

CHAPTER 7

RESEARCH CONCLUSION

“We assume that enterprise excellence is something that we can define, analyze, plan for, and then maintain in perpetuity. With each turn of the Business Wheel, we fancy that we now understand the One True & Lasting Thing that will distinguish a good idea from a bad one, a winning strategy from a dud. Indeed, we labor still under the delusion that the key to winning is - the right strategy. But we must learn that excellence is not something that we can “envision”. We create it as we go along. Then blow it up, and start anew. Simply put: The search for excellence is – never-ending, never-shifting.”

(Peters, 2003:305)

7.1 INTRODUCTION

While research in the area of strategy is diverse and widely diffused across different areas of interest within the domain of strategy, the academic interest in the process of strategy-making still remains current (Szulanski *et al*, 2005). It became evident from the literature review that academic discourse on the process of strategy-making renders little academic agreement and is explained in diverse and opposing ways. This study endeavored to unite various views into a single description of strategy-making processes (Chapter 2). The result was a continuum of diverse approaches where various terminologies used in literature to describe similar views were grouped together and associated with extreme views in this range of approaches to strategy-making (Chapter 3). Issues influencing the choice of strategy-making approach hinging on the perceived advantages and disadvantages of these approaches were also discussed (Chapter 4). Empirical testing (Chapter 6) was done in relation to research objectives and

hypotheses which in turn set out to address the research problem defined in Chapters 1 and 5.

In Chapter 6 it was submitted that the measurement instrument proved both valid and reliable. Content and construct validity were proved on the basis of a thorough literature review and a factor analysis with resultant high Cronbach's Alpha coefficients. Criterion validity was also proved through the discriminant and regression models showing that certain independent variables have the ability to accurately predict other dependent variables. Statistically significant relationships were determined between factors and variables, making it possible to describe research constructs accurately. It is therefore now possible to derive conclusions based on a sound research methodology followed (as explained in Chapter 5 and applied in Chapter 6). These conclusions will be presented in this chapter as part of the discussion of each research objective with its related hypothesis/hypotheses.

7.2 OVERVIEW OF THE LITERATURE STUDY

The research study provided the foundation for the empirical part of this study. It also provided the measurement questions for the measurement instruments. Finally, the literature shaped and structured the research objectives. Although the research problem originated from the researcher's experience of strategy-making in a large parastatal organisation, the research objectives were shaped around and refined through a careful scrutiny of relevant literature in academic journals and text books.

A secondary research objective was hence formulated to address the academic effort of describing and organising relevant constructs for research on strategy-making.

Secondary research objective:

Crystallise a theoretical frame for organising and describing strategy

In Chapter 2 the following critical aspects of strategy were addressed:

- Strategy creation should not necessarily be separated from implementation, but formulation and implementation can be seen as two integrated phases and on the whole an inseparable process. Contrasting views on this issue were outlined. From this followed the *conceptual definition*¹⁴ of “strategy-making” as being **the process of strategy creation whether separated from implementation or believed to be inseparably part of the implementation** (The operational definition follows later in this section).
- The literature reviews showed definitions of strategy varying from early process definitions, competitive advantage and competitive positioning defined as the crux, strategy as analysis, deliberate planning to emergent strategy, strategic intent, and strategic thinking.
- Divergent approaches to strategy were explained in contrasting terms: science versus art; mechanistic versus organic; learning versus planning and design school; and deliberate versus emergent view.
- The chapter concluded with two opposite approaches to strategy-making that are finally crystallized:

¹⁴ A conceptual definition defines a concept in terms of other concepts, the meaning of which is assumed to be familiar to the reader. A conceptual definition aims to capture the essence of the key idea of the concept and distinguish it from other similar but, nevertheless, distinct concepts (Diamantopoulos & Schlegelmilch, 2000:21)

- On the one end: *Rational planning* associated with the science approach, the mechanistic approach; the planning and design approach, strategy as plan, and deliberate strategies.
- On the other end: *Emergent approach* associated with the art approach, organic approach, learning school, incrementalism, strategic thinking, strategy as pattern, and emergent strategies

The following diagram was offered as graphic depiction of the continuum that crystallized:

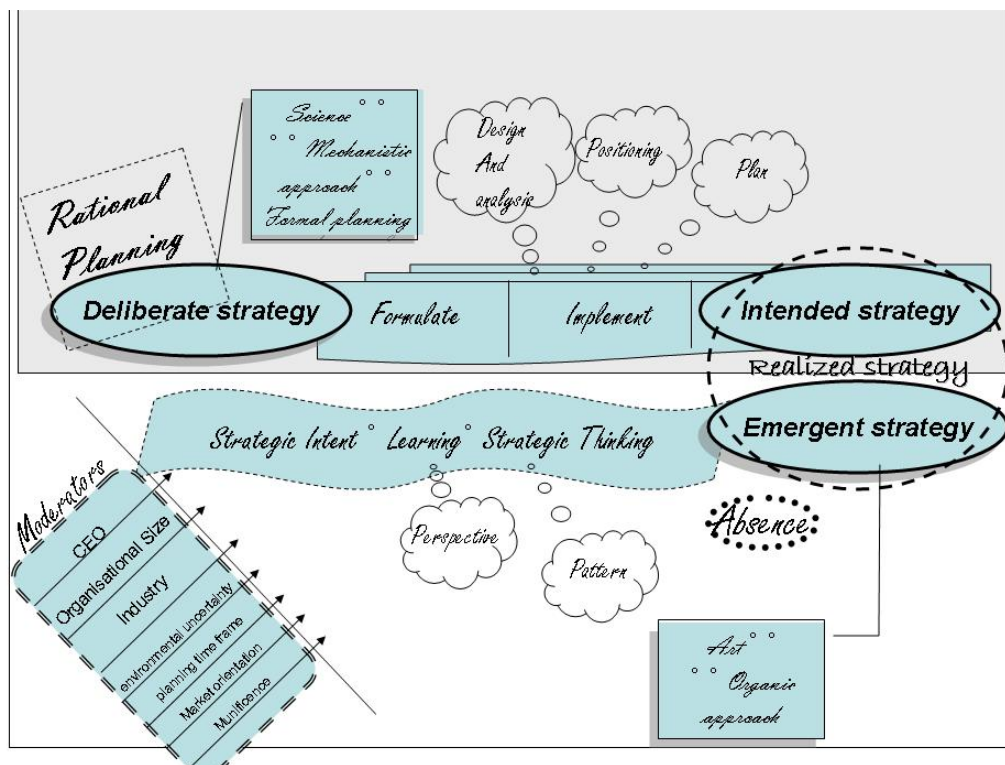


Figure 7.1 Two extreme approaches to strategy-making (rational planning versus emergent strategy)

