Case Study

Strategic Exploration of Salt International Company in Thailand: Can they have Sustainable Growth and Profits?

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Abstract:
This case provides a quick review of relevant literature on strategic management along with some data to initiate an assessment or a SWOT analysis for Salt International Co., Ltd. This company became financially stable and successful in a matter of just a few years due to the use of such strategies as outsourcing, low-cost products, and differentiation. The authors provide some content to analyze and evaluate the company’s strengths and weaknesses along with relevant opportunities and threats to determine whether this company can sustain its profitability in an industry where there is low product demand. The case provides a discussion of strategic management planning, market analysis, SWOT and PEST Analysis, and alternatives for global competition and expansion in the salt industry. Finally, discussion questions along with details about the concept and usage of value driven management framework is offered for future integration in situational analysis and long-term planning to maximize overall value for the company’s owners.

Key words: Strategic management, low-cost, differentiation, PEST, SWOT, VDM, and outsourcing.

Introduction

Having a roadmap for success is an important criterion for success in any business. This roadmap is often known as a strategy in the workplace. In order to have a strategic plan, a firm’s managers and leaders often get involved in knowing the industry and forces
impacting their success, which is known as strategic analysis. Strategic analysis is a process of finding out and examining what is currently happening outside of the organization presently and things that may take place in the future. It not only involves internal and external factors and drivers which are continuously evolving under the ever changing environment, but also helps to proactively anticipate and foresee problems in advance.

This case study, on Salt International, presents a general analysis of the strategic actions of an Australian-Thai company based in Thailand. The analysis is based on the general market conditions in terms of macro and micro scale. It discusses the company’s current position and future strategic opportunities. This case ultimately discusses a philosophical framework for future actions to be taken, offers rational arguments on the merits and pitfalls of several options, as well as proposes alternatives and recommendations for necessary actions. The main emphasis is on the future rather than the current situation as the market is changing and moving in high velocity.

Every company must have a vision and roadmap for their future actions because “If you don’t know where you are going, any road will take you there” is not good enough for today’s competitive workplace. Strategic planning is an essential part of today’s organization and managerial duties. It has been said that “Strategic planning determines where the organization is now, where it wants to be, and how it is going to get there” (Mujtaba, 2007, p. 35) and its three main stages are: (1) determining the company’s mission statement and general goals, (2) strategy formulation, and (3) strategy implementation. Companies and managers plan for short-term and for long-term. Short-range plans typically are called operational or tactical plans and consist of one year or less. Intermediate range plans cover a 1-3 year time horizon and long-range or strategic plans cover 3 years and further into the horizon. These plans do not have to roll over if they are no longer relevant and strategic plans should be constantly revised if the organization is to remain responsive to the changing environment. Mujtaba explains that “the characteristics of successful plans are that they are relevant, realistic, flexible, measurable, time bounded, aligned with predicted results, and they provide accountability and responsibility for results” (2007, p. 35). Strategic plans, once put into implementation, should be controlled through an effective follow up process. The application and execution of proper strategic planning concepts in a timely manner can help managers create an effective organizational culture that matches their core values where people work hard for sustainable competitiveness and profitability.

To sustain competitiveness and high profits, “Managers must do everything they can to promote group creativity and team learning” and “leaders and managers must emphasize the importance of building a shared vision” (Mujtaba, 2007, p. 46). The holistic view or “systems thinking” paradigm provides an avenue for organizations to continuously improve and embrace change using new perspectives and new methods of thinking. All modern managers and professionals should know that “systems thinking” is a multidisciplinary approach that involves the “wholeness” of an organization. In understanding the interdependence and interconnections of systems in operation, employees and managers can design relevant strategic plans for a holistic environment that embraces change.

Salt International Background

Salt International Co., Ltd. is a fairly small company and its revenues are about $40 million in just four years. In a short period of four years, these entrepreneurs converted an investment of one million dollars into a growing forty million dollar company. The question is:
can Salt International sustain such a growth and earn good profits?
Salt International is an Australian-based business with extensive international alliances staffed with Australia’s most skilled and experienced salt professionals (Salt International, 2010). Salt International has an Asian regional sourcing office in Bangkok, Thailand, which is the focus of this research paper. Salt International is a business dedicated to supplying the best value solutions for salt requirements. Salt International supports businesses in the food and non-food manufacturing, health and sports, as well as pharmaceutical industries. As presented in the company’s website, it specializes in a number of product streams including:

- The optimum value supply of salt and associated products to meet specific industry requirements.
- A full range of consulting services for the design, construction and management of equipment and systems to handle sea salt products.
- Specialized consulting services for the design, construction and management of salt production, manufacturing and logistical systems (Salt International, 2010).

