12. Appendix 2 A list of itemized findings for Co1

List of itemized findings for Co1 group based on Table 8.4 The augmented process model (Scott, 2008)

1. Who Decides To Do What
   1.1. Strategists
       1.1.1. Principal-agent

The company does not suffer from principal-agent issue because the CEO is the owner and the only family representative in the company.

       1.1.2. Prospector, analyzer, defender, reactor

Company CEO was classified as a prospector by the interviewee. The rest of the company were classified by one interviewee as analyzers while the other classified them as prospectors too.

       1.1.3. Risk aversion

Company leader was classified as a risk taker.

1.2. Objectives
   1.2.1. Business definition

Business was defined as spare part retailer and whole seller. However, services were also mentioned too. However, one interview argues that even the service centers are actually retailers. However, this could be classified as a vertical integration for example.

Although the company website talks about several branches of the group, the interview and the research will assess only the spare part retailer arm of the group. The two employees interviewed were from this part of the group.

       1.2.2. Mission and vision

Company has mission and vision statements and are posted in their website.

       1.2.3. Shareholder wealth

Shareholder wealth is well guaranteed in the company as company owner is managing the business. So, his own interest as well as other family members is well represented in company objectives and direction. This is particularly true since the main objectives (mainly financial) are solely approved by the owner.

       1.2.4. Gap analysis

Interviewee clearly said they are not doing gap analysis. The way they set their targets (a percentage growth over last year distributed among current and new outlets) suggest that too.

       1.2.5. Means and ends
It can be seen that the company understood the differences between means and end from the way the broke down their long term objectives into short term measurable objectives.

1.2.6. Ethics

The company has in their website a list of what they call our values. It is only in the Arabic pages but not in English one. One of the interviewee attributes these values to being Muslims and to Islamic teachings.

1.2.7. Profit maximization

The company incentivizes its sales forces to increase profit margin as a way of maximizing their profit. However, profit comes as a secondary measure of performance. Their primary performance indicator is sales. It is apparent that the achievement of a certain level of sales per outlet leads to profit from that particular outlet. So, their primary aim is to maximize sales which in turn would lead to maximum profit.

1.2.8. Growth vector

Growth vector was set very clearly though numbers and percentages. They are further broken into 3 main segments. Growth percentage as well as sales values were set for five years for each of these segments.

1.2.9. Stakeholder map

In company values, it identifies four stakeholders of the company. It seems that the main interest of each stakeholder is being taken care of. Shareholders’ interest is well represented by the owner and its projected growth vectors. Customers interest is present by the provision of high quality genuine parts with the lowest prices as well as another option for a second even lower prices comparable quality parts. Employees interest is well present by advanced incentives and benefits schemes. The fourth apparent stakeholder are suppliers. For this category the picture is not clear. It is believed that this is one of the confidential issues.

1.2.10. Credible, quantifiable, disaggregated, economic, financial

Employees mostly consider given targets credible. As they had a hand in deriving them, they do believe in them. Their sales targets (which are the main objectives) are well quantifiable, measureable, traceable and reflects directly into financial indicators.

2. Analysis And Diagnosis

2.1. The general environment

2.1.1. Macroeconomic analysis: unemployment, inflation, interest rate, exchange rate

The company keeps a very open eye on exchange rates as they affect their cost of the product. However, there were no indications that unemployment or inflation are considered when doing analysis, unemployment interest rates do affect the company even though not in a direct way. The company signs deals with the banks. Those deals are based on Islamic financing schemes (Mudharab, Murabha, Mushraka129, etc). regardless of the scheme used, it does have a cost. This cost is normally affected by global interest rates. Hence, it can be argued that interest rate do affect the rate charged by the bank.

129 Forms of partnership and joint venturing.
2.1.2. Forecasting

Forecasting on sales level is highly utilized in the company. It is broken into annual, semi-annual, quarter and monthly too.

2.1.3. Competitive advantage of nations

Not applicable. But check. We did not have a question for this.

2.1.4. Environmental scanning

It can be argued that the company did pay attention to environmental changes, for example the last world crises in a reactive way. Their reaction to the world crises was to hold on expansion and freeze growth requirements. However, there was no indication that this is done on a systematic proactive way.

