviews were carried out with the participants. The choice of these people was influenced by the period they have served in the organisation and also their positions as they are those involved with strategy implementation in the organisation. Questions asked, were subdivided into four sections.

Section A - Demographic section.

Section B- Challenges faced by Monopumps in the multicurrency period.

Section C-Relevancy of the strategies implemented.

Section D -Effectiveness of the implemented strategies.

#### **4.4 DEMOGRAPHICS**

The table below gives a summary of the demographic information of the respondents in this research.

From the table it can be seen that the respondents were all above 36 years and they were all in the decision making board of the organisation. The information shows that the respondents were mature and they know the operations of the organisation. The table shows that all these managers saw the transformation from the Zimbabwean dollar to the introduction of the multicurrency system whilst working for Monopumps. This allows them to give well informed responses in the interviews. The fact that the respondents were in charge of different sections of the organisation allows the researcher to have an overall view. Their academic backgrounds also show that they possess the required knowledge for this research.

Table 4.0 Demographic information of respondents

Respondent	Age of respondent	Academic background	Number of years employed by Monopumps	Number of years in current position
Chief Executive Officer	Above 55 years	Marketing	38 years	12 years
Operations director	Above 55 years	Engineer	25years	8years
Finance director	36-45years	Finance	7years	7years
Human resources Manager	Above 55 years	Sociologist	13 years	7 years
Accountant	46-55 years	Accountant	9 years	8 years
Production Manager	36-45 years	Mechanical Engineer	5 years	5 years
Finance Manager	46-55 years	Chartered accountant	30 years	20 years
Marketing Manager	36-45 years	Marketer	15 years	6 years
Quality control Manager	36-45 years	Engineer	6 years	6 years
General manager	Above 55 years	Mechanical Engineer	20years	10years
Procurement manager	Above55 years	Buyer	25 years	15 years

## 4.5 CHALLENGES BEING FACED IN THE MULTICURRENCY SYSTEM

4.5.1 What challenges are you facing as a company after the introduction of the multicurrency system?

4.5.2 What impact do these challenges have on the performance of your organisation?

The table below shows some challenges that are being faced by Monopumps in the multicurrency period and their impact.

Table 4.1 Challenges faced by Monopumps in the multicurrency period and their impact.

<b>Respondent</b>	<b>Challenges faced</b>	<b>Impact on Monopumps</b>
<b>Chief Executive Officer</b>	<ol style="list-style-type: none"> <li>1. Difficulties in accessing government funding</li> <li>2. Use of old machinery</li> <li>3. Competition from foreign pump manufacturers</li> <li>4. Subcontractors charges high</li> </ol>	<ol style="list-style-type: none"> <li>1. Insufficient funding</li> <li>2. Inefficient production line</li> <li>3. Reduced sales volumes</li> <li>4. Increased production costs</li> </ol>
<b>General manager</b>	<ol style="list-style-type: none"> <li>1. Unreliable power supply</li> <li>2. High costs of subcontracting</li> <li>3. Liquidity problems</li> </ol>	<ol style="list-style-type: none"> <li>1. Increase in operating costs</li> <li>2. Insufficient cash to use</li> </ol>
<b>Operations director</b>	<ol style="list-style-type: none"> <li>1. Use of old machinery</li> <li>2. Most of the subcontractors have closed down</li> <li>3. Unreliable power supply</li> <li>4. Shortage of skilled employees</li> </ol>	<ol style="list-style-type: none"> <li>1. Inefficient production line</li> <li>2. Higher inflow of work in house</li> <li>3. High costs of using generators</li> <li>4. Compromising on the quality of work</li> </ol>
<b>Finance director</b>	<ol style="list-style-type: none"> <li>1. Higher costs of borrowing</li> <li>2. Liquidity problems</li> <li>3. High labour costs</li> </ol>	<ol style="list-style-type: none"> <li>1. Higher operating costs</li> <li>2. Insufficient cash</li> </ol>
<b>Human resources Manager</b>	<ol style="list-style-type: none"> <li>1. Shortage of skilled employees</li> <li>2. High labour costs</li> <li>3. Use of old machinery</li> </ol>	<ol style="list-style-type: none"> <li>1. Low quality products produced</li> <li>2. Products becomes expensive</li> <li>3. Inefficient production line</li> </ol>
<b>Accountant</b>	<ol style="list-style-type: none"> <li>1. Costs of production are very high</li> <li>2. Clients failing to pay in time</li> <li>3. Liquidity problems</li> </ol>	<ol style="list-style-type: none"> <li>1. Products becomes expensive</li> <li>2. Cash flow problems</li> </ol>
<b>Production Manager and Quality control manager</b>	<ol style="list-style-type: none"> <li>1. Inefficient production machines</li> <li>2. Staff needs training</li> <li>3. Unreliable power supply</li> <li>4. Quality of work produced has gone down</li> </ol>	<ol style="list-style-type: none"> <li>1. Inefficient production line</li> <li>2. Compromising on the quality of work</li> <li>3. High costs of using generators</li> <li>4. Products becomes uncompetitive</li> </ol>

