

# STRATEGY-MAKING APPROACHES FOLLOWED IN SOUTH AFRICAN ORGANISATIONS

by

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## ABSTRACT

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, Porac and Dos, 2005:xiv). Some researchers deem the amorphous boundaries and inherent pluralism in the field of strategy as benefiting scholars and practitioners to thrive as a community without being constraint by a dominant theoretical or methodological 'straight-jacket' (Nag, Hambrick & Chen, 2007:952).

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. A continuum of diverse strategy-making approaches is crystallized from literature. Various and divergent views on strategy-making are grouped together and associated with extreme views in this range of approaches to strategy-making. These extreme views represent the rational planning approach to strategy-making on the one end and the emergent approach to strategy-making on the other end. Issues influencing the choice of strategy-making approach, hinging on the perceived advantages and disadvantages of these approaches, are also investigated.

The study set out to describe the dominant approach/es to strategy-making followed in South African organisations. This is done through qualitative and

quantitative research exploring the research questions and hypotheses. 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.

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

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# *Strategy-Making Approaches Followed In South African Organisations*

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## CHAPTER 1 INTRODUCTION AND RESEARCH DESIGN

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## CHAPTER 1

### INTRODUCTION AND RESEARCH DESIGN

*“No single subject has so dominated the attention of managers, consultants and management theorists as the subject of corporate strategy. For the top managers of big companies, this is perhaps understandable. Served by hordes of underlings, their huge desks uncluttered by the daily minutiae of business, they often consider setting strategy as their most valuable contribution. And it is also understandable that there is a great deal of debate about which strategies work best; business is, after all, complicated and uncertain. More puzzling is the fact that the consultants and theorists jostling to advise businesses cannot even agree on the most basic of all questions: what, precisely, is a corporate strategy?”*

From *The Economist* newspaper Ltd, London, March 20, 1993 -  
in Mintzberg, Ahlstrand & Lampel, 2005:19

*There is nothing either good or bad, but thinking makes it so.*

(Shakespeare; Hamlet, II:2)

### 1.1 INTRODUCTION

John Kay puts it to the reader that “no self-respecting business today would be without a strategy” (in Mintzberg, Ahlstrand & Lampel, 2005:23). Yet, there is fervent debate going on about the definition of strategy – not only in academic literature, but also in practice and the modern organisation.

Nag, Hambrick and Chen (2007:952) ponder the apparent substantial success of strategic management both in practice and as research field, despite the fact that some strategic management scholars lament the field’s disparate, ambiguous nature.

Strategy has come a long way since the emphasis fell on comprehensive, systematic, rational planning. In the past decades strategy has appeared in many guises and displayed a seemingly disparate and ambiguous nature. McGee, Thomas and Wilson (2005: *preface*) point out that many

contemporary authors in strategy have developed a rather dismissive approach to the work that has preceded their own perspectives. In their opinion the field of strategy has been strongly characterised by the almost total substitution of one frame of reference for another, as time has progressed. They cite as an example the models of rational planning that have been “dismissed and ignored” by later writers, who have emphasised a more emergent or “politically shaped view of strategy”. These paradigmatic shifts cannot be ignored, yet, state McGee *et al* (2005: *preface*) these shifts are in practice difficult to spot, characterised as much by latest fads as by the fact that many authors have published books simply listing the various perspectives that can be taken toward strategy. McGee *et al* (2005: *preface*) claim that of all the concepts in management, strategy is the one that attracts the most attention and generates the most controversy. Almost everyone agrees that it is important. Almost no one agrees on what it is.

Mintzberg, Ahlstrand and Lampel (1998:8) share these negative sentiments on strategy theory when they assert that there is a “terrible bias” in today’s management literature toward the current, the latest, the ‘hottest’. They claim (Mintzberg *et al*, 1998:8) that this does a disservice

not only to all those wonderful old writers, but especially to the readers who are all too frequently offered the trivial new instead of the significant old. We believe that time works on the literature and practice of strategic management much like it works on wine in barrels: it reveals what is excellent.

According to Nag *et al* (2007:935), strategic management represents a case of an academic field whose consensual meaning might be expected to be fragile, even lacking, and asking strategic management scholars to define

the field might elicit an array of responses. However, despite the seeming fragmentation, Nag *et al* (2007:936) believe that the field still has a collective identity and distinctiveness due to a strong implicit consensus about the essence of the field, even though there may be ambiguity about its formal definition.

The contentious issues up for debate in this study centre around the process of creating strategies. Two distinct and clearly opposite views can be discerned in the literature. A view associated with Henry Mintzberg, arguably one of the most trenchant critics of planning (Heracleous 1998:481), is that planning cannot produce strategies because it is a programmatic, formalised and analytical process; it is rather what happens after strategies are decided, discovered or simply emerge. The distinction between deliberately planned and emerging strategies is critical for the advancement of a true definition of strategy in this study.

Various authors concur with the existence of emerging non-planned strategies, and have attempted to explain the distinction between planned and emerging strategies. Some have even suggested certain factors influencing the predominance of one mode of strategy creation over the other in organisations. But it is Mintzberg in particular who precipitated a debate about the true nature of strategy. This debate and the tenets thereof are discussed in the ensuing literature chapters.

The study seeks to uncover the true nature of strategy in South African organisations. The emphasis throughout the study is on the creation (formation) of strategy, whether separated by planning theorists from implementation or believed to be inseparably part of the implementation. Hence the study is concerned with crystallising from literature the main

streams of theoretical definitions of strategy, specifically uncovering what is believed to be the truth of formation/creation/making of strategy.

Some authors argue that a sequential process which separates formulation and implementation cannot be justified, since strategy formulation and implementation cannot always be separated – especially within the explanation of emergent strategies, which are held to be implemented on the go and not according to a previously formulated strategy (Mintzberg, 1985; 1990; 1994c; 1995, etc; Heracleous, 1998; Inkpen & Choudhury, 1995). Mintzberg, Quinn & Goshal (1995:xv) explain that, as in real life, formulation and implementation are “intertwined as complex interactive processes in which politics, organisational culture and management styles determine or constrain particular strategic decisions. And strategy, structure and systems co-mingle in complicated ways to influence outcomes”. They leave room in their motivation for particular situations in which a separation of formulation and implementation can take place, such as in some totally new ventures or organisations facing predictable futures. Janczak (2005:66) emphasises that it is impossible to comprehend the difficulties encountered in formulating and implementing strategy if one ignores the fact that the conception of strategy and the process of making it a reality are inseparable in any organisational setting.

The term strategy-‘making’ is therefore used throughout (instead of alternatives such as ‘creation’ or ‘development’). “Strategy formation” and “strategy-making” are used interchangeably, since the term “strategy formation” is used widely in academic literature. The term ‘making’ (or ‘formation’) implies not only *creating* a strategy but could also mean *operationalising* it or *putting it into practice*. The latter part of the definition is important because the nature of emergent strategies is precisely that they



are not necessarily deliberately planned (or created for that matter) but *come into being* somewhere along the way.

## 1.2 BACKGROUND

### 1.2.1 Strategy-making

Despite the large number of books on the subject of strategy, congruence between areas of strategy definition is very difficult to find, say McGee *et al* (2005:*preface*). Strategy remains one of the most contested and ill-defined concepts in management theory.

In view of this, Peters (2003:25) lauds Mintzberg's book, *The rise and fall of strategic planning*, published in 1994, as his favourite management book in the last 25 years, without contest. Peter's specific liking for this book stems from what he expresses as "the faith in long term strategy coming and going" over the past decades. Mintzberg's firm ideas on strategy break away from the mould that shaped the notion of strategy in the couple of centuries since Sun Tzu's book on military strategy, *The art of war* saw the light (translated in 1988, but containing ideas which permeated management literature long before then). Mintzberg's ideas, expressed in a host of articles and books that he authored or co-authored, some of which have been consulted for this study, started a fervent debate on the nature and definition of strategy which are discussed in depth in Chapter 2 of this study.

Strategy had previously usually been likened to planning by 'planning writers' such as Ansoff (1977), which Mintzberg (1994a:12) believes have "tended to confuse decision making with strategy making by assuming that



the latter necessarily involves the selection of a single course of action – the choice of an integrated strategy at one point in time”.

Janczak (2005:64) claims that the terms ‘strategic decision-making’, ‘strategic planning’ or ‘strategy’ are all created as equivalent terms for a generic organisational phenomenon.

At the core of strategy is a framework of fundamental alternatives. If we can identify the dimensions of this framework, we can describe the foundation of strategy. These dimensions are unique to each business and constitute a simple, understandable, powerful, and effective way to define an organization’s strategic profile.