Salt International was established in February 2006. The initial investment was one million dollars (approximately, 33 million Thai bahts). The accumulated sales amounted to 32.4 million dollars (approximately 1,005 million Thai baht) after three years in 2009. The sources of revenue of the company come from the following activities: 1) Production and engineering consulting; 2) Field and ecological consulting; 3) Sales of all food grade salt products – industrial, retail and gourmet; 4) Sales of non-food related and metal reclaiming product lines; 5) Sales of collaborative products of other brands, and 6) Miscellaneous income such as from Arbitration and Anti-competition consulting. The company is well organized with an outstanding management team which consist of the following personnel: The Chairman who is also the Managing Director; one Consulting Project Director; one Operations Director; one Salt Field Biologist; four Regional Sales Directors; one Chief Financial Officer; one Accountant in Head Office; one Logistics Staff in Head Office and one General Manager in the Asia Regional Sourcing Representative Office which is located in Bangkok with a skeleton or small number of employees. The company is outsourcing the following services: IT and marketing communications, banking and investment advisory, audit and delivery, quality assurance, chemical laboratory services, warehousing safety and security, facilities management and cleaning, commercial laws consultancy, packaging materials manufacturing, supplies manufacturing, and geological survey. The company’s business activities cover a wide range of areas which include countries in the South Pacific region such as Australia and New Zealand; in the South East Asia region such as Indonesia, Singapore, Philippines, Malaysia, and Thailand; and also countries in other parts of the world such as India, Bangladesh, China, Japan, South Korea, USA, Canada, The Netherlands, UK, Germany and Denmark (Personal Interview and Communication with Ms. Jindarmean Bhongsiribhiridabhorn, February 28, 2010).

**Business Model**

The purpose of a business model is to convert innovation to economic value for the company and its stakeholders (Kotelnikov, 2001). The business model spells-out how a company makes money by specifying where it is positioned in the value chain. It draws on a multitude of business subjects including entrepreneurship, strategy, economics, finance, operations, marketing, and supply chain management. Simply put, a business model describes how a
business positions itself within the value chain of its industry and how it intends to sustain itself, which is to generate revenue (Thompson, Strickland, and Gamble, 2010; Kotelnikov, 2001). Salt International’s slogan is “A World of Difference.” Its mission statement states that the company is to become a leading provider of salt supplies and related raw materials solution. The core methods of value creation for the company are through its expertise, honesty and integrity, and partnership sustainability. Salt International uses a mixed approach in strategies consisting of low cost, value creation and business differentiation, value chain management, and relationship sales.

Low cost provider. The company uses outsourced services in logistics, delivery, media solutions, etc. so as to lower the barrier of entry into the business by minimizing all investments on fixed assets or any peripherals that require large sums of investment. It also adopts modern ways of working and networking. All employees except the chief financial officer and the accountant work at home so it saves money on rentals of office space at each main location such as in Thailand, Indonesia, China, India, New Zealand, New South Wales, Queensland, and South Australia.

Value creation and business differentiation. With management’s extensive experience in the salt industry, the company utilizes its skills and expertise in coming up with the best possible solution for its customers under affordable costs. It offers high quality supplies under its own brand “Ultrapure” consisting of the best ranges of salt supplies of each kind whether it be pharmaceutical salt, food-grade refined vacuum salt, iodized retail salt, high quality and mineral rich gourmet salt flakes, swimming pool salt or metal reclaiming salt. Its food salt has been made with virtually no impurities especially calcium deposits. It dissolves fully in water. It is suitable for use in every food manufacturing industry. Its business differentiation concept is not just marketing concepts but it is the true value and fine quality of the product itself as well as the design and selection of the most suitable packaging and printing materials for food use.