<b>Finance Manager</b>	<ol style="list-style-type: none"> <li>1.Liquidity problems</li> <li>2.Costs of borrowing are high</li> <li>3.Suppliers demanding cash upfront</li> <li>4.Higher costs of production</li> </ol>	<ol style="list-style-type: none"> <li>1.Cash flow problems</li> <li>2.Products becomes expensive</li> </ol>
<b>Marketing Manager and</b>	<ol style="list-style-type: none"> <li>1.Lost market share to foreign competitors</li> <li>2.Brand losing its flair on the market</li> <li>3.Our products are expensive on the market</li> <li>4.Clients not paying in agreed period</li> </ol>	<ol style="list-style-type: none"> <li>1.Reduced sales volume</li> <li>2.Cash flow problems</li> </ol>
<b>Procurement manager</b>	<ol style="list-style-type: none"> <li>1.Insufficient money to procure raw materials</li> <li>2.Higher costs of procurement</li> </ol>	<ol style="list-style-type: none"> <li>1.Reduced capacity utilisation</li> <li>2.Products becomes expensive</li> </ol>

From the table it can be seen that the challenges which were raised by all the respondents were related. This shows that all departments are being affected by these challenges. The following challenges were identified.

#### Higher operating costs

From the information gathered it shows that some operating costs are very high for the organisation. These costs are emanating from high labour costs, high power bills, and high production costs. The Operations director mentioned that higher production costs are coming from maintenance costs and costs of rework emanating from old machinery that is being used by the organisation in their production lines. The Human resources manager mentioned that, labour costs are high because employees' income is determined by the body that represents workers in this sector. Whenever there is an agreement reached there is no way organisations cannot pay the salaries and wages agreed. There is also an element of higher energy costs, which contribute to these high costs. High operating costs results in higher prices for

their products as was mentioned by the Finance manager. The organisation will end up losing its clients to its competitors.

### Old machinery

From the information that was gathered in the interviews there is an indication that the organisation is facing problems with its old machinery. This was brought about in the interviews when some management members pointed out at high costs of production as one of the challenges being encountered by the organisation. The Production manager mentioned that old machinery was impacting negatively on production. The quality of work produced by these old machines cannot be equated to that which is produced by modern machines being used by other competitors on the market.

Products go on the market with poor quality and expensive, and this will make them uncompetitive. This results in loss of clients as they will go for cheaper products. Most of the time is lost to breakdowns because they constantly occur and this compromises on the productivity of machines and manpower.

### Shortage of skilled manpower

The responses from the interviews show that there is a problem of skilled manpower in the organisation as the Human resources manager, Production manager and the Operations director mentioned about it in the interviews. The Production manager mentioned that most of the employees left the organisation in the period of economic instability looking for greener pastures. Those who joined the organisation are still to gain the required experience, and need training in some of the areas. As some of the work that was being done by subcontractors is being done in house the pressure of work on skilled employees would be high. This might end up causing them to lose

interest in their work as they will always be loaded. This affects the quality of work as employees will compromise so that they can meet their daily or weekly targets.

#### Lack of funding

From the responses it can be seen that lack of funding is among the challenges the organisation is facing. According to the Finance manager, borrowing money from banks is difficult for the organisation because they are offering short term loans and the interest rates are very high. Considering the underperformance of the organisation it will be difficult for it to return the money in the period stipulated and also with the charged interest rates. On the aspect of cheap funds from the government the Chief executive officer mentioned that they applied for the Distressed and Marginalised Areas Fund (DIMAF) to recapitalise their Bulawayo branch but nothing have materialised. With these challenges it is difficult for the organisation to recapitalise.

#### Competition from foreign pump manufacturers

The Marketing manager mentioned that they were encountering a lot of competition on the market from foreign companies who are bringing in their cheap pumps on the market. These products perform the same way their pumps do, but they are not durable. Clients are now going for these cheaper products leaving Monopumps products. The marketing manager mentioned that there was a dramatic fall in sales after the introduction of the multicurrency system as most people turned to these pumps.

## 4.6 STRATEGIES ADOPTED BY MONOPUMPS

For the organisation to survive under these conditions it needs management that is innovative and move with the time. Management that always analyse its internal and external environment and adjust operations to meet the market needs becomes an industry leader. According to Pearce and Robinson (2011) the most effective strategies to implement in a declining industry are to be in line with cost leadership. Monopumps management had to come up with the following survival strategies

### 4.6.1 What strategies were put in place to overcome these challenges?

Table 4.2 strategies adopted by Monopumps

<b>Chief Executive Officer</b>	<ol style="list-style-type: none"> <li>1. Idle machines are being repaired and put back on the production line</li> <li>2. A plating plant was established for our products to be done in house</li> <li>3. Products recalling from subcontractors</li> <li>4. Multi-skilling of employees was introduced</li> <li>5. The organization maintained its brand</li> </ol>
<b>Operations Director</b>	<ol style="list-style-type: none"> <li>1. Multi-skilling of employees was introduced to increase productivity</li> <li>2. Training programs were introduced for all employees</li> <li>3. We stick to our brand</li> <li>4. Plating plant was established</li> </ol>
<b>General Manager</b>	<ol style="list-style-type: none"> <li>1. Employees were introduced to different operations in the organization</li> <li>2. The organization maintained its brand as a survival strategy</li> <li>3. Most products were recalled from subcontractors</li> </ol>