Mintzberg *et al* in *Strategy bites back* (2005:87), note that “strategic planning has not generally been presented as an *aid* to strategy making, or as *support* for natural managerial processes (including intuition), but *as* the former and *in place* of the latter”. The view is furthermore expressed that the failure of strategic planning is the failure of formalisation. More specifically it is said to be “the failure of forecasting to predict discontinuities, of programming to provide creativity, of hard data to substitute for soft, of scheduling to handle the dynamics” (Mintzberg *et al*, 2005:89).

Other significant definitions of strategy that are explored centre around

- strategy as *analysis* (Porter, 1980);
- strategy as *strategic thinking* (Porter, 1991a; Heracleous, 1998; Graetz, 2002, Liedtka, 1998);
- strategy as *intent* (Prahalad & Hamel, 1990);

- strategy as a process of decision-making (Cyert & March, 1963; Chandler, 1962; Van de Ven, 1992; Janczak, 2005);
- and even *absence* of strategy as strategy (Inkpen & Choudhury, 1995).

An important stream of thought, championed by Mintzberg, that is used to describe strategy-making in this study, is the distinction between emerging versus deliberately planned strategies. Many authors (for example Hilse & Nicolai, 2004) agree that strategies are not always formally planned, but sometimes emerge through informal intent or vision. Mintzberg *et al* (2005:88) add that “learning, in the forms of fits and starts, discoveries based on serendipitous events, and the recognition of unexpected patterns, inevitably plays a key role, if not *the* key role, in the development of strategies that are novel”.

Whereas the design theory (which is explained in Chapter 2) promotes the notion of a neat strategic analysis-choice-implementation process, the alternative process-based school of strategy stresses the primacy of the following (Grundy, 1998:43):

- incremental management (over and above “bolder, bigger strategies”);
- cycles of deliberate and emergent change (as opposed to linear strategy development); and
- implementation and strategic thinking as inseparable versus discrete phases of strategic analysis and strategic action.

The outcome of strategy-making becomes visible in the ends and means constructed from the process. Ends and means are discussed in more detail in Chapter 3 as part of the discussion of emergent strategy. For now it

should suffice to explain them as the strategic objectives and outcomes (ends) and the tactical or operational outcomes (means) of the strategy-making process. The means-ends relationship makes certain characteristics of strategy visible (Lindblom, 1959:83). The distinction between means and ends has been used by Brews and Hunt (1999) to categorise different approaches to strategy-making along a continuum of specificity and flexibility of approaches. The study uses the same distinction in classifying approaches to strategy-making.

### *1.2.2 Strategy Research*

The research efforts of the academic arm of strategy management can be roughly divided into a **content** and **process** tradition, say Hilse and Nicolai (2004:372). Content research concerns itself with the content of strategic decisions, especially with regard to the connection between performance and market position, resources provision, or specific constellations of company attributes and environmental conditions. Process research or strategy process theory, on the other hand, examines decision-making processes as well as their relation to the organisation and deals with planning methods, questions of implementation and so on (Lechner & Mueller-Stewens, 2002). Strategic understanding of process research can be very concisely described as a sequence of events (Hilse & Nicolai, 2004:373). Content is concerned with the type of strategic decision, while process focuses on its formulation and implementation (Cyert & March, 1963; Andrews, 1971). Pettigrew (1992) perceives that process research and strategy are essentially concerned with choice processes (strategic decision-making) and implementation processes (strategic change). Van de Ven (1992), in contrast, argues that strategy process research is diverse and cannot be contained within any single paradigm.

Szulanski, Porac and Doz (2005:xiii) attribute the “enduring scholarly interest in the process of strategy-making” to “the abiding assumption that some ways of strategizing are more efficacious than others, and thus lead to higher firm performance in the long run; higher than luck alone would bring”. They state that expressions of interest in and endorsements of the strategy process are abundant in the academic literature. It is therefore not surprising that “the quest to uncover stable principles of good strategy making has attracted much support and interest over the years” (Szulanski *et al*, 2005: xiii). Regnér (2005:189) agrees with this when he states that strategy content research has presented a systematic analysis on the basis of competitive advantage, and strategy process research has provided careful in-depth descriptions and examinations of strategy making. He asserts that strategy process views have provided rich and systematic descriptions showing that strategy-making involves a variety of contextual influences and actors in addition to analytical exercises and leadership by managers at the centre.

Prahalad and Hamel (1994:7) point out that debate about content and process has plagued strategy research. Despite evidence to the contrary (Bower, 1970; Burgelman, 1983), the impact of process on strategy and resource allocation is constantly underplayed. Prahalad and Hamel (1994:7) are of the opinion that scholars have either underemphasised the process and people issues in their pursuit of economic understanding of strategy, or the other way around. Seldom has there been a balance between the two.

Various authors have attempted to distinguish between the main strategy epistemologies, and categorised them in divergent ways, ranging from a mode of formalised, comprehensive planning to accidental strategy evolution (these views are outlined in Chapter 2). The aim of this study is

to apply a basic continuum of the most divergent views on strategy-making to South African organisations in pursuit of the truth of strategy in practice. The focus is on uncovering how strategies are actually made in South African organisations and investigating factors influencing the way strategies are made (the so-called mode of strategy making). The linkage between the mode of strategy-making followed and perceptions of strategy effectiveness and employee satisfaction with strategy are also explored.

An important question to consider and an angle taken for this study is to investigate the relationship between what is considered as true for strategy making in literature and the way strategy is really put into practice in South African organisations.

### ***1.2.3 Defining the constructs***

The above sub-sections clarified some of the definitions to be used in this study. The construct definitions for constructs obtained in the study title: "Strategy-making approaches in South African Organisations" are the following:



<b>Strategy-making:</b>	Creating and operationalising (putting into practice) a strategy or strategies through a linear or non-linear, formal or informal process.
<b>Strategy-making approach:</b>	A mode followed to create and operationalise a strategy or strategies in an organisation.
<b>South African organisations:</b>	A South African organisation of unspecified form or size.

### 1.3 RESEARCH PROBLEM

It is evident from the background of the study that there is considerable lack of congruence on what strategy is between academic authors and practitioners of strategy about what strategy is. The literature study deals with the different perspectives on strategy and specifically strategy formation and crystallises and describes outcomes of strategies on a continuum. The ardent literature debate on the nature of strategy does not always provide clarity with regard to the face of strategy in organisations and specifically South African organisations. While the research problem is discussed in more detail in Chapter 5, the research questions that this study seeks to address are the following:

- What is the mode of strategy-making followed in South African organisations?
- How specific are the ends developed as part of the strategy-making process?

- How specific are the means developed as part of the strategy-making process?
- How flexible are the planning structures in terms of planning time frame and tolerance for change?
- Is there agreement on strategy performance and strategy-making in organisations?
- What are the factors influencing the degree of agreement among organisational members about strategy-making in their organisation?
- What influences the unconscious or conscious selection of a mode of strategy-making?
- Is there a correlation between strategy-making mode and profitability or organisational performance?
- To what extent do specific moderating factors influence strategy-making in organisations?

#### **1.4 PURPOSE OF THE STUDY**

The purpose of the study is to determine and describe the modes of strategy-making evident in South African organisations and to determine the extent to which certain factors moderate or influence the predominance of a particular strategy-making mode. The study also attempts to create awareness of the issues around strategy-making in South African organisations and the internal dynamics of the strategy-making process. The following are explored in an attempt to address the afore-mentioned research questions:

- Literature on the main streams of thought and/or research on strategy-making and the associated academic debate;
- Literature and related research on two extreme views on strategy-making, i.e. rational formal planning in which the strategy is

deliberately planned and the emergent strategy approach where strategy evolves as a result of organisational activities;

- Organisational inclination towards a specific mode of strategy formation;
- Factors moderating or influencing the mode of strategy formation in organisations.

## **1.5 RESEARCH OBJECTIVES**

The primary and secondary research objectives of the study are presented below.

### ***1.5.1 Primary objectives***

The primary objective of the study is to:

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

### ***1.5.2 Secondary objectives***

The secondary objectives of the study are to:

- Describe internal organisational dynamics (perceptions among managerial levels, training in strategy, age, education) influencing the perceptions on strategy-making;
- Determine if specific factors (as extracted from the literature) influence the advancement of a specific mode of strategy formation in South African organisations;
- Determine the influence of strategy-making approaches on organisational performance and profitability;
- Crystallise a theoretical frame for organising and describing strategy.