2.1.5. PEST

Interviewee argues that PEST is not needed in Saudi Arabia, company’s main operation area as it is pretty stable environment. He states that these analysis have been done when trying to expand internationally in few other countries. Example was given Egypt and Yemen.

2.1.6. Scenarios

Though scenarios are said to be used in planning stage. There was no evidence that they were actually taken into implementation. Particularly when translating the growth into numbers.

2.2. The industry and international environment

2.2.1. Demand and supply, price determination, elasticity

Prices for genuine spare parts are determined pretty much by the near monopoly of the main Toyota dealer in Saudi Arabia. Main Toyota dealer in Saudi Arabia is the main supplier for company genuine sales. So, prices are pretty much determined by the market structure. Competition between outlets are based on the discounting schemes and values they get from the main supplier and how much of it they pass to the customer.

In non-genuine parts, the company has its own brand. Its price is based on its cost plus a percentage.

Demand and supply normally plays a role in determining end customer price in terms of the amount of discount it gets. The higher the demand, the higher normally the discount rate the customer gets. This is normally because the supply is also high. They call this category “fast moving items”. However, price fluctuates in a narrow range.

2.2.2. Barriers to entry

Barriers of entry in this market does seems to be high. Securing supply chain in a reasonable cost is a challenge.

2.2.3. Forms of competition: perfect, imperfect, oligopoly, monopoly

In genuine parts it’s a near monopoly by the main Toyota dealer in Saudi Arabia. In non-genuine spare parts the market is in perfect competition. However, this company have created their monopoly in their own brand as an alternative to the genuine parts. So, for their own brand, they own the market.
2.2.4. Segmentation
The company has several segmentations. Some are imposed by the market like genuine and non-genuine parts. However, the company introduced several other segments like internet sales, whole sales, companies sales and service centers. They all represent segments with their own price structure and services.

2.2.5. Differentiation
The market observes about 20-30% price differentiation between their own non-genuine brand and the genuine parts. The company has a 5-10% premium on their own brand over other non-genuine parts. However, it about 20% less than the genuine parts prices.

2.2.6. Quality
Company argues that their own brand of non-genuine parts has a comparable if not better quality to the genuine. So, it is marking its prices up by 5-10% over other non-genuine brands.

2.2.7. Strategic groups
The issue of strategic groups was not covered in the questions.

2.3. Internal factors

2.3.1. Value chain
From their list of objectives, it seems the company understands well its supply chain and work on improving it as they include some targets regarding efficiency of their supply chain. However, it is not obvious whether the full value chain is well understood by the company. For example, their IT system could also be credited in improving stocks, its handling and tight control it.

2.3.2. Shareholder value analysis
Shareholder values are directly represented by the owner who manages the business on daily basis.

2.3.3. Competence
There was no indications that the company went into deep competency analysis to determine their core competencies and hence to judge on their expansion and how related. Their expansion is primarily based on replication of new outlets.

2.3.4. Strategic Architecture
Co1 internal architecture seems one of the major advantages of the company. It was very clear that loyalty of employees is an essential ingredient of its success.

2.3.5. Experience curve
There are no indication that it is being used at least consciously.

2.3.6. Economies of scale
economies of scale is misunderstood to price vs quantity. There are no indications that it is used.

2.3.7. Innovation
It can be said that the company is actually in search for new ideas and creative solution for the customer. They were the first to introduce internet sales of spare parts in Saudi Arabia. They are also planning to open a specific outlet meant for the youngsters.

2.3.8. Economies of scope
No indications it is being used.

2.3.9. Synergy
No indications it is being used.

2.3.10. Joint production
Joint production in the sense of joint partnership is being targeted by the company. They are on the verge of creating a manufacturing plant for car batteries in association with Hitachi Japan.

2.3.11. Opportunity cost
The company feels that this tool of analysis is meant for investments rather than trading company. However, they say they do compare for example two sites before deciding on one to open a new outlet. They compare the analysis of the two locations in order to decide between one of them.

2.3.12. Marginal analysis
No indications it is being used.

2.3.13. Accounting Ratios
Accounting ratios are well used in this company. Particularly the ones related to trading.

2.3.14. Cash flow
Cash flow is one of the important issues for this company. Their targets includes improving their cash flow and they use their computerized accounting system to monitor it.