	<ul style="list-style-type: none"> <li>4. Credit limits were reduced to all defaulting customers</li> <li>5. The organization established a plating plant for work to be done in house</li> </ul>
<b>Human Resources Manager</b>	<ul style="list-style-type: none"> <li>1. Training of employees</li> <li>2. Restructuring the repairs department</li> <li>3. We maintained our brand</li> </ul>
<b>Accountant</b>	<ul style="list-style-type: none"> <li>1. Short term accounts were introduced to selected clients</li> <li>2. Establishment of a chrome plating plant</li> <li>3. Employees are being trained to know a number of tasks</li> <li>4. Reduction of credit limits to defaulting customers</li> <li>5. The advertisement budget was increased by 30%</li> </ul>
<b>Production Manager</b>	<ul style="list-style-type: none"> <li>1. A lot of jobs were brought in house</li> <li>2. Repairing of idle machines</li> <li>3. Training employees to do a number of tasks</li> <li>4. Established a chrome plating plant</li> </ul>
<b>Finance Manager</b>	<ul style="list-style-type: none"> <li>1. We maintained our brand</li> <li>2. Restructuring the repairs department</li> <li>3. Reduction of credit limits to defaulting customers</li> <li>4. Increase in advertisements</li> </ul>
<b>Marketing Manager</b>	<ul style="list-style-type: none"> <li>1. Credit limits to defaulting customers were reduced</li> <li>2. Increased advertising budget by 30%</li> <li>3. The repairs department was restricted to accommodate competitors products</li> <li>4. Short term accounts were introduced to selected clients</li> </ul>
<b>Finance Director</b>	<ul style="list-style-type: none"> <li>1. Increased advertisement budget</li> <li>2. A chrome plating plant was established</li> <li>3. Introduction of incentives for cost cutting</li> <li>4. Measures to increase revenue collection were introduced</li> </ul>
<b>Quality Control</b>	<ul style="list-style-type: none"> <li>1. Repairing of idle machines to increase capacity</li> </ul>

<b>Manager / Procurement Manager</b>	utilization 2. Increased advertising 3. Employees are being trained to know a number of tasks
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From the responses that were collected in the interviews it shows that the organisation adopted a number of strategies aiming to increase its competitiveness. The Production manager mentioned that machinery which was idle is being repaired so that the organisation could be able to accommodate extra work that was being brought in house. The marketing manager also mentioned that they had to restructure the repairs department because they wanted to increase their capacity utilisation also. After restructuring the organisation started to do repairs on competitors' products which were not done before. The organisation started to go into the field doing some pump installations for their customers. The following are some of the strategies which the organisation implemented.

#### Cost reduction

Some of the strategies, which were implemented by Monopumps, show that the organisation is targeting to reduce its operating costs. The finance manager mentioned that high cost of production is one of the main challenges, which the organisation is fighting with. The finance Director mentioned that they had to introduce some incentives at departmental level for those that would be able to reduce costs in their areas. Multiskilling was also introduced as a way of trying to reduce labour costs in the organisation. The human resources manager mentioned that they were finding it difficult to pay a bigger number of employees so they had to introduce it. Products were to be recalled from subcontractors and done in house as the costs of machining and casting the products had gone up. According to the Chief executive officer costs went up because most companies that used to do work for them closed so there was no competition on service providers.

### Maintaining the brand name

The organisation adopted this as a strategy in the multicurrency system. The Marketing manager mentioned that this strategy was necessary because many cheap products flooded the market after the introduction of the multicurrency system. They had to stick to their brand so that people will not be confused by the brands which were coming on the market. He mentioned that the organisation had to increase its budget for advertisements by about 30%. The main reason for this was for the market to be aware of the existence of their brand on the market.

### Improve revenue generation

From the responses in table 4.2 it can be seen that the organisation was also aiming at improve its revenue generation. The senior accountant mentioned that they had to put in place some measures which would allow the organisation to generate more revenue. They introduced some short term accounts to a selected number of their clients. This was meant to make them increase their rate of buying Monopumps products. On the other side he mentioned that they introduced some penalties for late payments like reducing credit limits to defaulters. These efforts were meant to increase the rate of revenue generation in the organisation.

### Training employees

After the organisation had brought the work from subcontractors in house, they realised that the quality standard of work done in house went down. The Quality control manager mentioned that they had to introduce training programs whereby employees were sent for training in areas where they were lacking. The organisation had to implement this strategy after realising that the quality of work produced was

now below the required standards. He said that the aim of this program was to equip employees with requisite skills that make them produce work of higher standard.

#### Increased advertising

To survive in an environment with a lot of competition the organisation has to advertise a lot so that the market will be aware of its brand on the market. The Finance manager, Finance director, Accountant and the Marketing manager concurred that the organisation increased the advertising budget. According to the General Manager the main reason for increasing the budget was to alert the market of the existence of their brand.