## 1.6 HYPOTHESES

The following hypotheses were formulated from the research objectives:

Null hypothesis 1(H1o):           The actual mode of strategy-making in South African organisations cannot be clearly identified

Alternative hypothesis 1           The actual mode of strategy-making in South African organisations can be clearly identified  
(H1a):

The following secondary hypotheses are stated for the study:

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

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

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

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

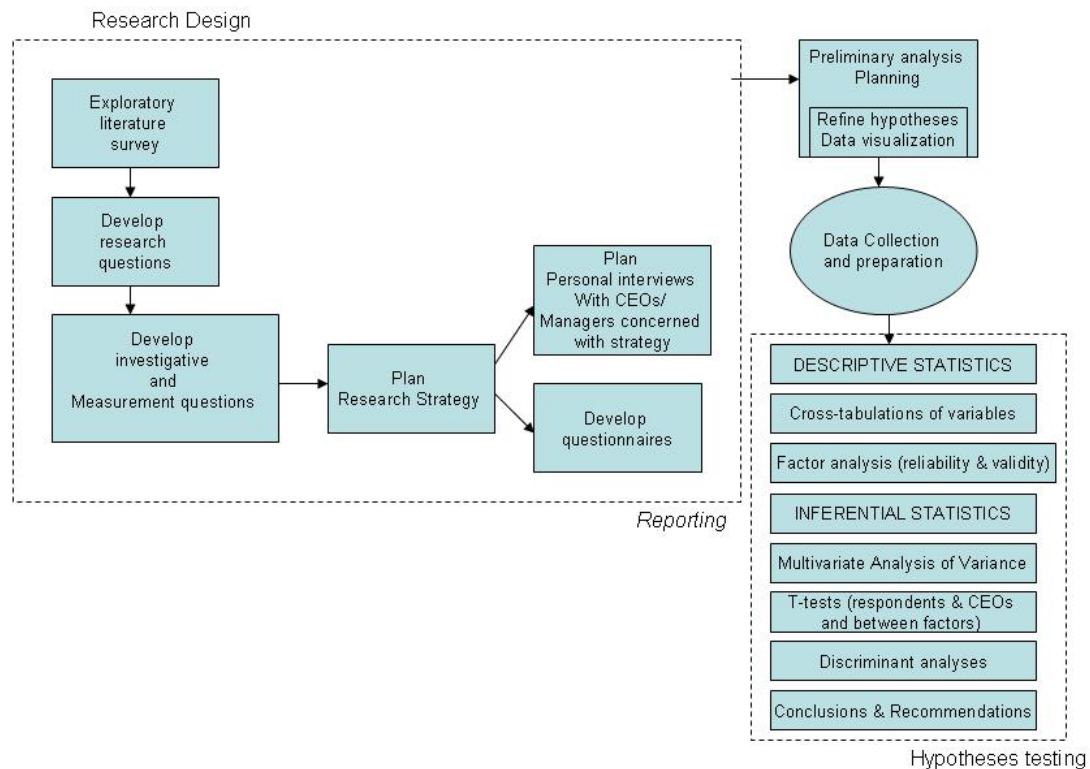
H4a:           The larger an organisation the more likely that the rational planning approach to strategy-making is followed

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

## 1.7 RESEARCH DESIGN FOR THIS STUDY

The study consists of a literature review and an empirical study. The literature review aims to survey secondary data sources (academic journals and books) to obtain the background on strategy theory and investigate the construct of strategy-making. It provides insight and understanding into the research problem as well as the necessary background to guide the empirical part of the study. The research strategy entails the approach followed in this descriptive and explanatory research (Saunders, Lewis & Thornhill, 2007:135). The research strategy included mixed model research combining qualitative and quantitative data collection techniques and analysis

procedures. This entailed a survey/questionnaire distributed among respondents to record responses for analysis, as well as personal interviews with CEO's or managers concerned with strategy in organisations. The data analysis made use of various analysis techniques to investigate the existence and direction of relationships. Figure 1.1 depicts the research design process that was followed:



**Figure 1.1 Research Design**

(Source: Own compilation)

### 1.7.1 Sample selection and size

A sample had to be selected from the population of South African organisations. A non-probability purposive/judgmental sample has been used (meaning the sample was arbitrarily and subjectively selected (Cooper

& Schindler, 2001:166) using judgment to select cases that will best enable the researcher to answer her research questions and meet objectives (Saunders *et al*, 2007:230). Because strategy is regarded as a confidential and sensitive area of research in most organisations, the study was in some instances met with resistance from organisations that were approached to participate in the research (especially where organisations operated in highly competitive environments). Participating organisations were therefore selected arbitrarily based on the access that the researcher had to either the CEO (through prior established relationships or network contacts) or a strategically positioned manager who directly influenced strategy-making in the organisation. Despite the arbitrary selection the respondents and interviewees were still measured against sample selection criteria for inclusion in the sample. Interviews were held with 17 CEO's or managers involved in strategy and each were requested to distribute questionnaires evenly between management (top-, middle- and lower-level management) and non-management level employees in their organisations. Ten to twenty questionnaires (depending on the organisational size) were distributed per organisation in order to spread respondents across several organisations and increase research validity. Some questionnaires were also distributed among individual organisations from an organisational database to which the researcher had access. A total of 210 questionnaires (including 17 questionnaires captured after interviews with CEO's) were returned.

### ***1.7.2 Importance and benefits of the study***

The study synthesises diverse literature and theories around strategy-making. The survey of the secondary data from academic journals serves to highlight issues that have been addressed for the past almost two decades, but that have not yet found their way into South African teaching (a

proposition that should be tested in subsequent research) or practice. Mintzberg (1990:197) points out that the design school model (i.e. with the emphasis on analysis tools) not only dominates the world of pedagogy - either in its pure form, or as the foundation of the thinking behind the planning and positioning schools - but also dominates beliefs in practice. He believes that the 'one best way' thinking is alive and well in the practice of strategic management, and it dictates how strategy must happen in organisations. This study aims to open up the different possibilities for making strategy in organisations and also for possible marriage between different strategy-making approaches.

This is the first South African study of its kind investigating and describing what happens in South African organisations in terms of strategy-making. This could inform organisations on what the current practice is regarding strategy-making, provide a basis for comparison and suggest situations in which a certain approach to strategy-making is likely and feasible. This study opens up possibilities for future strategy research such as comparing academic offerings in terms of strategy with the organisational reality of strategy-making.



## 1.8 CHAPTER OUTLINE

CHAPTER 2	<i>The academic debate on strategy-making</i>	<p>This chapter outlines and explains the main tenets of the debate on strategy-making. It centres mainly on the two opposing approaches to creating strategy, namely the rational planning and the emergent strategy approach. Academic views on strategy-making are associated with and discussed in relation to the two opposing approaches/modes. A continuum of strategy-making approaches is crystallised.</p>
CHAPTER 3	<i>Divergent approaches to strategy-making</i>	<p>This chapter outlines and discusses in more detail the most important theoretical streams in the evolution of theory on strategy-making.</p> <p>It furthermore discusses the two main extremes to the continuum of strategy-making approaches/modes in detail, namely the rational planning and emergent strategy approaches.</p>
CHAPTER 4	<i>Moderating factors</i>	<p>This chapter focuses on the various advantages or disadvantages associated with a specific mode of strategy-making and links these to influencing/moderating factors. It highlights factors that play a role when a specific strategy-making mode is followed (whether through deliberate</p>



CHAPTER 5	<i>Research design and methodology</i>	decision by management or as a result of how strategy plays out in organisations).  This chapter presents the research problem, objectives and hypotheses. The methodology in terms of data collection and data analysis.
CHAPTER 6	<i>Research findings</i>	This chapter highlights the empirical findings in terms of the demographic information and other descriptive and inferential statistics. The chapter presents all the research findings obtained by means of statistical analysis, including results of factor analysis, correlation analyses and chi-square tests, Mann-Whitney t-tests, Multivariate ANOVA, Linear and Logistics discriminant analysis and MARS regression analysis.
CHAPTER 7	<i>Conclusion</i>	The final chapter summarises the study and empirical findings. It concludes the research by revisiting the research objectives, hypotheses, limitations of the study, contributions to science and areas for further research.

## 1.9 ABBREVIATIONS

The following abbreviations are used in this study:

CEO: Chief Executive Officer

The following terms are used interchangeably throughout the thesis document:

Mode	Approach
Strategy-making	Strategy formation
Rational planning	Formal, comprehensive planning
Moderating factor	Influencing factor or moderator
Questionnaire	Survey
Universe	Population

### **1.10 REFERENCING TECHNIQUE**

The Harvard referencing technique is used in this study.