Value chain management. The Company does its best in continually managing and following the supply chain to ensure full collaboration and customer satisfaction. It also adopts the most modern ways of managing for on-time delivery to minimize accidental complications with the availability of storage at the warehouses at customer sites.

Relationship sales. With extensive industry experiences gained prior to the founding of the business, the company enjoys its sales growth from its management’s long standing industry relationships where it maintains healthy relations with customers, suppliers and all respective partners and contacts throughout the world (Bhongsiribhiradhabhorn, 2010).

Marketing Analysis

The goal of a market analysis is to determine the attractiveness of a market and to understand its evolving opportunities and threats as they relate to the strengths and weaknesses of the firm (Internet Center for Management and Business Administration, 2007). A market analysis can include a review of such factors as market size, growth rate, profitability, cost structure, distribution channels and market trends. For example, the size of the market can be evaluated based on present sales and potential sales if the use of the product were expanded. The following are some information sources for determining market size.

Market growth rate. A simple means of forecasting the market growth rate is to extrapolate historical data into the future. While this method may provide a first-order estimate, it does not predict important turning points. A better method is to study growth drivers such as
demographic information and sales growth in complementary products. Such drivers serve as leading indicators that are more accurate than simply extrapolating historical data. Important inflection points in the market growth rate sometimes can be predicted by constructing a product diffusion curve. The shape of the curve can be estimated by studying the characteristics of the adoption rate of a similar product in the past. Ultimately, the maturity and decline stages of the product life cycle will be reached. Some leading indicators of the decline phase include price pressure caused by competition, a decrease in brand loyalty, and the emergence of substitute products, market saturation, and the lack of growth drivers (Internet Center for Management and Business Administration, 2007).

The salt industry in Thailand is that of oligopoly at market equilibrium, consisting of 1.2 million tons per year of production. Out of this, 600,000 tons is vacuum salt largely produced for export and as salt solution supplied to a chemical plant. The majority of the rest of product is crude sea salt that is largely supplied to the mass market and local plastic and sea food preservation industries that are mostly located south of Bangkok. The total market size of household consumption and cooking salt of the entire country is approximately 76,000 tons per year. The market share of refined consumption salt, based on socio-economic aspects of the demographics (of the estimated percentage of population willing to spend more money buying refined food-grade and food compatible salt) is approximately 20,000 tons per year in Bangkok and metropolitan cities, and 10,000 tons per year upcountry. The majority of the population still uses locally made unrefined salt sold to the mass market by crude sea salt producers and underground solution miners. The number of consumers willing to spend more money on refined salt is however predicted to be increasing due to the rising improvement of household income and lifestyle.

While exploring the potential food salt markets in Asia, the company considers that it could realize its existing concept of economy of scale by exporting from Asia, especially engineered refined vacuum salt supplies under suitable chemical specifications to major markets such as Australia and New Zealand as well as other emerging markets where there is limited production but immediate and high market demand by the food and non-food manufacturing industries. Doing so, the company can realize its economy of scale by increasing revenues and profits which can further help establish its presence and capture more market share. The products that are said to be highly profitable for the Thai market are gourmet salt, synthetic sea water salt, water softening salt and pharmaceutical salt as the market still lacks respective expertise, skilled resources and manufacturing technology (Bhongsiribhidabhorn, 2010).

Market profitability. While different firms in a market will have different levels of profitability, the average profit potential for a market can be used as a guideline for knowing how difficult it is to make money. Michael Porter devised a useful framework for evaluating the attractiveness of an industry or market. This framework, known as Porter's five forces, identifies five factors that influence the market profitability namely, buyer power, supplier power, barriers to entry, threat of substitute products, and rivalry among firms in the industry.

The key forces that matter to the salt industry in most markets around the world, from high to low, are observed to be rivals among established firms, barriers to entry of new firms and buyer’s power as well as supplier’s power. Threat of substitutes is minimal due to salt being an essential commodity with virtually no competitive, economical and perfect substitutes. As salt is an essential commodity sold under the relationship economy trade orientation, relationship sales is not only a key business concept that is largely practiced in the industry but it also serves as a barrier of entry against newcomers as well as buyers and suppliers (Bhongsiribhidabhorn, 2010).
Industry cost structure. The cost structure is important for identifying key factors for success. To this end, Porter’s value chain model is useful for determining where value is added and for isolating the costs. The cost structure also is helpful for formulating strategies to develop a competitive advantage. For example, in some environments the experience curve effect can be used to develop a cost advantage over competitors.