#### Establishment of a chrome plating plant

From the responses which were gathered it shows that the organisation established a chrome plating plant. The major reason why the plant was established according to most of the responses which were gathered was to reduce costs of plating their products. The chief executive officer mentioned that the plant have the capacity to do the work in a day that was done in a week by their subcontractors. It allows them to plate at a faster rate and at times it would be idle because of no work.

#### **4.6.1 Were there any mechanisms which were put in place to monitor the implementation of these strategies?**

The responses are tabulated below.

Table 4.3 Responses on mechanisms which were put in place to monitor progress

<b>Respondent</b>	<b>Response</b>
<b>Chief executive officer</b>	Management meet after 3 months to review progress on implemented strategies
<b>General manager</b>	Quarterly reviews are done
<b>Directors</b>	Reviews are done
<b>Heads of Departments</b>	Management review them every quarter

From the responses which were gathered it shows that all the responses mentioned that they were meeting after every three months to monitor progress on implemented strategies. “Reviews of implemented strategies are done quarterly by every department”, said the Chief executive officer. During these reviews changes are done to some areas which will not be performing in line with the organisation’s targets.

## **4.7 COMPATIBILITY OF STRATEGIES IMPLEMENTED**

**4.7.1 Do you think the strategies which you implemented were in line with your vision as an organisation?**

**4.7.2 Are the resources available enough to see the successful implementation of these strategies?**

**4.7.3 In your opinion are the strategies relevant to the challenges being faced by the organisation?**

The table below summarises the responses which were given on questions above.

Figure 4.4 Compatibility of implemented strategies

<b>Respondent</b>	<b>Were the strategies in line with the vision of the organisation</b>	<b>Are the resources enough</b>	<b>Are they relevant to the challenges</b>
<b>Chief executive officer</b>  <b>Accountant</b> <b>Operations director</b> <b>Finance manager</b> <b>General manager</b>	Yes they are because they make us achieve our goals	They are not enough	They are relevant
<b>Procurement manager</b>  <b>Quality control</b> <b>Human resources manager</b> <b>Production manager</b> <b>Marketing manager</b> <b>Finance director</b>	Yes they are inline as they can lead us to our goals	They are not enough	Relevant, but more to be done.

The responses from all the interviewed managers show that they agreed that the strategies that were implemented are in line with the organisation's goals. The respondents who participated in this research agreed that the organisation's resources are not enough for it to realise its objectives. The production manager mentioned that the inflow of work from subcontractors and the addition of repaired machinery onto the production line have to be supported with more skilled employees. He also mentioned that new machinery needs to be procured if the efficiency of the production department is to be boosted. All respondents agreed that the implemented strategies were so relevant to the challenges which the organisation is facing but more resources are required if they are to succeed.

## 4.8 EFFECTIVENESS OF THE IMPLEMENTED STRATEGIES

### 4.8.1 As an organisation did you realise some changes in sales volumes after these strategies were implemented?

The responses are summarised in the table 4.5 below.

Table 4.5 Responses on changes in sales volumes

<b>Respondent</b>	<b>Response</b>
<b>Chief executive officer Operations director Procurement manager Quality control manager Production manager</b>	There was an increase in sales volumes
<b>Human resources manager</b>	The trend is not clear
<b>Finance manager Accountant Finance Director</b>	We realised an average increase of 25% in sales volumes
<b>Marketing manager General manager</b>	There was a dip in sales when multicurrency was introduced and later on we realised an upward trend and they became constant.  Average increase of 25% in sales was realised since this these strategies were introduced.

From the responses above it can be concluded that the organisation realised an increase in sales volumes, all respondents except the Human resources manager mentioned this. The finance manager mentioned that the organisation realised an average increase in sales volumes of 25% since the multicurrency was introduced. She goes on to mention that at first the organisation faced some challenges of lower sales volumes ,but after implementing some strategies to attract customers back the

figures started to rise up again. The General Manager mentioned that this was also due to realisation by clients that their brand was good as compared to imports.

#### 4.8.2 Was there an increase in market share after the strategies were implemented?

The table 4.6 below show responses gathered in the interviews on the change in market share after strategies were put in place.

Figure 4.6 Responses on the changes in market share

<b>Respondent</b>	<b>Response</b>
<b>Operations director</b>  <b>Marketing manager</b> <b>General manager</b> <b>Finance director</b>	The organisation recovered some of the clients who had been taken by our competitors. This increased our market share by approximately 10%.
<b>Human resources manager</b> <b>Production manager</b>	It seems there was an increase
<b>Finance manager</b> <b>Accountant</b>	The organisation managed to convince some of the organisations that were using imported pumps to use our local pumps this increased our market share.
<b>Quality control manager</b> <b>Procurement manager</b>	We cannot conclude that there was an increase in market share.

From the responses which were gathered in the interviews the chief executive officer, Operations director and the Marketing manager all mentioned that they managed to recover lost market share by bringing back some of the clients who had



been taken by their competitors. They went on to mention that this increased their market share by approximately 10%. The accountant and the finance manager concurred with them that there was an increase in market share, but they said that the increase was due to new clients who were using imported pumps before and have switched on to their products. The Human resources manager and the Production manager were not sure if the increase in sales volumes was due to an increase in market share or an increase in demand by traditional clients. The quality control manager and the procurement manager could not conclude that there was an increase because they did not have all the details. From the responses it shows that an increase was realised as all the respondents agreed to this except two only.