## CHAPTER 2 THE ACADEMIC DEBATE ON STRATEGY-MAKING

**2.1 Introduction**

**2.2 Overview of divergent views on strategy-making**

**2.3 Divergent views on strategy-making approaches on a continuum**

**2.3.1 Science versus Art Approach**

**2.3.2 Mechanistic versus Organic Approach**

**2.3.3 Planning and Design versus Learning Approach**

**2.3.4 Deliberate versus Emergent Approach**

**2.3.4.1 Strategic Planning versus Strategic Thinking**

**2.3.4.2 Strategy as a Plan versus Strategy as a Pattern**

**2.4 Conclusion: Crystallizing a continuum**

**2.5 Chapter summary**

## CHAPTER 2

### THE ACADEMIC DEBATE ON STRATEGY-MAKING

*Enduring effective strategy-making subscriptions are rare, or some would claim impossible. Indeed, a prescription that would guarantee supra-normal profits consistently, would de-facto become the strategic management field's own version of the proverbial money machine. As a result, the field as a whole seems to have ebbed in and out of favour with practitioners... Anchored in the gloom and doom of the public condemnations of the field we emerged from that workshop convinced that we were fortunate to be witnessing the beginning of an energetic and widespread resurgence of interest in process-related topics, a resurgence which had transcended national boundaries and that was occurring all around the world.*

Szulanski, Porac and Doz (2005:xiv)

#### 2.1 INTRODUCTION

Louis Alvarez, Nobel Laureate, once said: "This is the course in advanced physics. That means the instructor finds the subject confusing. If he didn't, the course would be called elementary physics" (*In Mintzberg et al 2005:13*).

Who would think that the same sentiment could be applied to the field of strategy? Most of us were taught in our strategy courses at university and in MBA classes that strategy is quite straightforward. You set the vision, clarify your business scope with a concise but comprehensive mission statement, do some analysis on the organisational environment, select strategies from a host of possible strategy options and *voila*...a strategy ready to be implemented. Then you enter the organisation, ready to dazzle with your

superior knowledge on strategy....but with some amazement you find out that strategy happens a little differently from how you were taught. It might be that the lines of responsibility or accountability are unclear. It might be that the strategy is for top management's eyes only and you just do as you are told ... never knowing where your piece of the action fits into the bigger picture. It might even be that you discover that the best way of dealing with your customers or doing things in your industry is by trial and error.

Makins and Steele (2006:76) verbalise such concerns in a simple question, "Is strategic planning completely useless?" They maintain that strategic planning does not really influence most companies' strategy.

...we will demonstrate that the failure of most strategic planning is due to two factors: It is typically an annual process and it is most often focussed on individual business units. As such, the process is completely at odds with the way executives actually make important strategy decisions, which are neither constrained by calendar, nor defined by unit boundaries. Not surprisingly, then, senior executives sidestep the planning process.

Inkpen and Choudhury (1995:313) even suggest that "strategy absence need not be associated with organizational failure...Deliberate building-in of strategy absence may promote flexibility in an organization...Organizations with tight controls, high reliance on formalized procedures, and passion for consistency may lose the ability to experiment and innovate."

Veldsman (2007:41) submits that there is a strategic fatigue evident in organisations due to strategising not keeping pace with the accelerating changes which necessitates reinvention of strategising itself. Other

researchers also argue in line with Veldsman (2007) for a fresh perspective on strategy-making. Weeks (2007:295) notes that prediction lies at the core of traditional strategic management theory. In this sense a possible future within a specific context is predicted and acted upon in terms of implementation of strategies. Weeks (2007:306) submits that context is the 'rosetta stone' for determining the appropriate approach to strategy-making.

Whatever the case may be, pondering on strategy leaves one with an inevitable discovery – it is not quite as simple as you were taught. It might even be called "advanced strategic management" (as Alvarez (*In Mintzberg et al/ 2005:13*) puts it) if one considers the theory versus practice or even just the vast theoretical discussions in academic literature.

Why the emphasis on the creation of strategy, when "failure is almost always attributed to implementation" (Mintzberg *et al*, 2005:32)? The answer lies in the question of whether strategy formation and implementation can really be separated. The debate about strategy formation is exactly that: a debate about the true definition of strategy, aptly explained by Mintzberg *et al* (2005:32):

Our strategies were clever, say the formulators; the problem is with the dumbbells in implementation. But the dumbbells might reply that if you formulators are so clever, how come you didn't formulate strategies that we dumbbells were capable of implementing. The problem, however, may lie deeper in the very separation of formulation and implementation. Unlike buildings, strategies do not get finished. They are works-in-progress, always changing. So their structures have to be fluid, their walls permeable. Executives cannot just hand them over to other for implementation the way architects hand over plans to builders

for construction. Strategies, in other words, have to live, and so people concerned with them, had better be able to deal with them intimately, continuously...Real strategies are about living customers and dynamic markets and evolving technologies, not about abstract strengths, weaknesses, threats, and opportunities.

The debate as it unfolds centres around the being of strategy: why strategies when finally implemented (so-called realised strategies) sometimes differ from intended strategies. These strategies that realise but were not intended, are referred to as emergent strategies. Hilse and Nicolai (2004:375) explain the two extremes as follows: "In extreme cases, strategies occur through a 'grass roots model' where strategic initiatives that have been distributed within the organisation and have nothing in common with the intended strategy 'grow rampant'. The other extreme would be a comprehensive, deliberate strategy where the intended strategy is completely realized". (This distinction between deliberate, emergent and realised strategies are explained in this chapter and also in Chapter 3.)

The debate is also about how strategies come (and should come) to life in organisations, with proponents on various sides prescribing and describing issues around strategy with conviction and passion.

In this chapter strategy is defined in terms of strategy-making; the main pinnacles of the debate on strategy-making are then discussed and the arguments outlined. The chapter ends with a diagram that attempts to capture the main continuum and highlight significant issues. Chapter 3 then sees the two main streams fleshed out and described in more detail and then a basic epistemology crystallised.

## 2.2 STRATEGY DEFINED: AN OVERVIEW OF DIVERGENT VIEWS

In the sixth century BC, Sun-tzu (later translated as Sun Tzu) in his works on military art and science, defined strategy as a **vehicle for planning** when he stated that “Leaders plan in the beginning when they do things,” and “Leaders consider problems and prevent them” (Sun Tzu, 1988:17). And further (1988:42):

Assessments are the first order of business in military operations. But General Cao Cao says that assessments should be *made at headquarters* – this is because it is imperative *to first assess* the wisdom of the leaders, the strength of the opponent, the lay of the land, and the number of troops; then when the two armies confront one another, the adaptations to be made are *determined by the leadership in a manner consistent with these regulations*. Discipline means that *regulations are strict and clear*. The Way means *inducing people to have the same aim as the leadership*, so they will share death and share life, without fear of danger. This means *guiding them by instruction and direction*. [Own italics].

Throughout early literature on strategy some salient thoughts expressed by these early works have been re-emphasised and established as theoretically true for strategy. The notion of planning and the importance of the CEO or leader typify the early beliefs about strategy. Many authors, such as Quinn (1980) and Cummings and Wilson (2003), have traced the military genesis of the term strategy from the Greeks and the Macedonians. The word *strategos* began as a term describing a commanding role in the army (a general, for example), and by the time of Alexander the Great (330 BC) had become the word which described the successful deployment of troops to overcome the enemy and to the system of governance which facilitated this

planning. It is this combined notion of **planned deployment and governance** which pervades the so-called planning schools of strategy (McGee *et al* 2005:9). Authors such as Chandler (1963) and Ansoff (1965; 1972) epitomise the translation of this planning orientation to the strategic conduct of business and the view of the general manager as a 'strategist' (coining the phrase 'strategic management' in 1972). Ansoff (1965) provided a blueprint for planning an organisation's objectives, expansion plan, product-market positions and resource allocation, and his book *Corporate Strategy* has since been called the bible of strategic planning (Koch 2000:6).

Szulanski, Porac and Doz (2005:xiii) refer to Hofer and Schendel's (Schendel & Hofer, 1979) 'pioneering definition' of strategy as being '**processual**' in character, emphasising the development and utilisation of strategy. McGee *et al* (2005:7) attribute the definition most common in the planning literature to Chandler, in what is called his landmark book, *Strategy and Structure* (McGee *et al*, 2005:7). This definition characterises strategy as "the determination of the basic long-term goals and objective of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals" (Chandler, 1963:4).

The typical strategic plan manifested itself in the 1970s in the form of a corporate or business plan, detailed to a T, which served as a **blueprint for conducting all business operations**. The military idea of strategy had managers talking about 'attacking' and 'capturing' markets, 'defeating' rivals, 'winning over' customers. However, the analogy between generalship and running a firm was abandoned when businessmen realised that, "slaughtering your opponents and outselling them had little in common," contend Mintzberg, Ahlstrand and Lampel (2005:20). According to them, corporate strategy in the 1960s had come to mean a complex and



meticulously wrought plan based on detailed forecasts of economies and specific markets. Mintzberg *et al* (2005:21) are of the opinion that this approach to strategy fell into disrepute because:

- Many people blamed it for over-zealous diversification in the 1970s and the creation of poorly performing conglomerates.
- Japanese firms, which seemed to eschew detailed planning, cast further doubt on its usefulness in the 1970s.
- Sudden changes in the environment, such as oil price rises, meant changes to the 'handsomely bound corporate strategy', which rendered the plan insufficient.