(Source: Own compilation)

In Chapter 3 the following critical aspects of strategy-making were addressed:

- Research in strategy is said to be mostly of a qualitative nature and also case study design which are “rarely amenable to generalizations” (Hafsi & Thomas, 2005). Some studies showed the diversity of strategy issues being researched (with the largest portion of research focused on performance).
- Synthesis of strategy-making approaches is said to be to the advantage of an organisation (as opposed to ‘either/or’ stances) – it is even postulated and also proved through empirical research that these organisations outperform their rivals.
- Various authors attempted to categorise the approaches to strategy-making, using the following distinctions: schools of thought, internal orientation, prediction and control focus, and ends and means. The classification of strategy-making approaches based on the outcomes (ends and means) proved important for this study as this led to the formulation of an *operational definitions*¹⁵ that formed the critical foundation for the development of the questionnaire as well as the data analysis.
 - ***Operational definition of emergent approach to strategy-making:*** Ends and Means would be less specific and rarely announced or recorded in a formal planning document. It would prove more difficult to distinguish between ends and means since they are either specified simultaneously, or are intertwined. When they are announced, they remain broad, general, and non-quantified.

¹⁵ An operational definition aims to translate the concept into observable events. There could be multiple operational definitions for the same concept. Operational definitions form the basis for measurement – the former specifies how the latter should be undertaken for the concept involved (Diamantopoulos & Schlegelmilch, 2000:22)

- *Operational definition for rational planning approach to strategy-making:* Ends and means are announced and recorded in a formal planning document and are very specific. Means emerge from the planning process fully formed and ready for implementation.
- The rational planning approach to strategy-making was explained with emphasis on various process models, positioning, and analysis.
- The emergent approach to strategy-making was explained with emphasis on the incremental model, emergent and deliberate strategies, action-response cycles, first and second level strategies, the absence of strategy and strategic thinking.

In Chapter 4 several critical aspects of strategy-making were addressed:

- It was noted that the inconsistencies in research findings, and the weak planning/performance relationships observed in the past have been key in the rejection of formal planning as the 'one' best way to plan. As such the influence of a specific approach to strategy-making on performance has to date not yet been established without a doubt.
- Critique on both sides of the strategy-making continuum (rational and emergent approach) led to suggestions of circumstances in which either would be preferable. These are said to be the following in terms of the organisation's need for: unified direction; commitment to a course of action; coordination; optimization of resource allocation; prediction; opportunism; flexibility; learning; entrepreneurship; risk-taking; and organisational wide support.
- The main factors moderating the choice of a strategy-making approach are the size of the organisation, the environment (industry) and the involvement of the CEO in strategy-making.

- *Conclusion - Size of the organisation as moderator for strategy-making approach followed:* There are inconsistencies present in the academic consideration of size as moderating factor.
- *Conclusion - Environment and industry as moderator for strategy-making approach followed:* There are inconsistencies in the academic consideration of industry and environment as moderating factor. Arguments are sometimes indecisive where researchers argue that unstable environments can influence planning to either way of the continuum, or where research did not show a direct influence between strategy-making mode and environment, although it did account for time frame of planning (an element of flexibility).
- *Conclusion - CEO involvement in strategy-making as moderator for strategy-making approach followed:* There is general consensus that the CEO plays an important role in the strategy-making process. The role of other managers lower down in the organisational hierarchy is also emphasized. The specific role of middle managers as translating strategies is stressed. Another important issue is that of performance consensus or decision consistency, which is said to be influenced by different levels of management's involvement in strategy-making and is also a result of the organisational channels of communication used.

Therefore a secondary research objective has been achieved by the proposed framework (figure 7.1) that considers all the relevant elements related to strategy-making.

7.3 RESEARCH OBJECTIVES AND HYPOTHESES REVISITED

The research objectives were presented in Chapter 5 and will now be discussed individually.

7.3.1 Primary research objective

Primary research objective:

Investigate and describe the mode of strategy-making followed in South African organisations.

Various conclusions can be drawn from the results of the empirical study specifically relating to the approaches to strategy-making followed in South African organisations.

The factor analysis not only proved construct validity and reliability, but also indicated the critical constructs or themes emanating from the questionnaire based on the responses. The three factors that emerged proved critical for the analysis that followed:

- **Factor 1: Performance Consensus.** This factor explains agreement among managers and organisational members on effectiveness of and satisfaction with the organisational strategy-making approaches and consequent strategies as well as organisational performance. Variables associated with this factor tested on a scale with the value 1 indicating the *least* Performance Consensus and value 4 indicating the *most* Performance Consensus.