#### 4.8.3 What impact do the implemented strategies have on revenue generated?

Table 4.7 Responses on impact in revenue generated

<b>Respondent</b>	<b>Response</b>
<b>Chief executive officer Operations director Procurement manager</b>	A significant rise in revenue generated was realised
<b>Human resources manager Production manager Quality control manager</b>	Revenue collected remain constant
<b>Finance manager Accountant Marketing manager Finance director General manager</b>	After introduction of short term accounts and penalties on defaulting customers an average increase of 15% in annual revenue collections was realised

The Chief executive officer, Operations director and the Procurement manager accepted that an increase in revenue generation was realised. The finance

manager and the accountant gave a specific percentage increase in revenue generated of 15%. The human resources Manager and the Production manager failed to see any change in revenue generated I think it was because there departments does not deal with cash. The responses tabulated above shows that revenue generated increased after the implementation of strategies.

#### 4.8.4 Was there any reduction in operating expenses after the strategies were implemented?

Table 4.8 Responses on reduction in operating expenses

<b>Respondent</b>	<b>Response</b>
<b>Chief executive officer Operations director Human resources manager</b>	There was a small change in operating expenses
<b>Procurement manager Quality control manager Marketing manager</b>	There was no change realised in operating expenses
<b>Finance manager Accountant Production manager Finance director General manager</b>	A 10% drop in operating expenses was realised

The finance manager, the Accountant and the Production manager accepted that there was a decrease in operating expenses. According to them the organisation realised a 10% reduction in operating expenses. They attributed a drop in operating expenses to recalling of products from subcontractors and doing them in house. The Chief executive officer, Operations director and the human resources manager also mentioned that there was a reduction in operating expenses even though it was

not significant. According to the Human resources manager the reduction in operating costs was attributed to Multiskilling. He also attributed the reduction in operating expenses to reduction in costs associated with subcontracting work. This strategy reduced the wage bill of the organisation as few employees were required to do many tasks. The other three managers did not see any decrease in operating expenses I think this was because there was nothing much that was done concerning this, in their departments.

#### 4.8.5 Did the organisation realise any increase in capacity utilisation?

The responses that were collected are tabulated below in table 4.9

Table 4.9 Responses on changes in capacity utilisation

<b>Respondent</b>	<b>Response</b>
<b>Chief executive officer</b>  <b>Operations director</b> <b>Production manager</b> <b>Marketing manager</b> <b>Finance director</b>	There was an increase in capacity utilisation of approximately 10%
<b>Human resources manager</b> <b>Procurement manager</b> <b>Quality control manager</b>	No increase was witnessed
<b>Finance manager</b> <b>Accountant</b> <b>General manager</b>	A small increase in capacity utilisation was realised

With an increased number of machines on the production line the production manager stated that their capacity utilisation increased by around 10% from an approximate value of 25% to 35%. He also mentioned that recalling of products from their subcontractors contributed to the increase in capacity utilisation as more work

was now being done in house. The marketing manager also mentioned that restructuring of the repairs department increased capacity utilisation because it increased its operations. Most of the work had been stopped in this department because of some hardships in the days of economic instability. All the respondents in the research agreed that there was an increase in capacity utilisation. The Human resources manager, Procurement manager and the Quality control manager did not see any change in capacity utilisation. Sometimes it was so because there was a marginal change in this area.

#### **4.8.6 Do you think the strategies brought any improvement to the quality of goods produced?**

The following is a table of responses that were gathered on the above question.

Table 4.10 Responses on changes in quality of goods

<b>Respondent</b>	<b>Response</b>
<b>Operations director Production manager Finance manager</b>	Slight improvement was witnessed
<b>Human resources manager Chief executive officer Procurement manager Quality control manager Marketing manager Accountant General manager Finance director</b>	No improvement was witnessed

From the responses which were given in the research it shows that the strategies which were implemented did not bring an improvement in the quality of work as most respondents did not see any improvement. The quality control manager stated that the strategies that were implemented had no impact on the quality of work produced.

He attributed this to old machinery that is inefficient and the smaller number of skilled manpower. The production manager also mentioned that Multiskilling was a good strategy for cost cutting but for it to be effective, intensive training programmes were supposed to be introduced first in the organisation. In their organisation it was introduced but training was not that intensive. A lot of training programmes need to be introduced in the organisation if the quality of products is to improve.

#### **4.8.7 In your opinion do you think the strategies that were implemented were effective?**

The table below summarises the findings that were collected from the respondents.

Table 4.11 Responses on the effectiveness of implemented strategies

<b>Respondent</b>	<b>Response</b>
<b>Operations director</b> <b>Production manager</b> <b>Finance manager</b> <b>Accountant</b>	They were effective so the organisation can continue with them
<b>Human resources manager</b> <b>Chief executive officer</b>	Some were effective, but some were not very effective as the organisation have limited resources.
<b>Procurement manager</b> <b>Quality control manager</b> <b>Marketing manager</b> <b>General manager</b> <b>Finance director</b>	The organisation can continue with them, but more resources need to be allocated.