An important development in the history of strategy was, according to Koch (2000:6), the founding in the 1960s of the Boston Consulting Group (BCG). The BCG combined intellectual innovation and boardroom consulting, and combined market analysis (with specific analytical tools such as the Experience Curve and Growth/Share Matrix) and research with financial theory to produce the micro-economic analysis of competitors and their relative costs that formed the bedrock of subsequent strategy (Koch, 2000:7).

In the 1980s **competitive advantage**, a term coined by Harvard academic Michael Porter, became prominent and changed the definition of strategy. Szulanski *et al* (2005:xiii) mention Porter's (1996) expression of "*preoccupation with the leadership and organizational challenges of managing the process*". Porter emphasised that competitive strategy is about being different (i.e. **competitive positioning**) and achieving strategic coherence in organisational strategy. It means deliberately choosing a different set of activities to deliver a unique mix of customer value.



However, a strategic position is not sustainable unless there are trade-offs with other positions, hence the need for strategic decisions.

According to Porter (1985), competitive strategy is all about the activities an organisation undertakes to gain a competitive advantage in a particular industry. These activities (and objectives) are determined by the strategic decision on the particular competitive advantage which the organisation is attempting to achieve. The competitive advantage of an organisation is the answer to the question, “what competence/advantage should the organisation use to distinguish it from its competitors?”. The competitive advantage should ‘elevate’ the organisation from its competition (Morschett, Swoboda & Schramm-Klein, 2005:1).

Strategy is about combining activities that are complementary and reinforcing. The strategic coherence among many activities is fundamental not only to achieving competitive advantage, but also to the sustainability of that advantage. It is harder for a rival to match an array of interlocked activities than it is merely to match a particular sales-force approach, match a process technology or replicate a set of product features. Positions built on a series of coherent activities are far more sustainable than those built on individual activities (McGee *et al*, 2005:7).

Porter (1985:12) combined the organisation’s ‘scope of operations’ and competitive advantage to derive three generic types of competitive strategies. He proposed and applied specific **analytical techniques** to determine the organisation’s position within the industry. Researchers in support of Porter’s ‘positioning’ theory on strategy point out that organisations siding with one of these generic competitive strategies outperform their rivals (Dess, Lumpkin & Taylor, 2004:142).

However, there are some authors who criticise Porter's theory as too basic and oversimplified in terms of the positioning options (Mintzberg, Quinn & Ghoshal 1995; Miller 1992; Gilbert & Strebel 1987), and as having little impact on how organisations go about formulating strategy (Mintzberg, Ahlstrand & Lampel, 2005:21). Reasons cited for this by Mintzberg *et al* (2005: 21) are:

- His work is not prescriptive/descriptive enough.
- His vast checklists provide little guide to what firms should actually do, or avoid doing.

In 1980 milestone research conducted by Quinn had set a new direction in strategy literature. Quinn (1980) published the results of a study on how big firms actually went about formulating strategy. He found that they *proceeded by trial and error*, constantly revising their strategy in the light of the new experience. He termed this phenomenon, **logical incrementalism**. On planning, Quinn (1980:14) concluded: "My data suggest that when well-managed major organizations make significant changes in strategy, the approaches they use frequently bear little resemblance to the rational, analytical systems so often described in the planning literature."

Quinn (1980:40-41) offered two reasons for the planning's own inclination to be incremental:

1. Planning was carried out bottom-up by managers responding to the narrow needs of the units' products, services, or processes within a long-standing framework of assumptions.
2. Plans were properly designed by most management to be flexible, "intended only as frameworks to guide and provide consistency for

future decisions made incrementally during shorter term operating cycles”.

Mintzberg (Mintzberg, Pascale, Goold & Rumelt, 1996:79) highlight the significance of the ‘new’ line of thought, which complements the above-mentioned incremental approach, when he points out that “no other article published in the management literature has had quite the impact of Richard Pascale’s piece on the ‘Honda Effect’. It is, in a sense, a perfect juxtaposition of two versions of the same story – how a Boston Consulting Group report explained the Honda Motor Company’s dramatic success in the American motorcycle industry, compared with how the Honda executives who managed that process explained it themselves.” Pascale (1984:4) relays some of the ambiguity surrounding the term *strategy* by starting with the Webster dictionary definition that defines it as a “large-scale planning and direction of operations” and carrying on to analyse the term as applied and used in the business context, by using Bower’s definition (1970:7): “...it pertains to a process by which a firm searches and analyzes its environment and resources in order to:

- select opportunities defined in terms of markets to be served and products to serve them; and
- make discrete decisions to invest resources in order to achieve identified objectives.”

Pascale (1984:48) continues by explaining that strategy is more than a conventional noun to the “vast and influential population” of executives, planners, academics, and consultants. It embodies an implicit model of how organisations should be guided and it consequently pre-configures our way of thinking. Strategy formulation, says Pascale, is therefore:

- generally assumed to be driven by senior management, whom we expect to set strategic direction;
- has been extensively influenced by empirical models and concepts, and
- is often associated with a laborious strategic planning process that, in some companies, has produced more paper than insight.

However, the term strategy does not have a globally homogeneous meaning. Pascale (Mintzberg *et al*, 1996:80) points out that the Japanese (in contrast to their European and American counterparts) are a bit distrustful of a single strategy. In their view peripheral vision is sacrificed when strategy is focussed on a single idea and appears to be single-minded, for in their view any idea that focuses attention does so at the expense of peripheral vision. Peripheral vision is regarded as essential to discern changes in the customer, the technology or competition, and is the key to corporate survival over the long haul. The Japanese, furthermore, don't use the term 'strategy' to describe a crisp business definition or competitive master plan. They think more in terms of **strategic accommodation**, or **adaptive persistence**, underscoring their belief that corporate direction evolves from an incremental adjustment to unfolding events. Rarely, in their view, does one leader (or a strategic planning group) produce a bold strategy that guides a firm unerringly. Far more frequently, the input is from below. It is the ability of an organization to move information and ideas from the bottom to the top and back again in continuous dialogue that the Japanese value above all things. As this dialogue is pursued, what in hindsight may be 'strategy' evolves. In sum, 'strategy' is defined as "all things necessary for the successful functioning of organization as an adaptive mechanism" (Pascale 1996:90).

The above view of the Japanese as portrayed by Pascale (1984; 1996) was seen as highly controversial and stimulated lively discussion. Mintzberg, Ahlstrand and Lampel (2005:22) note that an incremental approach sounded a lot like “muddling through (i.e. no strategy at all)”, but nevertheless built on this ‘haphazard’ (Denning, 1973:26) approach to planning in their later work on **emergent versus deliberate strategies**.

Another influential strain of theorising about strategy in the 1980s has stressed expanding an organisation’s skills and competences and finding markets in which to exploit these skills (McGee *et al*, 2005; Mintzberg, Ahlstrand & Lampel, 2005). Prahalad and Hamel (1990) also influenced how strategy is viewed today. They conceptualise strategy in terms of **strategic intent**, which they define as providing overarching strategic direction. McGee *et al* (2005:6) say that strategic intent is, in essence, about winning a competitive game. This leads to a focus on strategy as a process of reinforcing intent by developing the core competencies of an organisation and leading and managing change. They also propose the viewpoint of strategy as **stretch and leverage**, in which the strategist sees the advantage of breaking the strategic frame and leveraging the critical core competences in an innovative and distinctive manner. The concept of strategy as innovation is dominant in their thinking and they maintain that innovation facilitates winning in the competitive game (Prahalad & Hamel, 1990).

Nag *et al*. (2007) came up with an **academic definition of strategy** which they believe encompasses all the relevant elements of the construct. This definition emanated from the following empirical process:

- First, they selected 447 abstracts of articles appearing in major management journals;

- These were rated by acclaimed scholars as to whether they represented strategic management articles. Strategic management articles and non-strategic management articles were grouped.
- Strategic management articles were then analysed for distinctive strategy lexicon, which in turn allowed the authors to derive an implicit consensual definition.
- To determine the validity of the definition, the elements of the definition were examined to determine if they would allow for the discrimination of strategic management and non strategic management abstracts (which the elements did).

The definition can be stated as (Nag *et al.* 2007:944)“:

The field of strategic management deals with the major *intended and emergent initiatives* taken by *general managers* on behalf of owners, involving utilization of resources, to *enhance performance of firms* in their external environments [own italics].