Distribution channels. The following aspects of the distribution system are useful in a market analysis: Existing distribution channels - can be described by how direct they are to the customer. Trends and emerging channels - new channels can offer the opportunity to develop a competitive advantage. Channel power structure - for example, in the case of a product having little brand equity, retailers have negotiating power over manufacturers and can capture more margins (Internet Center for Management and Business Administration, 2007). Salt International is uniquely placed to support its customers’ businesses and specializes in a number of product streams, including:

- The optimum value supply of salt and associated products to meet customers’ specific requirements.
- A full range of consulting services for the design, construction, and management of equipment and systems to handle salt products.
- Specialized consulting services for the design, construction, and management of salt production, manufacturing, and logistical systems (Bhongsiribhridabhorn, 2010).

Market trends. Changes in the market are important because they often are the source of new opportunities and threats. The relevant trends are industry-dependent, but some examples include changes in price sensitivity, demand for variety, and levels of emphasis on service and support. Regional trends may also be relevant (Internet Center for Management and Business Administration, 2007).

Demand trends can also be motivated with the use of segmentation framework by, for example, introducing a new product with better functional and overall benefits that attracts particular types of consumers. Because salt is an essential commodity, if production in any particular area in the world is affected, for instance, by natural catastrophic weather or mismanagement of production, the shortages of supply will inevitably cause market shift that enforces new opportunities and further changes in the movement of supplies (Bhongsiribhridabhorn, 2010).

Key success factors. The key success factors are those elements that are necessary in order for the firm to achieve its marketing objectives. A few examples of such factors include: Access to essential unique resources; Ability to achieve economies of scale; and access to distribution channels and technological progress. It is important to consider that key success factors may change over time, especially as the product progresses through its life cycle (Internet Center for Management and Business Administration, 2007).

Analytical Tools

PEST analysis. The PEST analysis is a useful tool for understanding market growth or decline, and as such the position, potential and direction for a business. A PEST analysis is a business measurement tool. PEST is an acronym for Political, Economic, Social, and Technological factors, which are used to assess the market for a business or organizational unit.
The PEST analysis headings are a framework for reviewing a situation, and can also, like SWOT analysis, and Porter's Five Forces model, be used to review a strategy or position, direction of a company, a marketing proposition, or idea. PEST analysis can be used for marketing and business development assessment and decision-making, and the PEST template encourages proactive thinking, rather than relying on habitual or instinctive reactions (Thompson, Strickland, and Gamble, 2010; Chapman, 2009).

**SWOT analysis.** The SWOT analysis is an extremely useful tool for understanding and decision-making for all sorts of situations in business organizations. SWOT is an acronym for Strengths, Weaknesses, Opportunities and Threats. The SWOT analysis headings provide a good framework for reviewing strategy, position and direction of a company or business proposition, or any other idea. Completing a SWOT analysis is very simple, and is a good subject for workshop sessions. SWOT analysis also works well in brainstorming meetings. Use SWOT analysis for business planning, strategic planning, competitor evaluation, marketing, business and product development and research reports.

Depending on pretext and situation, a SWOT analysis can produce issues which very readily translate into (one of the six) category actions, or a SWOT analysis can produce issues which overlay a number of categories or a mixture. SWOT essentially tells you what is good and bad about a business or a particular proposition. If it is a business, and the aim is to improve it, then work on translating Strengths (maintain, build and leverage); Opportunities (prioritize and optimize); Weaknesses (remedy or exit) and Threats (counter) into actions that can be agreed and owned by a team or number of teams. If the SWOT analysis is being used to assess a proposition, then it could be that the analysis shows that the proposition is too weak to warrant further investment, in which case further action planning, other than exit, is not required. If the proposition is clearly strong, then proceed as for a business, and translate issues into category actions with suitable ownership by team(s) (Chapman, 2007).