2.3.15. Benchmarking
The company uses some benchmarking through their legal accountant. They compare themselves to the industry in general but particularly to the main Toyota dealer in terms of sale. This for them is considered an important benchmark.

2.3.16. Human resource management
Human resource is not very sophisticated but it seems they started to pay attention to it. It is dealt with on a reactive basis in certain areas (like opening a new outlet) while plans are being laid to replace aging employees.

2.3.17. Culture: power, role, task, personal
The company is run by an authoritative owner. Though some delegations are being filtered down, the main power remains in his hands.

2.4. Competitive position
2.4.1. Product life cycle
One interview argues that PLC is being used however, it is not seen how this is actually put in place. The main business of the company is retailer. Their stock is very much moving items and it can be argued that PLC could hardly be of any use here.

2.4.2. Market share

The word market share has not been mentioned not even once. Sales volumes instead is being used to represent how big the company is and how well it is doing. Benchmarking to the main Toyota dealer is also used but more importantly, number of outlets is thought to be the main measure of how big a player the company in the market.

2.4.3. Portfolio analysis

The information indicates that the company is not actually implementing portfolio thinking. It is true the is actually diversifying however, the move is considered a risk mitigation activity.

2.4.4. Perceived differentiation

The company does seem to have not only use differentiation, but it looks it is working well too. An interviewee said that their revenue increased after they have decided to stop other non-genuine brand and only sell their own non-genuine brand (Mize). This could be argued to represent a success in differentiating their product from other.

2.4.5. Strategic groups

See strategic group

2.4.6. Competitive reaction

There were no major indication that competitive reaction is well inherited in the company analysis or price settings.

2.4.7. First mover

Maybe unconsciously, the company is leading –in some areas- the moves into new avenue such as internet sales.

2.4.8. Five forces

There was no indication this has been used.

2.4.9. Elements of competitive advantage

The company recently worked in identifying their elements of competitive advantage through a field study. It was not clear though how would this information be utilized.

2.4.10. ETOPS

May be this term was not well understood. However, the company did react to environmental threats. For example, they did modify their 2009 objectives (but maybe only verbally) in response to the world crises.

2.4.11. Strategic advantage profile

There was no indications that the company does lay down its strategic advantage profiles.
3. **Choice**
   3.1. **Generic strategy alternatives**
      3.1.1. Corporate and business strategy
             Stability, expansion, retrenchment

      It is very apparent that the company is expanding.

      3.1.2. Combination

      On a business unit, the company is a cost leader. They are known for their low prices. They also use segmentations very effectively. In terms of focus, they are focused too on Toyota. However, they started spreading their focus to include other brand and mitigate the possible risk associated with Toyota by expanding into Hyundai.

      3.1.3. Cost leadership

      Covered in the above para

      3.1.4. Differentiation

      Covered in the above para

      3.1.5. Focus

      Covered in the above para

      3.1.6. Segmentation

3.2. **Strategy variations**
   3.2.1. Diversification: related and unrelated

   The company is diversifying. One major diversification they embark on is stepping into spare parts of another major brand, Hyundai. The company found that Hyundai is the largest growing brand after Toyota and decide to include it in their list of items. This diversification is in the same market, similar supply chain, same outlets, same employees, skills.. etc. very well related diversification.

   3.2.2. Vertical integration

   The company is moving closer to the customer by opening service centers. They consider these service centers retail outlet while it is clear it is a vertical integration. This move could also be considered a diversification from Toyota as they accept in their workshops non-Toyota cars too.

   3.2.3. Mergers and acquisitions

   Acquisitions was one method used by the company to expand and buy existing outlets. However, currently this is not utilized.

   3.2.4. Joint ventures and alliances

   The company is embarking on a manufacturing joint venture with Hitachi. This move could be considered a diversification (into manufacturing of spare parts) a joint venture as well as an international expansion in the form of an international partnership.
3.2.5. Pricing: leadership, limit, predatory

Pricing is determined by the main Toyota dealer for all genuine parts. For non-genuine parts, it is a cost plus pricing.

3.3. Strategy choice

3.3.1. Risk analysis

There was no indication that a formal risk analysis is being carried out. However, some diversification actions could be interpreted as a response to risk analysis. For example, the move into Hyundai particularly after the recent difficulties faced by Toyota in the US.