The above definition is especially important to this study for the reference to “intended and emergent” initiatives (discussed in this chapter and Chapter 3) as well as the reference to performance and the influence of the environment of strategy-making (discussed in Chapter 4).

### 2.3 DIVERGENT APPROACHES TO STRATEGY-MAKING ON A CONTINUUM

At the heart of the development of a strategic definition lies a debate concerning the nature of strategy. Defining strategy proves not to be a simple task but encompasses all the divergent views on what strategy really is, how it is made and how it is put into action in organisations. It is

precisely these divergent and often opposing views on strategy in general, and strategy-making specifically, that is explored in the ensuing account of the debate on the nature of strategy formation.

To the same extent that defining strategy is a complex task, classifying and categorising the different views is a vast and expansive quest. This section scrutinises the tenets of strategy-making from the point of view of opposing views:

- the Science versus Art approach;
- the Mechanistic versus Organic approach;
- the Learning versus Planning and Design schools,
- and finally focus on outcomes in the deliberate versus emergent strategy view; and
  - the associated stance of strategic planning versus strategic thinking

### ***2.3.1 Science approach versus Art approach***

Parnell and Lester (2003:292) argue that the art versus science debate is one of the most “fundamental issues in strategy formulation”. They are of the opinion that the art–science discussion is not merely an academic dispute, since the perception of the strategy phenomenon, and more specifically the formulation of strategy, is a key building block of strategy. Therefore they postulate that one’s view of *how* the strategy process should function is inseparable from one’s view of *what* the strategy should be (i.e. content). The difference between the art and science interpretations of strategy is therefore substantial.

“According to the art perspective, the lack of environmental predictability and the fast pace of change suggest that the inherent value of strategic

planning is limited. Instead, strategists should incorporate substantial creativity and intuition in order to design a comprehensive strategy for the firm (Ford & Gioia, 2000). In contrast, followers of the science perspective see the business environment as largely objective, analysable and predictable to a great extent. As such, strategic managers should follow a systematic process of environmental, competitive and internal analysis and build the organisation's strategy on this foundation" (Parnell & Lester, 2003:292).

Koch (2000:81) relates the idea of strategy that should be 'crafted' rather than 'planned' to the recognition of the difficulty of predicting the future and the importance of respecting market feedback rather than sticking to a plan above all else. As such, strategy should be a creative and intuitive interaction between a firm's aspirations and results in the marketplace.

Parnell and Lester (2003:292) argue, in line with other academics (such as Prahalad, 1995:iii; Farjoun, 2002:562) that most of strategy literature has "traditionally favoured the science or planning model, whereby strategic managers are encouraged to systematically assess the firm's external environment and, based on perceived strengths and weaknesses, evaluate the pros and cons of myriad alternatives before formulating strategy. The search for causal relationships and objectivity are central to the planning model. "

The strategy-as-a-science approach holds that strategic managers should be trained, highly skilled analytical thinkers who digest vast amounts of data and are able to translate those into a desired strategy or direction for the firm. Conversely, when strategy is viewed as an art, strategists or, as Parnell and Lester call them, strategy artists, are craftsmen, able to master detail



by interpreting the finer detail, who try to construct the strategy as a potter moulds clay, that is by visualising the outcomes associated with certain alternatives and then charting a course of action based on holistic thinking, intuition and imagination (Parnell & Lester, 2003:292; Mintzberg, 1987).

`Strategy scientists' tend to downplay the role of imagination and creativity in the strategy process and are generally not perceptive of alternatives that emerge from any process other than a comprehensive analytical process. Conversely, `strategy artists' view strategic planning exercises as time poorly spent and may not be as likely as the scientist to make the necessary effort to maximise the value of the formal planning process (Hamel, 1996; Hoffman, 2001).

Idenburg (1993:133) defines strategic management as the "constructive change of situations by organizations of people". He concludes that based on this definition it would be invalid to compare strategy with the artist's struggle to produce pottery from his materials. This is because, according to Idenburg (1993:133), the future is not inevitable, but can be influenced if we know which objectives to pursue in order to achieve a desired position.

Parnell and Lester (2003:293) finally contend that there is substantial evidence to suggest that strategy is both an art and a science. They argue that while, on the one hand, following a comprehensive process of strategy development and implementation is more likely to improve prospects of success for businesses in stable environments, on the other hand, the creative dimensions of strategy, such as brainstorming, should not be eschewed in unstable environments where innovative solutions are required. They add: "Strategic managers should follow a systematic strategic

management model, while recognizing that the steps in the model are neither all-encompassing nor specifically sequential” (2003:293).

Regnér (2005:190), in his examination of ‘strategy logic’, i.e. the general process and management characteristics that generate a certain strategy outcome, criticises the ‘strategy as an art’ approach as avoiding the question of strategy logic. This approach, in his view, runs the risk of precluding critical examinations of the actual mechanisms and procedures involved by relying on intuition and feelings, which are difficult to examine. He believes that the reason research responded with this tactic is that managers often fall back on referring to ‘gut feelings’ to explain why a particular strategy outcome finally presented itself. Art is an important part of the answer in more uncertain situations, argue Szulanski and Amin (2000), in line with Parnell and Lester’s explanation (2003:293).

### ***2.3.2 Mechanistic approach versus Organic approach***

Farjoun (2002:561) categorises the development of strategy in two broad ‘progressions’. He is of the opinion that the categories arose in an attempt to answer questions such as: What is strategy? What is strategy related to, and how? How is strategy selected and managed? How should it be? Farjoun thus distinguishes two streams of research, namely the mechanistic and organic perspectives. He borrowed these terms from Burns and Stalker (1961, *in* Farjoun, 2002:562) who in turn “borrowed ... terms to suggest that different contexts call for different clusters of conceptual, explanatory, prescriptive, and methodological models. We too view the terms as describing points on a continuum rather than a dichotomy of pure types. We find the term organic particularly suitable to our purposes since it combines notions of process, unity, and vitality”. The main differences between the mechanistic and organic perspectives are explained in table 2.1:

*Table 2.1: Mechanistic versus organic perspective*

	<b>Mechanistic perspective</b>	<b>Organic perspective</b>
Context	Stable and predictable environment, early stages of the field's development	Dynamic and uncertain environment, early stages of the field's development
Key influences	Newtonian mechanistic logic ideas prevailing in the behavioural and economic disciplines in the field's formation	New ideas in natural and social sciences, organic developments in strategy (strategy process research, evolutionary and process models, interactive and integrative research) and selected mechanistic ideas

(Source: Farjoun, 2002:567)

These two broad 'progressions' of the development of strategy are distinguished more by epistemological differences than by chronological order (Farjoun; 2002:562). The first development consisted of several interdisciplinary-based and stand-alone middle-range theories, mainly SCP (Structure-Conduct-Performance), SSP (Strategy-Structure-Performance) and RBV (Resource Based View). These theories were used to explain variations in strategy and performance. Strategy itself has been mainly viewed as a posture and a plan. The design model and the SWOT (strengths, weaknesses, opportunities, and threats) model have been used as the main models of strategic management and strategic choice respectively.

The rational planning view assumes that people act in a structured and rational manner, says Idenburg (1993:134). This therefore means that the approach is rather mechanical in character. Farjoun (2002:562) calls the first movement in the development of strategy theory the **mechanistic perspective**, for it provides a set of conceptual, explanatory, and prescriptive

models that are unified by the Newtonian mechanistic logic as their shared epistemological basis. This perspective remains “vital to the development of strategy research, teaching and practice. It has established the centrality of key constructs, questions and theoretical relationships, and its prescriptive orientation reflects the field’s commitment to help firms improve their functioning and performance, and to address managerial concerns” (Farjoun, 2002:562).

Farjoun (2002:562) highlights the subsequent development category, calling it the **organic perspective**. Prompted by the limitations of the mechanistic perspective, and inspired by the advent of new ideas in social and natural sciences, the field’s second broad progression saw the emergence and spread of organic developments. Key developments included research on strategy formation and implementation (Quin, 1981; Mintzberg & Waters, 1985), and the recognition of reciprocal and interactive relationships between strategy and other constructs (Henderson & Mitchell, 1997). These research streams have introduced new and eclectic views of key constructs, questioned the rational process model of strategy and offered new views of strategy formation. The focus of the organic perspective shifted from strategic choice to strategic change. Collectively, the organic developments represented an important shift in the underlying assumptions of the mechanistic perspective concerning discrete strategy formation as planned actions (Farjoun, 2002:563). Ansoff (1987:506) likened to organic approach to the incremental change process (associated with Quinn (1980) and explained in sub-section 2.3.4). He defines this as “serendipitous evolution” within the process of strategy emergence (also explained in sub-section 2.3.4).