**Porter's Five-Forces.** It is widely known as the five competitive forces that shape strategy. Awareness of the five forces can help a company understand the structure of its industry and stake out a position that is more profitable and less vulnerable to attack. Understanding the forces that shape industry competition is the starting point for developing strategy. Every company should already know what the average profitability of its industry is and how that has been changing over time. The five forces reveal why industry profitability is what it is. Only then can a company incorporate industry conditions into strategy. The forces reveal the most significant aspects of the competitive environment. They also provide a baseline for sizing up a company’s strengths and weaknesses: Where does the company stand versus buyers, suppliers, entrants, rivals, and substitutes? Most importantly, an understanding of industry structure guides managers toward fruitful possibilities for strategic action, which may include any or all of the following: positioning the company to better cope with the current competitive forces, anticipating and exploiting shifts in the forces, and shaping the balance of forces to create a new industry structure that is more favorable to the company. The best strategies exploit more than one of these possibilities (Thompson, Strickland, and Gamble, 2010; Porter, 1979).

**Current Strategic Posture and Process**

After doing a marketing analysis of Salt International focusing on factors such as the market size, profitability and trends, it appears that the company is standing on a very strong position from a marketing perspective. The company has a very flexible solution to their distribution channels which is considered as a key success factor of the company. The company
has essential control over suppliers and has established very strong links with their distributors over many regions around the world. The SWOT analysis on the company gives relevant results on the strengths, weaknesses, opportunities, and threats. PEST analysis further explores the business position of the company on an economical perspective which focuses more on external factors. The results are then measured and compared by considering the situation with Porter’s Five-Forces which helps to understand the structure of the industry and stake out a position that is more profitable and less vulnerable to attacks from competitors. The authors finalized the evaluation of the company’s current situation and competitive position by asking the following questions recommended by Thompson, Strickland and Gamble (2010):

1. How well is the present strategies working?
2. What are the company’s assessment and responses to SWOT?
3. Are the company’s prices and costs competitive?
4. Is the company competitively stronger or weaker than key rivals?
5. What strategic issues and problems need managerial attention?

How well are the present strategies working? The stronger a company’s financial performance and market position, the more likely it has a well-conceived, well executed strategy. Salt International has established itself over the past three years and is currently enjoying a very favorable market share in the industry. Its financial status proves a very strong overall performance (Thompson, Strickland, and Gamble, 2010).

What is the company’s SWOT? Analytical tools such as PEST analysis, SWOT analysis and Porter’s Five-Forces were used to analyze the company’s SWOT to fulfill the following objectives: 1) Conclusions concerning the company’s overall business situation, and 2) Implications for improving the company strategy. Table 1 presents the general overview of the company’s strengths, weaknesses, threats, and opportunities.

With regards to threats of salt reduction in health research, it is a proven fact that high levels of salt consumption can cause high blood pressure which can cause strokes and heart disease. On the other side, high blood pressure and related heart diseases are said to be more of a lifestyle and cholesterol related illness than permanent attributes of the subconscious use of excessive amount of salt in food. Yes, salt is largely perceived as an element of threats and such perception causes people to disregard the fact that it is an essential trace element. Most people tend to eat 8-10 grams of salt per day while the healthy portion is just 1-2 grams per day. There is growing evidence that uses of salt in food may be attributing to the cause of stomach cancer, osteoporosis, obesity, kidney stones, and kidney failure (The George Institute, 2010). While these issues remain considerably debatable, extensive medical research is required to ensure consumers’ confidence.