- **Factor 2: Ends and Means Specificity.** This factor explains the specificity of ends, defined as the major, higher level purposes, mission, goals or objectives set by organisations, each of which (should there be more than one) significantly influences the overall direction and viability of the firm concerned as well as the specificity of means defined as the patterns of action which marshal/allocate organisational resources into postures that, once implemented, increase the probability of attaining organisational ends. Variables associated with this factor tested on a scale with the value 1 indicating the *least* Ends and Means Specificity and value 4 indicating the *most* Ends and Means Specificity (in other words ranging from the emergent approach (scale value 1) to rational planning approach (scale value 4)).
- **Factor 3: Ends and Means Flexibility.** This factor explains the flexibility of planning structures, tolerance for change and flexibility of planning time frame as opposed to organisational rigidity. Variables associated with this factor tested on a scale with the value 1 indicating the *most* Ends and Means Flexibility and value 4 indicating the *least* Ends and Means Flexibility (in other words ranging from the emergent approach (scale value 1) to rational planning approach (scale value 4)).
- It is important to note that the factors are weakly correlated. This shows that the factors are independent. Each factor therefore describes a distinct theme within the construct of strategy-making. Factors also proved to have high Cronbach Alpha's coefficients (see figure 7.2. below) which proves high reliability. Together the three

factors explain the construct of strategy-making. Figure 7.2 below illustrates this.

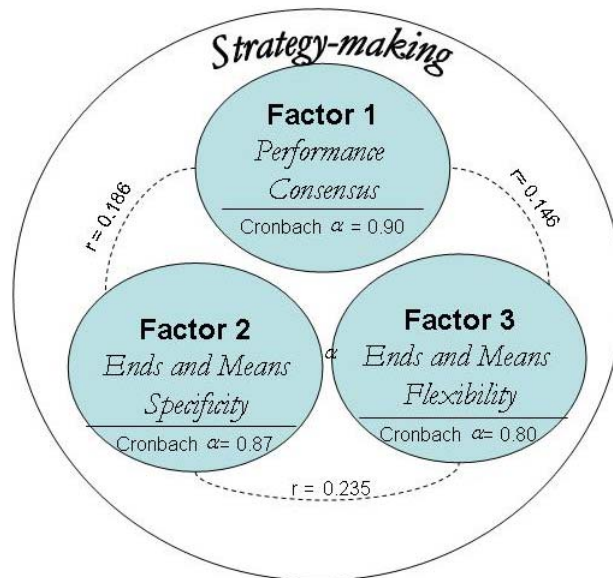


Figure 7.2 Independent factors and their correlations forming the construct of strategy-making

(Source: Own compilation)

- It can be seen that Ends and Means Specificity (factor 2) and Ends and Means Flexibility (factor 3) each indicate scalable properties associated with rational planning on the one side and the emergent approach on the other side. In contrast, Performance Consensus (factor 1) does not indicate a continuum associated with two extreme strategy-making approaches. But as these factors together make up the construct of strategy-making, Performance Consensus (factor 1) describes a critical part of strategy-making (regardless of which one). The explanation for this is that it is the combination of Performance Consensus (factor 1) with Ends and Means Specificity (factor 2) and Ends and Means Flexibility (factor 3) that postulates a specific approach. Performance

Consensus (factor 1) thus represents the neutral part of strategy-making.

- Because all three factors are weakly correlated and thus represent independent aspects of the construct of strategy-making, hypothesis testing has to take this into account. Therefore if one or more of the factors proved to be significant, the null hypothesis is rejected even if the other factor/s was/were not significant. This is because each one of the factors individually describes some critical part of the construct of strategy-making.

Descriptive statistics for variables that were not accounted for in the factor analysis showed that the large majority of respondents indicated 50% or more ends with time limits as well as with quantified ends. The types of ends and means were evenly distributed, with the most being statements of key performance areas on which compensation is based, financial targets, market share/growth or sales targets and mission statements. This can be seen as a combination of lower level means with a higher level end (mission statements). The combination of types of ends selected also suggested some synthesis between emergent and rational planning approaches. This finding corresponds with the conclusions drawn from factor means and modes explained below.

The factor averages and modes serve to describe the different approaches to strategy-making followed in organisations. Although the means seem similar, varying between 2.95 and 2.53, the modes provide a slightly different picture.

- The mode for Performance Consensus (factor 1) (= 3) shows an above average score.
- The mode for Ends and Means Specificity (factor 2) (= 3.5) shows that most respondents selected a high value for ends and means specificity in line with a more rational approach.
- The mode of Ends and Means Flexibility (factor 3) (= 2) shows that most respondents selected a value showing higher ends and means flexibility, in other words organisations were shown to be more flexible in line with a more emergent approach.

Based on the above statistics the **approach to strategy-making** can therefore be described as:

- Rational with *high ends and means specificity*, but
- *high flexibility* of planning structures and tolerance for change, as well as
- *high performance consensus* on strategy effectiveness and general satisfaction with strategy.

The approach to strategy-making was furthermore described through the application of a Mann-Whitney test showing significant differences between opposing **approach characteristics** (see tables 6.31 to 6.35 in Chapter 6). These conclusions are the following:

- *Degree of risk taking preferred:* Performance Consensus is significantly different ($F=1.0$, $p<0.01$) for respondents selecting low versus high degree of risk taking. The analysis showed that agreement on effectiveness of strategy (performance consensus) leads organisations to be more tolerant towards high risk-taking.

- *Comfort with stability and predictability:* Ends and Means Specificity ($F=0.43$, $p<0.01$) and Ends and Means Flexibility ($F=3.97$, $p<0.01$) are significantly different for respondents selecting “comfort with stability and predictability” versus those selecting “comfort with ambiguity and instability”. The analysis showed that comfort with stability and predictability leads organisations to determine highly specific ends and means and be less flexible (hence following a rational approach to strategy-making).
- *Primarily autonomous or individual behaviour preferred:* Ends and Means Specificity (factor 2) is significantly different ($F=0.00$, $p<0.01$) for respondents selecting “primarily autonomous or individual behaviour” versus those selecting “primarily cooperative, interdependent behaviour”. The analysis showed that organisations where primarily autonomous or individual behaviour is favoured determine less specific ends and means. This is a surprising finding since cooperative and interdependent behaviour is associated with the emergent approach in literature (Wooldridge and Floyd, 1994:51). However, it could be argued that higher levels of cooperation and interdependent behaviour require a more coordinated and more specific approach to strategy-making, such as the rational approach. Specific ends and means are then required to coordinate cooperation among organisational members.