Farjoun (2002:565) claims that despite differences in content and emphasis, the field's main issues – the nature of strategy, its relations, and the ways it is managed and selected – are addressed in the mechanistic perspective in a constant and mutually reinforcing manner. A view of strategy as a position or posture implies (as is evident from Porter's (1985) models) that strategic choice is mostly a selection between static configurations. Farjoun (2002:565) asserts that the prime reason for the coherence is the shared but largely implicit views on, *inter alia*, time and flow of strategy processes. Strategic management is viewed as a one-time sequence of formulating and implementing a single choice rather than a continuous process. Strategy formulation and implementation activities are condensed in time and their duration is inconsequential.

The subsequent theories on strategy alongside the progress made in the field in particular content areas are explained by Farjoun (2002:566) as yielding complementary yet questioning ideas that partially adapted the prevailing approaches at a more fundamental level.

### ***2.3.3. Planning and Design approach versus Learning approach***

Brews and Hunt (1999:889) refer to a "bitter debate" taking place between "two prominent strategy academicians" who considered the question vital to the theory and practice of strategy, i.e. What types of planning should firms utilise in their strategy formation behaviours? The two prominent authors in question are Igor Ansoff, defending the planning school, and Henry Mintzberg, defending the so-called learning school.

In an article that started the debate between these two proponents of opposing views, Mintzberg claimed that literature on strategy since the 1960s has naturally divided itself into distinct schools of thought

(1990:171). Three of the schools are prescriptive in orientation, treating strategy formation as a process of conceptual design, of formal planning, and of analytical positioning.

The first three prescriptive schools of thought, labelled by Mintzberg (1994a:3) the **design school**, **planning school**, and **positioning school**, also gave rise to much academic debate. At its simplest, the design school proposes a model of strategy-making that seeks to attain a match, or 'fit', between internal capabilities and external possibilities (Mintzberg *et al*, 1998:24). Economic strategy is seen as the match between qualifications and opportunity that positions a firm in its environment (Christensen, Andrews, Bower, Hamermesh & Porter, 1982:164).

The planning school, which originated at the same time as the design school, focuses on strategy as a plan with formal procedures, formal training, and formal analysis, guided by a specialised strategic planning department with direct access to the chief executive (Mintzberg *et al*, 1998:48). Conceived in the early 1980s, the positioning school accepted most of the premises underlying the planning and design schools, as well as their fundamental model, but it added content in two ways. It did so by emphasising the importance of strategies themselves, not just the process by which they were formulated, as well as focusing on the content of strategies in a more prescriptive manner, i.e. prescribing specific strategies available to organisations and the contexts in which each seemed to work best (Mintzberg *et al*, 1998:82).

The other schools deal with specific aspects of the process in a descriptive way, and are labelled the **entrepreneurial school** (concerned with strategy formation as a visionary process), the **cognitive school** (as a mental

process), the **learning school** (as an emergent process) and the **environmental school** (as a passive process). Finally, there is a school labelled the **configurational school**, which is integrative and seeks to delineate the stages and sequences of the process but also helps place the findings of these other schools in context (Mintzberg, 1990:172). These schools of thought are discussed in further detail in Chapter 3.

Salmador and Bueno (2005:271) define the two opposing categories (namely design and learning schools) as follows:

From a knowledge perspective, the former (design school) focuses on the role of formal analysis, planning and formal, strategic choice as essential activities that provide strategy-makers with the data essential for their task, highlighting the role of explicit knowledge. The latter emphasizes the role of the gathering of experience. This school has long since adopted an implicit-knowledge and learning perspective in describing how strategies are formed (e.g. Burgelman, 1983; Mintzberg & McHugh, 1985; Quin, 1980 *in* Salmador & Bueno, 2005:271), stressing the importance of tacit knowledge.

Mintzberg (1990:172) critiques the design school, which he describes as “ostensibly the simplest and most fundamental view of strategy formation [...] as a process of informal conception – the use of a few essential concepts to design ‘grand strategy.’ Of these concepts the most essential is that of congruence or match”. He mentions Christensen, Andrews, Bower, Hamermesh, and Porter as the best-known proponents of the design school. The Christensen *et al* book entitled *Business policy: text cases* (Christensen, Andrews & Bower, 1978) is mentioned as the authoritative textbook representing the dominant voice of the design school of thought. Igor

Ansoff's book *Corporate Strategy* (Ansoff, 1965) is also mentioned as an influential and successful publication based on many of the same concepts as the design school but "more in the spirit of the planning school".

Mintzberg (1990:181) notes that although the design school approach made a "profound contribution" to strategy, "it has never been good enough". He continues to dissect its premises and comes to the conclusion that it describes but one approach to strategy formation, and "even that one sometimes exhibits a level of generality and a tone of inevitability that seems overly simple in places and, at times, dogmatic". His critique of the design school revolves around one central theme: its promotion of thought independent of action, strategy formation above all as a process of conception, rather than as one of *learning* – as can be clearly seen in a fundamental step in the formulation process, the assessment of strengths and weaknesses. He states (Mintzberg, 1990:184):

The problems of making strategy essentially bring us back to the need to view strategy formation as a learning process, at least in some contexts. Sure, strategies must often be made explicit, for purposes of investigation, coordination, and support. The questions are: when? and how? and when not? There is undoubtedly a need for closure at certain points in an organization's history, moments when the process of strategy formation must be suspended temporarily to articulate clear strategies. But this need should not lead us to believe that it is natural for strategies to appear fully developed all of a sudden, nor should it allow us to ignore the periods during which strategies must evolve.

Another problem with the design school (as with the planning school), according to Mintzberg (1990:184), is the separation of formulation and



implementation. Mintzberg questions whether the formulation-implementation dichotomy, central to the design and planning schools, is a valid distinction for conceptual, analytical and even pedagogical purposes. He doubts whether people concerned with strategy (including students) should *think* (or behave) in terms of formulation and implementation.

Mintzberg *et al* (1998:36) express the opinion that this separation is convenient for the case-study classroom, where students can formulate even if they cannot implement. They continue to criticise the case-study method which, although a powerful device for bringing a wide variety of experience into the classroom for descriptive purposes, can become “terribly dangerous” when used for prescription – to teach a process by which strategies should be made.

Mintzberg (1990:187) notes several instances in organisations where this dichotomy collapses because of learning taking place along the way. In this regard Mintzberg criticises Andrews for dismissing organisational learning and regarding it as “opportunism” even though he does recognize the intertwining of formulation and implementation in *practice*. Says Mintzberg, making this distinction *conceptually* led Andrews to underestimate the importance of such learning individually, and collectively, over time, in strategy formation.

Ansoff (1991:450) justifies his reaction to Mintzberg’s critique of the design school on the basis of defending one of the prescriptive schools (the one to which he belongs, being the planning school) in an effort to “set the record straight and thus salvage a lifetime of work which has received a modicum of acceptance by practicing managers”. Ansoff names what he calls ‘Henry’s prescription’ as **implicit strategy formation**, in which the strategy need not

be a part of the manager's concern, except under special circumstances. Managers should allow strategy and capabilities to evolve organically, through trial and experience, and focus their attention on the operating efficiency of the organisation. Thus, continues Ansoff (1991:454), Mintzberg "prescribes a world free of explicit strategy formulation and free of strategic managers".

To this criticism Mintzberg replies (1991:463), "I do not commit the planning school 'to the garbage heap of history' (only to the role of programming strategies already conceived), and I do not deny the role of cognition in the learning process or argue that strategies should never be made explicit. To critique is not to dismiss, but sometimes only to try to push back into appropriate context".

However, Ansoff (1991:459) states that as "a person who has spent over 40 years of his life as a manager, consultant, educator, and close observer of the business scene", he cannot accept Mintzberg's model as a description of strategic management reality. He concludes that empirical research shows that "Mintzberg's prescriptive model is a valid description for organizations which seek to optimize their performance in environments in which strategic changes are incremental and the speed of the changes is slower than the speed of the organizational response".

Ansoff refutes Mintzberg's arguments on the basis of the methodological weakness of the arguments, and contradiction of factual evidence. Mintzberg (1991:464) reacts by stating that "science" has always been the "great smokescreen of the rationalists, worked to a fine art by many economists who have used all kinds of fancy methodologies to prove the details of their arguments while obscuring the fundamental premises on which they are

based". Mintzberg differs from Ansoff (and by implication the Planning and Design School) on where the process of conception of a strategy (the creative process) and the process of implementation start and end, and believes that these are intertwined. "You call it 'strategic learning'. I have no problem with that so long as you don't pretend it can be formalized. And in return I'll promise never to claim that planning shouldn't be formalized," says Mintzberg to Ansoff (1991:465).