While value chain and value creation can well be optimized with various expertise and techniques, prices of salt in any shape and form of products are well under the many determinant factors surrounding the industry, its consumers and users as raw materials. This not only implies that a salt business is one that is difficult to achieve business growth but also that most salt supplies such as crude salt and majority of salt products can only be sold at cheap prices except for high purity salt supplied to the pharmaceutical industry, high-end food manufacturing industries, culinary and gourmet industries, lifestyle consumers and other consumers with specific tastes and requirements of food.
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<tr>
<th><strong>Table 1 - SWOT Analysis for Salt International</strong></th>
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<tr>
<td><strong>Strengths:</strong></td>
<td><strong>Opportunities:</strong></td>
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<tr>
<td>• Provide and supply the full range of products and services.</td>
<td>• There is an increasing demand of salt both in general consumption and requirements of food and non-food manufacturing industries around the world.</td>
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<tr>
<td>• Provide the solutions for customers under affordable costs.</td>
<td>• While majority of salt manufacturers and traders around the world enjoy the benefit of salt being essential commodity for consumers, there is always good opportunity for the company to serve any particular segments that suits its expertise and value creation strategy.</td>
</tr>
<tr>
<td>• Strong relationships with customers, suppliers, partners and contacts throughout the world.</td>
<td>• Salt is an essential trace element in human and animal foods.</td>
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<tr>
<td>• The business activities spread cover many areas around the world. This could build new possibilities for attracting new clients.</td>
<td>• Salt is a key raw material used in Chloralkali process in which the demand is rising up in many industrial countries such as, Japan, Korea, and Taiwan, etc. In addition, salt is a required raw material of the major manufacturers of Chloralkali.</td>
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<td>• The company has a well-organized system such as hiring skillful employees to work in the management team, using outsourced services to cut the cost of major peripherals that require high investment, etc.</td>
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<tr>
<td>• The company owns its own brand “Ultrapure”.</td>
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<tr>
<td>• Have steady income from production consulting as well as arbitration and anti-competition consulting.</td>
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<tr>
<td><strong>Weaknesses:</strong></td>
<td><strong>Threats:</strong></td>
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<tr>
<td>• The planning process requires adaptability in continually changing environment.</td>
<td>• Salt reduction and general health concerns. High blood pressure as a leading cause of stroke and a major factor in heart disease.</td>
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<td>• The development of multiple scenarios is often difficult.</td>
<td>• Economically, every market seems affected by this situation.</td>
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<tr>
<td>• Complex, multi-sited and global companies struggle to coordinate in a timely manner.</td>
<td>• Other major salt producers. There are many others countries that are involved salt producing, such as Mexico, England, and Germany.</td>
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<tr>
<td>• Key sales and operations planning measures and commitments may not necessarily be reflected in individual performance contracts.</td>
<td>• Optimization of value chain and value creation so salt products can only be sold at cheap prices.</td>
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**What are the company’s prices and costs competitiveness?** The higher a company’s costs are above its rivals, the more competitively vulnerable it becomes. Two analytical tools to determine price and cost competitiveness are value chain analysis and benchmarking. First, value chain are primary activities that create customer value and related support activities. Second, benchmarking is a tool for learning which companies are best at performing particular activities and use their techniques to improve the cost and effectiveness of the company’s own internal activities (Thompson, Strickland, and Gamble, 2010).

**Is the company competitively stronger or weaker than key rivals?** High competitive strength ratings show a strong competitive position and possession of competitive advantage. A company’s competitive strength scores mark its strength and weaknesses against its rivals and point directly to the kind of offensive or defensive actions it can use to exploit its strengths and reduce its vulnerabilities (Thompson, Strickland, and Gamble, 2010).

The final and most important analytical step is to zero in on exactly what strategic issues managers need to address and resolve for the company to be more financially and competitively successful in the future. A good strategy must contain ways to deal with all the strategic issues and obstacles that stand in the way of the company’s financial and competitive success in the future (Thompson, Strickland, and Gamble, 2010).
Recommendations

Barring any catastrophe or major challenges for the company, it is apparent that Salt International is set up to continue their fast growth in the coming years and earn high profits. Of course, this type of growth and success is hard to achieve and even more difficult to sustain in the long-term. However, through hard work, quality products, and excellent customer service, Salt International’s managers can continue their success in the coming few years through differentiation, out-competing others in the industry, and value creation for all their stakeholders. Success in achieving a low-cost advantage over rivals comes from “out-managing” them in performing value chain activities cost effectively and eliminating nonessential value chain activities. The four best ways to gain a competitive advantage via differentiation can include the following:

- To incorporate product attributes and user features that lower the buyer’s overall cost of using the product.
- To incorporate features that raise product performance.
- To incorporate features that enhances buyer satisfaction in noneconomic or intangible ways.
- To deliver value to customers by differentiating on competencies and competitive capabilities that rivals don’t have or can’t afford to match (Thompson, Strickland, and Gamble, 2010).