All the respondents in the research agreed that the strategies that were implemented were effective. This was because positive results were realised in all the areas where they were implemented except in the improvement of quality. The chief executive officer mentioned that their main challenge was of funding because most

of the strategies require more resources for them to be effective. He goes on to say that it is important to continue with these strategies and amendments done to them so that the organisation can achieve its intended goal of being competitive on the market.

## **4.9 SUMMARY OF FINDINGS**

### **4.9.1 Strategies Implemented**

From the research findings it shows that the strategies that were adopted were more of survival strategies, and they were focusing mainly on improving capacity utilisation, cost reduction, and increasing revenue generation.

#### Increasing capacity utilisation

According to Nagle and Hogan (2006) organisations in decline industries need to maintain a higher capacity utilisation level so that fixed production costs can be spread. So increasing capacity utilisation was an appropriate strategy that was adopted by Monopumps as it gives it the capacity to spread its fixed production costs. It is a very good strategy but the nature of machinery, which is being brought back on the production line, is old. Thompson, Strickland and Gamble (2010) recommended that organisations facing challenges of higher costs have to invest in high productivity and cost saving technology for them to reduce costs. The aspect of increasing capacity utilisation is good as the organisation spread its costs of production. From the research it can be seen that management is more focused on internal operations of the organisation only without looking at other business

opportunities. The organisation is supposed to use its slack capacity in the chroming plant, rubber shop plant and the machine shop by doing work for others.

#### Revenue generation

Revenue generation strategy that was implemented by the organisation was an appropriate strategy for an organisation operating in this industry. Pearce and Robinson (2010) recommended that organisations need to collect a lot of revenue when operating in a declining industry for them to survive. This will allow it to safeguard its operations in a low profit generating environment.

#### Maintaining the brand

From what was gathered it shows that this strategy works as other clients who were using imported products turned back to Monopumps products after realising that it was a good brand. Other pumps that were coming on the market were not durable. An increase in the advertising budget means that the organisation was complementing its brand on the market by making awareness of its existence to its market. Alley and Mullen (2012) mentioned that brand loyalty is something which is difficult to break in other people. So this strategy of maintaining the brand was appropriate for the organisation. The organisation managed to maintain its loyal clients as they were still using its products. Changing of the brand was going to cause confusion to its loyal clients.

#### Reduction of operating costs

The organisation implemented some cost reduction strategies by reducing its number of employees through Multiskilling, recalling products from its subcontractors so as to reduce some machining costs. Centralisation of procurement was also

implemented as a way of trying to reduce costs of procurement. Johnson, Scholes and Whittington (2011) mentioned that when an organisation is facing some challenges of low sales volumes reduced profit margins it has to implement some tight financial controls. This strategy is relevant for this organisation as it is facing a lot of challenges which are financially related.

#### **4.9.2 Compatibility of strategies**

The strategies, which were implemented, are in line with solving the challenges that the organisation is facing. The main drawback, which is there on most of the strategies, which were implemented, is lack of resources. The organisation recalled many products from subcontractors to be done in house, but it had no capacity to do so. The available machinery is too old to produce good quality work as was being produced by subcontractors. The efficiency of their machinery cannot match that of their subcontractors.

The quality of human capital that the organisation has might not bring out required changes in the organisation. From the findings we found out that the organisation was affected by staff turnover. The employees available are not highly experienced in doing the work. Most skilled manpower left the organisation looking for greener pastures. The nature of work which is being recalled from subcontractors has to be done by competent employees. Companies which were doing the work had the core competence to do so. According to Thompson, Strickland and Gamble (2010) outsourcing the performance of certain value chain activities is more economical as outside specialists can perform them at a lower cost than doing them in house because they have the core competence.



### **4.9.3 Effectiveness of the strategies implemented**

From the research findings it shows that all the strategies that were implemented had an impact on the performance of the organisation. Revenue generation increased by about 15%, this shows that the strategies that were implemented produced some positive results. Customers were afraid of penalties that were going to be imposed if they fail to pay in time. Cost cutting measures which were put in place produced results because a reduction in operating costs was realised. Some savings were realised when work was brought in house, this reduced some operating expenses by about 10%.

Through increasing its advertisement budget the organisation managed to attract a number of customers. The organisation managed to realise an increase of 25% in sales volumes for the period under review and also its market share increased by 10%. After introducing the system of repairing machines and adding them onto the production line there was an increase in the number of working machines. This resulted in an increase in capacity utilisation by 10%.

From all these findings it shows that strategies that were implemented yield some results. For an organisation like Monopumps, which is competing with organisations that are manufacturing goods from outside Zimbabwe, it needs to be highly competitive. Production costs in Zimbabwe are higher as compared to those outside because of high top management costs and also high frequency of power cuts. To come up with competitive products on the market, organisations operating in Zimbabwe have to drive their operating costs to very low levels. The level of performance is not what the organisation is looking forward to because it does not give it a competitive edge on the market because its competitors are performing better. The percentages realised have to go up if the organisation is to be

competitive in its operating environment. More resources need to be made available to the organisation for it to operate efficiently.