The following conclusion can be drawn from the results of the informant interviews (see figure 6.15):

- The majority of informants (67%) indicated that an emergent approach to strategy was followed where emergence of strategies are encouraged, but with discipline typically built into strategy-making through deliberate ends and means.

H1o: The actual mode of strategy-making in South African organisations cannot be clearly identified

H1a: The actual mode of strategy-making in South African organisations can be clearly identified.

The null hypothesis is *rejected* and the alternative hypothesis is therefore *accepted*.

Motivation: Factors identified corresponded with the operational definition of strategy-making and data analysis showed mode and mean values which were interpreted to suggest the prevalence of a specific mode of strategy-making. In addition, characteristics of opposing approaches were tested and significant differences ($p < 0.01$) were found with regard to the three factors. It can be stated that the mode of strategy-making was clearly identified as a rational planning approach with flexibility regarding planning structures and tolerance for change built-in as well as a high level of consensus on strategy-making evident. This can hence be described as a combination of rational planning and emergent approaches (likened to planned emergence or a synthesis between approaches discussed in the literature review). This is also in line with the informants' view that strategy may emerge but ends and means are deliberate and provide organisational discipline.

7.3.2 Secondary research objectives

Secondary research objective #1

Describe internal organisational dynamics (perceptions among managerial levels, training in strategy, age and education) influencing the perceptions on strategy-making.

The demographic dispersion of management levels shows that most respondents (39%) represent the middle management level (see table 6.4). As explained in Chapter 5, CEO's or managers concerned with strategy were requested to distribute questionnaires to employees involved in strategy-making. The demographics corroborate the importance of middle-management in strategy-making as emphasized in literature.

Managerial level was seen to be significantly correlated with age ($X^2=32.95$, $p<0.001$) qualification ($X^2=13.95$, $p<0.05$) and formal training in strategy ($X^2=28.25$, $p<0.05$). The majority of the middle management and supervisory level respondents fell between the ages of 31 and 40, while non-managerial respondents fell predominantly in the age group 20-30. Some authors (Hamel, 1994) associated with age and the ability to innovate. These cross-tabulated results on management level and qualifications, age and formal training respectively, were presented in Chapter 6 (see tables 6.6, 6.8 and 6.10).

It was found that for *Performance Consensus (factor 1)* a significant difference existed between the following variables:

- *Management levels* (see table 6.19 and 6.22): It was proved ($F= 2.90$, $p<0.05$) that top management and non-managerial level employees

differed significantly from supervisory level employees (which did not differ significantly from middle management) – Top management and non-managerial level employees showed mean scores on Performance Consensus that were higher than that of supervisory level employees. This could be a result of the traditional role of supervisory level management in strategy-making. Since they are responsible for overseeing non-managerial level employees in implementing strategy and are further from the decision-making levels, they portray lower consensus on the organisation's performance. Non-managerial level employees, however, traditionally only implement what they are told and are less likely to inquire about or question performance.

- *Education* (see tables 6.19 and 6.23): It was proved ($F=4.19$, $p<0.05$) that respondents with post graduate qualifications differed significantly from those without. The former respondents showed a lower mean score for Performance Consensus. This could be as a result of improved levels of inquisitive and critical thinking consequent upon higher learning. It could alternatively, since qualifications and higher managerial level go hand-in-hand, be a result of more accurate and in depth knowledge about organisational performance.

It was found that for *Ends and Means Specificity (factor 2)* a significant difference existed between the following variables:

- *Managerial levels* (see tables 6.20 and 6.24): It was proved ($F=3.14$, $p<0.05$) that top management differed significantly from middle management and non-managerial level employees (but not from supervisory level managers) – Top management's mean score on Ends and Means Specificity proved to be lower than that of middle management and non-managerial level employees. This could be the

result of managerial level perceptions, where middle managers work closely with top management and are specifically tasked with translating ends into means for implementation of strategy. They therefore perceive the ends and means to be more specific. As far as non-managerial level employees are concerned, they follow direct instructions from supervisors and due to the operational focus of ends and means on this level, they perceive strategy as being more specific. Supervisors (or lower level management) are more involved in emergent strategy (according to literature) and as such perceive a more emergent approach and less specificity.

- *Education* (see tables 6.20 and 6.25): It was proved ($F=3.37$, $p<0.05$) that respondents with post graduate qualifications differed significantly from those without. The former respondents showed a lower mean score for Ends and Means Specificity. Since qualifications and higher managerial level go hand-in-hand, this can be explained by the fact that the mean score for formal training follows the mean score patterns for different managerial levels (as explained above).
- *Formal training in strategy* (see tables 6.20 and 6.26): It was proved ($F=10.05$, $p<0.01$) that respondents with formal training in strategy showed significantly higher scores on Ends and Means Specificity than those without. This could be a result of the focus of strategy training in higher learning institutions as emphasizing the rational planning approach to strategy. This background then leads employees with formal training to perceive the process to be more rational with more specific ends and means. (This inductive argument needs to be verified and as such further research on strategy education will be suggested). Alternatively another explanation could be, since qualifications and higher managerial level go hand-in-hand, that the mean score for

formal training follow the mean score patterns for different managerial levels (as explained previously).

- Some interviewees also noted that strategy-making in their organisations differ from what they were taught at universities (which represented the rational planning approach).

It was found that *Ends and Means Flexibility (factor 3)* were not significantly influenced by independent variables relating to internal organisational dynamics.

Based on the above conclusions, the following hypotheses can be considered:

H2o: Perceptions on strategy-making mode do not vary across managerial levels.

H2a: Perceptions on strategy-making mode vary across managerial levels.

H2o_(factor 1): $F = 2.90, p < 0.05$

H2o_(factor 2): $F = 3.14, p < 0.05$

H2o_(factor 3): $F = 0.93, p = NS$

The null hypothesis is *rejected* and the alternative hypothesis is *accepted*.

Motivation: Significant differences among different managerial level employees exist with regard to Performance Consensus and Ends and Means Specificity. Top management and non-managerial level employees showed mean scores on Performance Consensus that were higher than that of supervisory level employees. Top management's mean score on Ends and Means Specificity proved to be strategically lower than that of middle management and non-managerial level employees.