Differentiation is important for any firm that is competing with other multinational firms. Global competition exists when competitive conditions are across national markets and competitors are competing in different countries. Furthermore, cross-border alliances enable a company to widen its geographic coverage and strengthen its competitiveness in foreign markets while still being flexible and retaining operational control. The company should concentrate each activity in selected countries or disperse performance of activity to many nations based on their long-term goals and existing opportunities. Besides using PEST or SWOT analysis, the company’s senior managers can also use the value driven management concept to make better long-term decisions. Value Driven Management (VDM) by Pohlman and Gardiner (2000) offers a comprehensive and a holistic approach to effective long-term decision-making. VDM provides a decision-making framework that can be used in a variety of situations for long-term strategic planning. VDM is based upon the value theory, which claims that what people value drives their actions and behaviors. Value driven management is about leading, managing, and working in organizations that are creating value (Mujtaba, 2007). The purpose of value driven management is provide a framework which makes it clear for every person who must make decisions in organizations to see, understand, and deliver the most fundamental result of all: value creation. The goal of VDM is that in decision-making, one should consider the relevant values of many different stakeholders such as: (1) external cultural values, (2) organizational cultural values, (3) individual employee values, (4) customer values, (5) supplier values, (6) third-part values, (7) owner values, and/or (8) competitor values. In order to determine which decision would maximize value over time or in the long-term, managers and employees must include all the relevant variables in the assessment of each alternative, as presented in Table 2.
Table 2 – VDM Alternative Assessment Chart

<table>
<thead>
<tr>
<th>Value Drivers</th>
<th>Short-Term Impact</th>
<th>Long-Term Impact</th>
<th>Value Over Time (Long-Term Impact)</th>
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<tr>
<td>1. External cultural values</td>
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<td>2. Organizational values</td>
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<td>3. Employee values</td>
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<td>4. Customer values</td>
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<td>5. Supplier values</td>
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<td>6. Third-party values</td>
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<td>7. Owner values</td>
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<tr>
<td>8. Competitor values</td>
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<tr>
<td><strong>TOTALS:</strong></td>
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VDM looks at the bottom-line issue from a new and philosophical perspective: the organization’s bottom line is creating value (including profitability, of course) from a complex blend and conscious integration of various value drivers, including external cultural values, organizational cultural values, individual employee values, customer values, supplier values, third-party values, owner values, and competitor values. A vital component of this process is the new value equation, integrating organizations and individuals. When individuals work in organizations with which they are in synch—where they can use and develop their skills, grow and learn, make contributions, and look forward to going to work—they will not only create value for themselves as human beings, they will usually also create value for their organizations. The focus of business in the new millennium will be on value creating results. The conscious, conscientious and systematic use of the principles of VDM provides a promising tool kit for result-oriented value creation through strategic planning and leadership in its execution.

Summary and Discussion Questions

We would like to conclude that Salt International Co., Ltd has a very strong position in the industry as a low-cost provider with effective strategies for long-term value creation in business differentiation, relationship sales, and value chain management. The organization has a great potential to further expand into other parts of the world with strong relationships among its business alliances. However, despite all the diligent prospects analyzed and mentioned in this research, there are alternatives and recommendations to help create awareness and enhance services. Recommendations focused on the best ways and precautions to be taken as a low-cost provider and creating competitive advantage using differentiation strategies. We also highlighted issues on building competitive advantage when competing in a global market which is useful to the organization since it is expanding globally. Lastly, Salt International Co., Ltd.’s combined strategies are very competitive and can attain sustainable profits in Thailand.

The following questions, along with others related to each session’s topics and a curriculum’s exit competencies, can be added for individual as well as group learning, discussions, and reflections:

1. Is Salt International competitive currently?
2. Can Salt International sustain their profitability in the coming four to five years? Discuss why or why not.
3. What have Salt International managers done to make sure their company is successful? Discuss.
4. How have other firms used outsourcing, differentiation, and low-cost strategies to
become successfully globally? Discuss one company or product from each area.

5. Based on a value driven management (VDM) analysis, which of the following strategies would maximize value over time (VOT): outsourcing, differentiation, or a low-cost strategy?

6. Create two other relevant alternatives for the future development of Salt International, and analyze them using the Value Driven Management framework to determine which one provides long-term maximization of value. Recommend the option which maximizes value over time and create an implementation plan.

References


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