## **4.8 CONCLUSION**

This chapter was mainly concerned with discussing some research findings. It was concerned with discussions and linking the findings to the available literature. The next chapter will look at the recommendations on what the organisation can do to improve its business operations. It is also going to recommend other areas for further research in future.

## **5.0 CHAPTER FIVE CONCLUSION**

### **5.1 INTRODUCTION**

In this chapter the researcher is going to make inference and conclusions to the research using the research findings of chapter four. Recommendations and areas of further study are going to be given in this chapter. Testing of the research proposition is going to be done in this chapter.

### **5.2 CONCLUSIONS**

#### **5.2.1 Implemented strategies**

All the implemented strategies were appropriate for an organisation like Monopumps operating in a decline industry as they are more of survival strategies. The strategies had an impact on its operations but they failed to put the organisation in a more competitive position in its market because of the reasons listed in the following sections.

#### **5.2.2 Compatibility of implemented strategies**

From the research findings of this study it was found that the strategies which were implemented were good because they are most suitable for an organisation which is encountering a downward trend in its market share and sales volumes. Organisations facing these challenges need to come up with strategies which allow them to be competitive on the market like cost reduction, increasing capacity utilisation and repositioning themselves on the market through advertisements. These strategies need to be tailor made to the organisation implementing them. The

strategies implemented by Monopumps are failing to be effective because of some of these challenges.

## **1. Machinery**

From the research findings it shows that the organisation could not achieve its objectives effectively because of lack of resources to use in doing its operations. The organisation is using obsolete machinery which cannot produce efficiently. The rate of production of these machines is low as compared to modern machines which are now used by other producers on the market. The rate of machinery breakdowns becomes high when the machinery is old and this reduces the rate of production. The quality of products produced by these machines cannot meet the international standards being used by its competitors in the market.

## **2. Personnel**

The organisation is having some challenges with its personnel as most of them are not highly qualified. This challenge will make some strategies not compatible because they have to be carried out by qualified personnel. This will ensure that all tasks are performed in a professional manner thereby producing products of high quality standards.

### **5.2.3 Effectiveness of the implemented strategies**

From the gathered information we can say the implemented strategies did not attain the required results. They brought changes to the organisation's performance but they were not effective enough to make the organisation competitive on the market. This was because management adopted strategies like revenue generation, it is an

appropriate strategy in a decline industry but they did not make efforts to look around for all methods which can be used to generate revenue except through sales.

## **1. Operating costs and revenue generation**

Efforts to reduce operating costs which were adopted failed to attain the required target. This was because there are some other costs which the organisation cannot remove from its operations like salaries and other fixed costs. In Zimbabwe the salaries and other benefits paid to top management are high so they always increase some operating costs. In most cases they are not performance based packages. Considering the size of Monopumps it won't be economic to have such a big number of managers. There are also some costs which emanate from production like products rework and rejects. The efforts which are being done by other departments in the organisation to reduce costs are not bringing any significant change in the organisation's performance. The organisation cannot reduce the price of its products to meet those which are being charged by its rivals on the market because of these costs. According to Harfield and Hamilton (2000) organisations need to adopt efficient business operations so that they reduce their costs for them to survive in a market with declining sales and reduced profits.

The amount of revenue generated increased after implementation of the strategies. On the other side the use of multicurrency brought stability to the economy, this means that clients were now able to budget for other projects. An increase in revenue can be attributed to implemented strategies only but stability in the economy also. Management did not put a lot of effort in looking for other cash generating ways except focusing on the traditional way of generating cash through sales.

## **2. Capacity utilisation**

The organisation managed to increase its capacity of operations marginally by adding some more machines on the production line, restructuring of its repairs section to increase and the establishment of a chrome plating plant. The capacity increased but it did not bring a lot of changes in terms of spreading of costs because the machinery was old and inefficient, so very little economic gains were realised from this strategy. On the other side the chrome plating plant is efficient but it is not always fully loaded as the organisation cannot utilise it to full capacity internally because of less work. Management is supposed to subcontract their slack in chroming to other players on the market thereby increasing their revenue base. As more machines are being repaired the organisation can also do machining for outsiders.

## **3. Good brand maintenance**

The strategy worked for the organisation as some of its clients who had turned to some imported products are now coming back to buy its products, thereby resulting in increased sales volumes. This strategy was effective for the organisation because in a decline industry it is difficult to realise an increase in sales as the competition for the clients is high. According to Pearce and Robinson (2010) firms strive to maintain the existing clients when the industry is declining. Economic stability can also be another factor which contributes to the increase in sales.

### **5.2.4 Testing the research proposition**

From the findings the research proposition is restated as follows:

Monopumps is failing to perform well in this multicurrency system because management adopted strategies which can be applied generally in a declining

industry. Management has to implement specific strategies which address the organisation's problems using the available resources.

## **5.3 RECOMMENDATIONS**

From the findings cited above the researcher recommends the following.

### **1. Recruitment of more qualified personnel**

From the findings it shows that the organisation implemented Multiskilling to cater for some vacant positions in the organisation. The main reason for implementing this strategy was to reduce on labour costs as this was going to result in a few employees on the pay roll. These people who are taking over these tasks need some training for them to effectively carry out the tasks, these costs of training are adding to its operating costs. As employees were exposed to new tasks before undergoing training in all areas, the quality of work which is being produced is low. There are costs associated with rework and rejects because of using unskilled employees.