H3o: There is no correlation between perceptions on strategy-making mode and strategy training of an individual

H3a: There is a correlation between perceptions about strategy-making mode and strategy training of an individual.

H3o_(factor 1): $F = 0.01$, $p = NS$

H3o_(factor 2): $F = 10.05$, $p < 0.01$

H3o_(factor 3): $F = 0.47$, $p = NS$

The null hypothesis is *rejected* and the alternative hypothesis is *accepted*.

Motivation: Significant differences exist among respondents with formal strategy training and those without with regard to Ends and Means Specificity. Respondents with formal training in strategy showed significantly higher scores on Ends and Means Specificity than those without.

Secondary research question #2

Determine if specific factors (as extracted from the literature) influence the advancement of a specific mode of strategy formation in South African organisations

Some demographical information needs to be noted before conclusions can be made since it could affect the results obtained from the analyses:

1. The sample showed a majority (75%) of respondents coming from large organisations (see table 6.1)
2. The industry classification was done by the researcher based on general information about each industry (see table 6.3). Since the South African market is currently volatile and relatively small, the grouping could be challenged for individual industries.

It was found through multi-way analysis of variance (ANOVA) (see table 6.21) that:

- A significant difference existed for Ends and Means Flexibility (factor 3) between the following variables relating to organisational size. It was proved ($F=7.55$, $p<0.01$) that respondents from larger organisations differed significantly from those from small organisations in terms of Ends and Means Flexibility (factor 3). Respondents' from large organisations mean scores indicated less flexibility than small organisations. This has intuitive appeal, since larger organisations traditionally have more rigid planning structures and tolerance for change than smaller organisations.
- Ends and Means Specificity (factor 2) and Performance Consensus (factor 1) were not influenced by organisational size. This shows that organisational size does not dictate either the rational planning

approach to strategy-making or the emergent approach to strategy-making (as indicated by these two factors).

- None of the three factors were influenced by industry. The caution was noted earlier that the researched subjectively categorised industries (refer to limitations stated in sub-section 7.4.2).

It was found through logistic regression (see sub-section 6.3.4.3), performed to determine how well the moderator variables (organisational size, industry and CEO involvement in strategy-making) could predict performance on each of the factors (used as dependent variables) that only organisational size played a role. Analysis of maximum likelihood estimates proved ($X^2 = 0.0129$, $p < 0.05$) that only organisational size had a prediction value in terms of Ends and Means Flexibility (factor 3). This corroborated the results of the ANOVA mentioned above. The logistic regression model showed that none of the other variables or factors had significant relationships. Only 27% percent of high flexibility cases were correctly predicted and 80% of low flexibility cases correctly predicted by organisational size (see table 6.41).

A Mann-Whitney test testing the factor mean score differences between respondents indicating that the CEO determines strategy versus those indicating that there is a high degree of participation and empowerment, showed the following:

- Highly significant ($p < 0.001$) differences between the two options for Ends and Means Specificity,
- significant differences ($p < 0.05$) between the two options for Ends and Means Flexibility,

- and no differences between the two options for Performance Consensus.

In both instances where significant differences were scored, the group selecting the option “CEO determines strategy” had lower mean scores than the group selecting “High degree of participation”. This finding is surprising, since it seems that where the CEO determines the strategy, ends and means are less specific, but ends and means are more flexible. In instances where there is high participation ends and means are more specific, but there is less flexibility. This finding corresponds with the approach characteristic finding (presented with the primary research objective in sub-section 7.3.1 above) where primarily autonomous behaviour is preferred. Since the literature links the CEO very strongly with the design school and hence the rational planning approach, the opposite (high specificity and inflexibility) was expected. However, the explanation could be that because the CEO has a strong vision, and strategic intent is therefore high, this *direction* from the CEO guides operations rather than fixed and very specific plans. This strong direction could also explain the flexibility in terms of planning structures and scope for change as well as more flexible planning time frames. However, where there is high degree of participation among organisational members, organisational strategies and strategic direction are seemingly coordinated by more specific ends and means, more rigid planning structures, less tolerance for change and less frequent planning sessions (less flexibility).

Based on the above conclusions, the following hypotheses can be considered:

H4o: There is no correlation between the size of an organisation and perception on strategy-making mode.

H4a: The larger an organisation the more likely that the rational planning approach to strategy-making is followed.

H4o_(factor 1): $F = 0.19$, $p = \text{NS}$

H4o_(factor 2): $F = 1.05$, $p = \text{NS}$

H4o_(factor 3): $F = 7.55$, $p < 0.05$

The null hypothesis is *rejected* and the alternative hypothesis is *accepted*.

Motivation: Ends and Means Flexibility is influenced significantly by organisational size.

H5o: There is no correlation between stability of industry and the strategy-making approach followed.

H5a: There is a correlation between stability of industry and the strategy-making approach followed

The null hypothesis *cannot be rejected* since no significant differences were reported among respondents from stable industries and those from unstable industries. (It cannot be stated with certainty that this is not as a result of chance alone – refer to limitations stated in sub-section 7.4.2).

H6o: There is no correlation between the involvement of the CEO in strategy-making and the strategy-making approach followed

H6a: Organisations where the CEO determines the strategy are more likely to follow the rational planning approach to strategy

H6o_(factor 1): $F = 1.62$, $p = NS$

H6o_(factor 2): $F = 0.33$, $p < 0.01$

H6o_(factor 3): $F = 0.42$, $p < 0.05$

The null hypothesis is *rejected* and the *inverse of the* alternative hypothesis *accepted*, namely that the emergent approach to strategy-making is followed where the CEO determines strategy.

Motivation: This is based on the fact that not only is significant differences found where the CEO determines strategy for Ends and Means Specificity and Ends and Means Flexibility but the sample means also indicate the level of specificity and flexibility as being in accordance with the emergent approach.