3.3.2. Managerial perceptions

The expansion choice of strategy is largely influenced or even dictated by the owner/manager of the company.

3.3.3. Net present value

It was argued that some financial indicators are more suitable to investment than to retail companies. NPV is thought to be one of those indicators.

3.3.4. Familiarity

The choice of expansion strategy is coming from the management/ownership desire rather than the management familiarity of the technique. See above.

3.3.5. Scenarios

There is no indication that scenarios are highly utilized. However, it was said that at least two sales scenarios are included in their planning.

3.3.6. Break even

Breakeven analysis is well utilized in particular as the company expand and open new outlets.

3.3.7. Payback

Same as breakeven analysis

3.3.8. Sensitivity

There was no indication that this technique is being used.

3.3.9. SWOT

One interviewee stated the utilization of SWOT analysis. However, it was not clear how this was carried out, nor how it was made use of.

3.3.10. Game theory

All indications point to a growing market.

4. Implementation

4.1. Resources and structure
4.1.1. Divisional, functional, matrix

The apparent division is functional. The main function the company focus on is the sales department. This is where most of the resources are. Main office provides supporting functions such as HR and accounting. However, a major current asset is in the hands of warehouse/purchasing department. Company objective does call for improving this important resource.

4.1.2. Managerial style

Responsibilities and authorities are divided downward. Sales manager for example have full control over sales outlets and resources. This responsibility is further delegated to regional supervisors who in turn filter that down to outlet managers.

4.1.3. Critical success factors

CSFs are not actually in place in its formal definition. However, the company does know that its main CSF is the achievement of their sales targets. They put most of the efforts to ensure that even though they do not call it CSF.

4.1.4. Incentives

The company has a very sophisticated incentive system. It is well attached to sales targets, expenses and profits. They even have a priority system. Incentives are structured based on the priority of objectives as set by the management.

4.2. Resource allocation

4.2.1. Opportunity cost

Some analysis is done when comparing between two location for a new outlet. However, there is no indication that opportunity cost analysis is done as a way of resource allocating process.

4.2.2. Marginal analysis

There is no indications that marginal analysis is being carried out.

4.2.3. Optimization

It can be seen from company’s objectives that it aims to optimize its resources. For example, it is aiming to utilize every possible space in its outlets to generate revenue and hence increase its optimization level. The same is true for trying to extending working hours in the same outlets. This move is coming from the objective of trying to increase the revenue per outlet. However, it is unknown if this was thought of as optimizing resources or weather there are other moves regarding other resources.

4.2.4. Budgets

Budget is allocated according to the objectives set out by the management.

4.2.5. Critical success factors

Covered above.

4.3. Evaluation and control

4.3.1. Performance measures
The main evaluation and control the company utilizes is sales achievements and targets. This is well structured and monitored even on daily basis.

4.3.2. Ratios

Again it was felt by the interviewee that such ratios are more suitable to the investment companies rather than retailers.

4.3.3. Degree of Planning and type of Control

Recent years have seen heavy planning manifested itself in as sales targets. Monitoring and control of sales targets and its achievement is very tight and well structured.

4.3.4. Monitoring systems

The company has an IT system in all its outlets, warehouse, accounting. All their sales, purchase and accounting are computerized and well connected. The system is close to real-time and information are at most daily updated. So, the system has a very sophisticated monitoring system in the hand of all management, regional supervisors, outlet managers as well as the salesmen themselves. Each can monitor even daily the transactions, targets.. etc.

5. Feedback

5.1. Communication

Feedback communication is established by emails between the different levels of management. Also, periodical/review meeting are scheduled at least semi-annual for top management and more frequent at the lower level of management.

5.2. Management style and Adaptability

The information provided indicates that the management does listen and could adapt a course of change from, for example, a pre-set objectives. In one incident the management gave an outlet management the full incentive of achieving the target even though they did not achieve. The reason the management reckoned for not achieving the target was an outside circumstance that is beyond the control of outlet management.

5.3. Learning organization

It can be argued that the company does learn from the surrounding. A good example would be the decision of the company to diversify into new car manufacturing brand. This was not a pure reaction to the changes that took place in the industry but also trying to secure the company position from such an issue getting deteriorated.