I would recommend that the organisation recruit some skilled employees if it is to realise an improvement in its operations. They can look for skilled employees who were working for their former subcontractors who have stopped operations. This will assist the organisation to improve the quality of products and it will also relieve pressure from the employees currently working for the organisation. After assessing all these facts the researcher recommends that, skilled employees have to be recruited as this will reduce its costs than increasing. To further reduce costs the organisation has to restructure so that the number of managers can be reduced as

their salaries and packages are always high departments can be converged for example procurement and stores.

## **2. Selling old machinery**

As the organisation is having some challenges of funding, management have to come up with strategies which see the organisation acquiring new machinery. If they sell their old machines which are down and buy modern machines they will increase their efficiency in production. This will improve the quality of its products and reduce demand for manpower as these machines will combine operations which were done on separate machines. Bringing old machines back on the production line can increase capacity utilisation but the quality of increased capacity would be poor. This is because these machines are not efficient as compared to modern machinery which is being used by other competitors. According to Casico (2004) organisations facing some challenges have to look at their operations for some inefficient operations, personnel, assets and dispose them so as to cushion themselves from further loses. According to Strickland, Thompson and Gamble (2010) retrenchment is one of the effective strategies used to stimulate organisation's performance.

## **3. Commercialisation of the chrome plating plant**

The researcher recommends that management commercialise the chrome plating plant. From the information which was gathered this plant has excess capacity. The organisation can do plating work for outsiders when the plant is not busy. This will allow the organisation to generate extra income out of their investment. This will increase its cash generation base thereby helping it to meet some of its cash obligations. According to Yannopoulos (2011) organisations can turn onto areas where most players in the market are not paying an attention to and then they make



profits without a lot of competition from other players. Monopumps can adopt this strategy and operate its plant at full capacity thereby generating income out of it.

#### **4. Reduction of progress review period**

I would recommend that management reduce the period it reviews its strategies from the three months to a shorter period. A shorter review period will allow management to implement some remedial actions before it is too late. This will also allow management to implement changes in the organisation in line with what is taking place on the market. This makes the organisation to be abreast with changes taking place thereby remaining competitive. According to Pearce and Robinson (2010) long term review of objectives are effective only when line managers are guided by clear policies which empower them and allow them to be flexible in making decisions.

#### **5.4 STUDY LIMITATIONS AND AREAS OF FURTHER RESEARCH**

The researcher had some time limitations as the allocated time to carry out this study was not sufficient. In gathering data, senior managers were not willing to disclose all the information as they believed that some of the information was private and confidential. As this study was more focused on Monopumps it cannot be generalised to all other engineering companies which are in the manufacturing sector. Other case studies on other organisations in the same sector can be carried out and the results compared with this study. Other researches need to be carried out on national policies and their impact on the performance of organisations in this sector.

## **5.5 CHAPTER SUMMARY**

This chapter was looking at the research findings and evaluating them. It looked at the strategies which were implemented by the organisation and how appropriate they are in solving the organisation's problems. An evaluation of the effectiveness of the adopted strategies was done in this chapter as a way of assessing if the adopted strategies were suitable and properly implemented. The researcher went on further to give recommendations on what the organisation can do to survive. The researcher concludes this chapter by giving areas of further research.

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# APPENDIX

## INTERVIEW GUIDE FOR MONOPUMPS MANAGEMENT RESPONDENTS

### SECTION A: BACKGROUND OF RESPONDENT

1. What is your position in the organisation

.....

2. Age of respondent

26-35 years      36-45 years      46-55 years      above 55 years

3. Academic Background

.....

4. Years in the organisation

.....

5. Years on current position

.....

### SECTION B: CHALLENGES BEING FACED IN THE MULTICURRENCY SYSTEM

1. What challenges are you facing as a company after the introduction of the multicurrency system?

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2. What impact do these challenges have on the performance of your organisation?

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**SECTION C: STRATEGIES ADOPTED BY MONOPUMPS**

1. What strategies were put in place to overcome these challenges?

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2. Were there any mechanisms which were put in place to monitor the implementation of these strategies?

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**SECTION C: COMPATIBILITY OF THE STRATEGIES IMPLEMENTED**

1. Do you think the strategies which you implemented were in line with your vision as an organisation?

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2. Are the resources available enough to see the success implementation of these measures?.....

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3. In your opinion are the strategies relevant to the challenges being faced by the organisation?

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**SECTION D: EFFECTIVENESS OF THE IMPLEMENTED STRATEGIES**

1. As an organisation did you realise some changes in sales volumes after the implementation of the strategies?

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2. Did you realise any increase in market share after implementing these strategies?

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3. What impact do the implemented strategies have on revenue generated?

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4. Was there any reduction in operating expenses after implementing these strategies?

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5. Did the organisation realise any increase in capacity utilisation?

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6. Do you think the strategies brought any improvement to the quality of goods produced?

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7a) In your opinion do you think the strategies which were implemented were effective?

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b) Do you think the organisation have to continue with these strategies?

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