Secondary research question #3

Determine the influence of strategy-making approaches on organisational performance and profitability

Discriminant analysis (see sub-section 6.3.4.1), performed to determine how well the factors can predict profitability and performance, showed the following:

- The model predicted 80% of low profitability correctly and 86% of high profitability with the use of Performance Consensus (factor 1) and Ends and Means Specificity (factor 2) as predictor variables. Ends and Means Flexibility proved inconclusive in its prediction value.
- The model predicted 89% of low organisational performance correctly and 89% of high organisational performance with the use of Performance Consensus (factor 1) and Ends and Means Specificity (factor 2) as predictor variables. Ends and Means Flexibility proved inconclusive in its prediction value.

The MARS regression model (see sub-section 6.3.4.2), performed to determine circumstances (based on certain variable values) which would either improve or decrease financial and organisational performance, showed the following:

- Profitability is positively related to high (above 3.33) *ends and means specificity* (associated with the rational planning approach to strategy-making). However, an even higher profitability is seen when ends and means specificity scores are lower (below 3.33) and even more so when the scores are very low (below 2) or fall within the mid-range (between 2 and 3.33) - these lower scores are associated with the emergent approach to strategy-making.
- Profitability seems to be sensitive to *performance consensus*. As such if performance consensus is not high (3.375 or above) profitability decreases, especially in combination with high *ends and means flexibility* (i.e smaller than 2.33 where smaller values refer to high flexibility and higher values to low flexibility). Even where performance consensus is above the average (above 2.375), profitability is decreased with low *ends and means specificity*. In other words, the emergent approach (associated with high flexibility and low specificity of ends and means) seems to be sensitive to lower Performance Consensus when profitability is at stake.
- Organisational performance is positively related to low (below 2) *ends and means specificity* (associated with the emergent approach to strategy-making), especially where performance consensus is also high (above 3.375).
- Organisational performance seems to be sensitive to *performance consensus* in general, but specifically in the mid range between 2.625

and 3.375. Surprisingly, Performance Consensus (factor 1) seems to have a decreasing effect on performance, although not on profitability.

- The finding relating to organisational size makes sense when it is interpreted with the MARS results for overall organisational performance discussed below (table 6.40) when it is linked to Performance Consensus scores (see discussion of critical findings below).
- Overall organisational performance is positively related to either high (above 3.33) or low *ends and means specificity*. However, performance increased with a greater margin where ends and means specificity is lower than 3.33 (associated with the emergent approach to strategy-making). Moreover, the highest margin of performance increase is associated with the range between 2.5 and 3.33 (could be associated with a combination of emergent and rational strategy-making approaches).
- Overall performance seems to be sensitive to *performance consensus* in small organisations and where ends and means specificity is below 3.33. As such if performance consensus is not high (3.375) in small organisations, overall performance decreases. Furthermore, if ends and means specificity is not high (below 3.33) the combination with performance consensus below or above 2.5 decreases overall performance.

Based on the above conclusions the following hypothesis can now be considered:

- | | |
|------|------------------------------------------------------------------------------------------|
| H7o: | Strategy-making approaches do not influence organisational performance or profitability. |
| H7a: | Strategy-making approaches influence organisational performance or profitability. |

The null hypothesis is *rejected* and the alternative hypothesis is *accepted*.

Motivation: The discussion showed that the factors (indicating specific approaches to strategy-making) influence organisational performance and profitability considerably. Detailed instances of influence have been described in the above discussion.

7.4 CONCLUSION

The study concludes with a critical discussion and summary of the main conclusions derived from the research endeavours. The research limitations are outlined in this section, the contribution of the study highlighted and recommendations made for further research.

7.4.1 Summary of main conclusions

In the preceding discussion of main findings relating to the research objectives, important findings from the study were presented and hypotheses evaluated. What follows in this section, is a critical consideration and explanation of conclusions, summarized to present and highlight these critical research discoveries. The following critical conclusions are thus

presented as summary of the main contribution and discoveries of the study (as explained in sub-section 7.3):

7.4.1.1 Factors within the construct of strategy-making

At the onset of the study the researcher planned the questionnaire according to five main themes, including:

- *Ends specificity; means specificity; ends flexibility; means flexibility and organisational performance measures.*

However, the factor analysis combined ends specificity and ends flexibility with means specificity and means flexibility respectively to form ends and means specificity and ends and means flexibility. The literature on the emergent approach suggested that the boundaries of ends and means are less well defined than in the rational planning approach where ends and means are separate entities (Wall & Wall, 1995:8). The combination of ends and means in the outcome of the factor analysis (i.e. two factors combining ends and means), therefore signals something of an emergent approach where strategies and tactics (Chapter 3) are merged. Consequently, it stands to reason that the deduction from the factor means and modes which were seen as indicating a specific approach to strategy-making (explained in sub-section 7.3.1 as part of the discussion of the primary research objective) corroborates this inductive reasoning.

The fact that the factors are weakly correlated is important as it shows three independent and separate elements describing the construct of strategy-making.

7.4.1.2 Describing South African organisations in terms of the dominant strategy-making approach

The results of the factor analysis in terms of three factors, ultimately corroborate the description of the approach to strategy-making based on mean and mode statistics as one of **planned emergence** - a combination of rational and emergent approaches to strategy-making, operationalised as *high ends and means specificity* combined with *high flexibility* and *high performance consensus*. This was also supported by interviewee perceptions that emergence of strategies is planned for and used in combination with rational planning.

Important conclusions further describing strategy-making approach elements in terms of the factors, are:

- *A high degree of risk taking* is positively associated with high performance consensus. In other words, if organisational members agree on the effectiveness of their strategies and if they are satisfied with and agree on strategy-making approaches followed, they tend to take greater risks.
- *Comfort with predictability* is positively related to high ends and means specificity and low ends and means flexibility. This finding is hardly surprising since the predictability is associated with the rational planning approach (described by high specificity and low flexibility). As such this finding corresponds with the literature on rational planning.
- Where *primarily autonomous or individual behaviour* is preferred, less specific ends and means were determined. This is a surprising finding since cooperative and interdependent behaviour is associated with the emergent approach in literature. However, it was argued that higher levels of cooperation and interdependent behaviour require a more

coordinated and more specific approach to strategy-making, such as the rational approach. Specific ends and means are then required to coordinate cooperation among organisational members.

In the interviews informants indicated certain types of strategies employed in their organisations (see table 6.41). These strategies focus mainly on operations, marketing and product innovation and as such correspond with second level strategies (Parnell, 2000:47) as described in Chapter 3. These strategies are also associated with the emergent approach – again confirming the above-mentioned description of the dominant strategy-making approach.

7.4.1.3 Describing internal organisational dynamics and strategy-making approaches

It was proved that Performance Consensus (factor 1) and Ends and Means Specificity (factor 2) were influenced significantly by managerial levels and education. Ends and Means Specificity (factor 2) was also influenced significantly by formal training in strategy.

The fact that proof exists to link the above-mentioned organisational variables with perceptions on strategy-making approaches corroborates literature. As such literature showed that different strategy-making responsibilities and actions can be expected from employees on different management levels.

Formal training in strategy influenced perceptions on strategy-making approaches. This opens an opportunity for further research about the

relationship between strategy in practice and as taught at universities (as explained in sub-section 7.4.4).

7.4.1.4 Determining the influence of moderating factors

The results of analyses using moderating factors as determined in Chapter 4 (i.e. industry, organisational size and CEO involvement in strategy) were disappointing. Only organisational size was shown to influence perceptions on strategy-making mode, with large organisations positively associated with lower Ends and Means Flexibility. The latter fact proved that large organisations display greater rigidity in terms of planning structure. It was therefore not surprising that organisational size can be used to predict low flexibility.

- The generally inconclusive evidence around the moderating factors corresponds with what was found in previous research (as explained in Chapter 4).

7.4.1.5 Strategy-making approach and overall organisational performance

The following conclusions based on regression analysis results (MARS) deserve to be highlighted:

- It was seen from the regression results that lower ends and means specificity (associated with the emergent approach) in general resulted in higher profitability, organisational performance or a combination of profitability and organisational performance. This finding is in line with arguments for the emergent approach, against the rational approach. The higher specificity of ends and means (associated with the rational planning approach to strategy-making) also yielded positive performance results. It can therefore be argued that synthesis of

approaches would lead to optimal performance (as claimed in other research (Parnell, 2000:197).

- However, the caveat has to be noted that the emergent approach (i.e. high flexibility and low specificity of ends and means) needs to be accompanied by high performance consensus. This suggests that where ends and means are more pliable and less explicit, agreement on the effectiveness of strategies and general satisfaction with strategies (the building blocks of Performance Consensus) are critical for the success (in terms of profitability) of the emergent approach.
- Profitability and organisational performance did not react in the same way to Performance Consensus. This finding was surprising in that it showed a negative influence of performance consensus on organisational performance, but not on profitability. This finding contradicts prior research (Iaquinto & Fredrickson, 1997:73) reporting a positive relationship between top management team members' agreement on comprehensiveness and organisational performance. However, for this study it is concluded for the general sample population (not only top management team members) based on the evidence that agreement on effectiveness of strategies and general satisfaction with strategies do not benefit organisational performance. A logical explanation for the is that such agreement could lead to complacency with the status quo and not to challenging existing strategies to achieve innovation, which in turn may negatively affect organisational success or performance. Since organisational performance is tested separately from profitability in the questionnaire (Annexure A), the measurement of performance excludes profit or financial indicators. Performance can therefore refer to an array of other outcomes, such as innovativeness, uniqueness of offerings, quality of offerings, customer satisfaction etc. Hamel's (1996)

argument now becomes relevant, stating that to be revolutionary and innovative the organisational status quo has to be challenged.

- Another finding to be highlighted is the fact that if the emergent approach in small organisations (associated with low specificity and high flexibility of ends and means) is not supported by high performance consensus overall organisational performance is negatively influenced. This makes intuitive sense in that small organisations where ends and means remain pliable and implicit the organisational members need to be united in terms of their agreement on effectiveness of the strategies and satisfaction with their strategies. Smaller organisations are traditionally associated with more flexibility and better communication and as such should portray high consensus on performance for its emergent strategies to be effectively operationalised.
- The discriminant analysis showed that organisational performance and profitability could be successfully predicted with Performance Consensus (factor 1) and Ends and Means Specificity (factor 2). However, Ends and Means Flexibility (factor 3) proved inconclusive in its prediction value. This suggests that although flexibility of ends and means plays a role (as seen from the MARS findings) in increasing or decreasing profitability and performance, it cannot be used to predict either profitability or organisational performance accurately. Interpretation of this conclusion leads to a critical evaluation of the meaning of this factor, being the flexibility of planning structures, planning time frame and openness to change. Planning flexibility, planning time frame and planning structure *per se* cannot therefore forecast profitability or performance, but does facilitate either the emergent or the rational approach to strategy-making. As part of an

approach to strategy-making it then influences profitability and performance.

7.4.2 Limitations of the study

Although the study was conducted in the best manner possible, with due consideration to the optimal research design and methodologies to address the relevant research objectives, certain limitations need to be noted.

These limitations are the following:

- *Willingness to participate:* Strategy research is often hampered by the sensitive and typically confidential nature of the research topic. The researcher provided for possible resistance by approaching top management of organisations directly and thus ensured cooperation of organisations in general and respondents individually. Some time issues also arose from the fact that top management was approached for interviews. In this regard the researcher was subjected to the goodwill of the respondents in terms of their diary restrictions, which did have a delaying effect on the research.
- *Sample selection:* The above issue regarding willingness to participate influenced the sample selection and could be seen as providing bias. The sample used was therefore a non-probability sample (although purposive, as explained in Chapter 5) which did make interpreting some of the data difficult (of which the caveat has been noted in the study). Furthermore own judgment such as the categorisation of industry subjected the data to researcher bias. Although relevant literature was used as basis for the elements of evaluation used in the categorisation, interpretation was still subjective. Although a sample of

more or less 200 respondents was sufficient to conduct statistical analyses, such as factor analysis, the sample is still small relative to the population.

- *Definition diversity:* The diversity of the field of strategy poses a limitation on the study of constructs within this field. Although this study set out to categorise, organise and logically explain the constructs under investigation, diverse definitions of concepts within strategy and specifically strategy-making, complicated the study. Nag *et al.* (2007:937) note that although the definitions of strategy “are not flatly incompatible with each other, they are sufficiently diverse as to convey ambiguity in what the field of strategic management is all about, as well as how it differs from other closely related fields.” According to Balogun *et al.* “fuzzy” field boundaries also provide less clear directions on how data should be collected and interpreted. This was partly the reasoning behind using an existing questionnaire (with proven reliability) as basis for the measuring instrument. The questionnaire contained detailed scale descriptions of various concepts relating to ends and means. This resulted in a longer time needed for completion of the questionnaire. The questionnaire reflected the same complexities as the research construct of strategy-making approaches. Results can thus be seen as an oversimplification of a complex field. As such some areas still remain unexplained and will be highlighted in suggestions on further research (see sub-section 7.4.3).
- *Interviews:* It was noted in the study that certain measures were taken to reduce observer error and bias (see Chapter 5). However, the researcher cannot neglect to mention that the potential did exist for observer error and bias during recording and interpreting of interviews.

- *South African context:* The title refers to South African organisations - as such the strategy-making practices followed in this country were investigated. The geographical context (i.e. South Africa) of the research could restrict the generalisability of the findings for other contexts. However, country-specific research in this regard was the only possible option for the researcher bearing in mind constraints in terms of access to information and financial and time constraints.

7.4.3 Contribution of the study

This study set out to describe strategy-making approaches in South African organisations which has to date not been done (refer to the discussion of South African research in this regard in Chapter 3). An array of empirical analysis techniques were applied and showed conclusively how strategy-making happens in South African organisations. The study therefore painted a picture of strategy-making in South African organisations which can be used as a point of departure for future research and academic inquiry. These conclusions proven through statistical analysis refute some assumptions made about strategy in literature.

The study embarked on a comprehensive and exhaustive organisation and categorisation of diverse modes and approaches to strategy-making. It was illustrated that strategy has many facets - to date unexplored in South African research. An exploration of five main South African business management journals only derived a few articles relating to strategy-making in one way or another. Of these only three were applicable of which two were literature reviews. It can therefore be said that this study contributes by exploring new dimensions of strategy to date not investigated in the South African research community.

This study described, applied and testing an array of strategy-making approaches categorised according to extreme views. The study therefore showed that reflecting only on one aspect or extreme of strategy-making to the exclusion of other views when conducting strategy research or training on strategy distorts the truth and reality of strategy-making and cripples the application of strategy in general.

Furthermore, defying critique on research methodology typically followed for strategy research (with dominance of qualitative research methods), this study made use of mixed method research. This enabled quantitative data (from questionnaires) to be corroborated with qualitative data (from interviews). Results were also quantified and a spread of data analysis techniques applied to provide the most reliable and valid results and conclusions.

Balogun, Huff and Johnson (2003:201) argue that there is a strong theoretic argument for more closely coordinating managers' agendas and those of management researchers. They emphasised that knowledge is produced in organisations and not just in universities, and as such must be studied in organisations. A research agenda that grows solely out of conversations with other academics is unlikely to reflect contemporary organisational realities. This study did exactly that: It grew out of organisational experience (of the researcher) that showed a difference between academic training in strategy (on an MBA level) and what happens in organisations. The study was therefore also conducted within organisations where the strategizing reality unfolded. The conclusions of this study came from within organisations as a result of the sample of respondents approached to participate in the study.

All results and conclusions are based on quantifiable data obtained from managers and other employees involved in strategy and not just on academic theoretical assumptions. Therein lies an important contribution of this study.

The participation of top management in interviews as informants added depth and breadth of information. The fact that interviewees were not restricted in terms of the discussion led to some topics that were important but not necessarily relevant to the research problem. However, these topics could be explored in future research (as discussed below). The fact that informants and respondents showed general agreement on their perceptions as measured in the questionnaires increased the reliability of the findings.

It was concluded in Chapter 4 that due to inconsistent research the influence of a specific approach of strategy-making on performance could not be established. However, this study illustrated through empirical research specific influences of strategy-making approaches (by way of using factors as independent or predictor variables) on performance and profitability. This is a definite contribution to research in this arena.

7.4.4 Suggestions for future research

The literature review as well as the empirical testing highlighted some areas ripe for future research:

- Farjoun (2002:562) claims that the 'mechanistic perspective' remains vital to the development of strategy research, teaching and practice. This suggests that academic teaching favours a specific approach (the rational planning approach) to strategy-making in their academic

content. For this reason the relationship between what is being taught and the focus of strategy education at South African academic institutions could be placed under the revealing spot light of future empirical research. The assumption, argued by Mintzberg *et al.* (1998:7) is that literature influences practice. It was also established in this study that formal training in strategy influences perceptions on strategy and as such has value to the future employee for understanding and consequently influencing his/her organisation with regard to strategy-making. A possible research objective should be to investigate the relationship between what is taught at South African universities and strategy-making in organisations (as described in this study);

- An area of interest coming to the fore from data analysis is the performance/strategy-making or even performance/strategy (in general) relationship. The performance/strategy-making relationship was explored in the study, but can possibly be explored in more depth;
- The construct of strategic thinking was addressed briefly as part of the discussion of the emergent strategy approach. However, the concept proved rich in its various facets and could be studied further to show how this really works and plays out in the organisation.
- The study proved the importance of the concept of performance consensus. Performance consensus and its relationship with other aspects of strategy such as the communication of strategy, unlocks future research possibilities.