In his turn, Ansoff (1991:460) criticises Mintzberg for his insistence on the universal applicability of the existential learning model, which leads to assertions which contradict observable reality; and failure to specify the relevant context for his model. He concludes that "by abstracting a set of coherent concepts from Mintzberg's model it is possible to show that the 'emerging strategy' model is a valid prescription for success in incremented environments, a valid description of poorly performing firms in discontinuous environments, and a valid description of the behaviour of a majority of not-for-profit organizations". Ansoff (1994:31) writes in a later article: "my overall reaction to Henry's paper is that his understanding of planning was frozen in 1964. The original version of strategic planning is no longer with us.... It did not die but has been transmuted into several different forms of strategic planning".

Not all authors agree with the kind of mutually exclusive thinking mirrored in the Ansoff- Mintzberg debate relayed above. *Both* incremental learning *and* deliberate planning are needed, says Goold (Mintzberg *et al* 1996:100), "I see no contest between planning and learning, rather collaboration." Furthermore, Goold holds that there are clear prejudices on both sides of the planning versus learning debate. He asserts that the process approach to strategy has "brought out aspects of strategic management that may

previously have been neglected. But there is equal danger in going too far in the other direction.”

Anderson (2000:184) notes that there has been a tendency to de-emphasise the role of strategic planning in recent years and instead focus on management autonomy and organisational learning. He notices that despite the opposing views of contemporary scholars, most firms continue to plan for the future, which reveals a need to review the effects of strategic planning in conjunction with managers’ autonomous actions. According to Anderson, past research on the performance effects of strategic planning has been inconclusive, and evidence of the strategic importance of adaptive actions taken by lower-level managers remains somewhat anecdotal. He states (2000:184):

Some [contemporary scholars] argue that autonomous actions are imperative to strategic adaptation, while planning inhibits change. Conversely, others argue that centralized planning is needed to co-ordinate responsive actions and spur adaptive strategic thinking.

In an effort to clarify the above dilemma, Anderson (2000:184) reports on a research programme investigating the dual performance effects of strategic planning and autonomous actions in the strategy formation process. The results of this research indicate that strategic planning has positive performance effects across industries, and exists in tandem with autonomous actions, where managers make responsive decisions that enhance performance under changing environmental conditions.

### ***2.3.4 Deliberate versus emergent strategy approach***

From the above debate on learning versus formalised planning and design flows the distinction between deliberate and emergent strategies.

Mintzberg (1991:464) writes about the planning school:

Certainly every particular story I have heard about the process ...informs me that it often starts out as a rational, deliberate process, which almost inevitably fails, but when it does occasionally succeed, it ends up as an emergent one of painful learning. Just consider Michael Porter's 'facts' on the incidence of failure and acquisition decisions. Maybe the rational models were *too* successful – in their incidence of adoption rather than the consequence of adoption.

Andrews (Christensen, Andrews, Bower, Hamermesh & Porter, 1987:84), proponent of the design school, notes that there should be a balance between focus and flexibility, between a sense of direction and responsiveness to changing opportunities. Corporate strategy need not be a straitjacket. Room for variation, extension, and innovation must be provided. He is, however, careful to avoid association with what he calls 'extreme incrementalism', which he describes as "reactive improvisation, muddling through, or following one's nose" (Christensen *et al*, 1987:83). Andrews holds the view that it is essential to plot a course into the future and stays committed to deliberateness.

Mintzberg *et al* (1998:179) trace the evolution of the learning school through phases of

- **disjointed incrementalism** (describing strategy-making as a fragmented process in which decisions are made to solve problems rather than to exploit opportunities);
- **logical incrementalism** (associated with Quinn (1980:15): “The real strategy tends to evolve as internal decisions and external events flow together to create new, widely shared consensus for action among key members of the top management team”);
- **strategic venturing** (strategy and strategic change are seen to happen in the proposals or ventures championed by individual strategic actors, not necessarily in positions of senior management); and finally
- **Emergent strategy** (linked to strategic learning, because it acknowledges the organisation’s capacity to experiment).

In the instance of emergent strategies, strategy may suddenly be rationalised to mean something very different from what was originally intended. Farjoun (2002:568) calls this development, the notion of deliberate versus emergent strategies, ‘most significant’, along the lines of complementing prevailing approaches to strategy. This distinction between the different outcomes of the strategy process stems from the frequently cited definitions of realised, emergent and deliberate strategies made by Mintzberg in numerous articles and books that he authored or co-authored (Mintzberg & Waters, 1985; Mintzberg, 1990; Mintzberg, 1994a; Mintzberg, Ahlstrand & Lampel, 1998; Mintzberg & Lampel, 1999; Mintzberg, Ahlstrand & Lampel, 2005). According to Mintzberg *et al* (2005:26–27), strategies can either be regarded as a plan (“some sort of consciously intended course of action”) or a ploy (“a specific ‘manoeuvre’ to outwit an opponent”) or a pattern (“strategy as consistency in behaviour, whether or not intended”) or position (“location in its environment”) or perspective (“inside the heads of the strategists”).

From these definitions crystallise the three broad strategic outcomes, those of:

1. **Intended strategies**, which are planned but not necessarily realised;
2. **Deliberate or realised strategies**, which are intended strategies that have been realised; and
3. **Emergent strategies**, where the pattern that was realised was not expressly intended (Mintzberg *et al*, 1998:9).

The emergence of strategy has to do with the actions taken by middle managers within the organisation, so strategic initiatives may arise without the executives' awareness (Mintzberg; 1978; 1994a). Similarly, Jelinek and Schoonhoven (1990), in their study of high-technology firms, found the judgment of supervising managers essential to the development of new innovations. Andersen (2004:263) recalls other authors that have discussed the importance of middle managers' strategic involvement (Wooldridge & Floyd, 1990; Floyd & Wooldridge, 1992; 1994; 1996; O'Neill & Lenn, 1995). Andersen (2004:263) accordingly conceptualises strategy formation as "shared cognition among the individuals that enact the strategy" (Pennings, 1985 *in* Andersen, 2004:264), "on-going learning from organizational activities" (Normann, 1985 *in* Andersen, 2004:264), and a "social learning process" (Burgelman, 1983).

Andersen (2000:188) notes in an earlier article investigating the effectiveness of strategic planning that

while proponents of strategic planning claim that planning is required to guide new initiatives and co-ordinate adaptive strategic actions, it has been argued that reliance on centralized strategic planning processes is

insufficient. A significant number of investment decisions emerge and get approved by lower level managers. These resource commitments subsequently influence the corporation's strategic development. It has also been suggested that the strategy process evolves around ongoing learning from the resource-committing actions taken by managers in different parts of the firm.

Although middle management involvement is advanced as an essential element of the strategy formation process by some authors (Floyd & Wooldridge, 1994; 1996), Andersen (2004:264) notes that it has not yet been fully integrated into the discussion of planned and emergent strategy. Wooldridge and Floyd (1992) noted that firms in their study used both planned and emergent styles of strategy-making, while all firms seemed to operate in dynamic international industries. Andersen's study extends research by integrating the strategic planning process in the analysis of decentralised strategic emergence.

It is Parnell and Lester's (2003:292) opinion that Mintzberg derived his view on deliberate versus emergent strategies from the notion of strategy as a science versus strategy as an art – allowing for more flexible emergent strategies. They suggest, however, that most scholars continue to proceed on the assumption that deliberate strategies are preferred and emergent strategies invariably result from ineffective planning and/or environmental unpredictability.

Peters (2003:308) explains his stance toward strategy-making differently, but still stays close to the concept of emergent strategies. He summarises his opinion of what can be defined as management 'excellence', scanning the period since he became an active management specialist (i.e. 1962 to 2002,



the publication date of his book). He delineates the areas by categorising them according to typical 'biases' he identified. He recalls that in the early decades of the 20th century, management came to "worship ... *The Plan* to the exclusion of almost everything else. Business management became a playground for abstractions. The numbers ruled. Analysis ruled. All right-thinking dudes wanted to be 'strategic planners'. *Think* your way to success. *Out-think* the competition...*The best plan wins!*" (2003:308). Peters continues to explore the subsequent decades and claims that the 1980s saw companies questioning excessive planning and meetings and the consequent lack of accomplishment and adjustment. Peters' stance toward strategy formation can be regarded as a positioning in favour of emergent rather than systematically planned and analysed strategies – a position that he defends in the following way (2003:308):

Forty years into my professional career, I believe one thing with absolute certainty: Those who win are those who...try stuff (quickly)...and then try something else (quickly). All with little fuss or muss...I labelled [this] approach 'Do it. Fix it. Try it.' Which later became 'a bias for action.' Bias for action. I'll stake my life on it. Gladly.

However, not everyone is in agreement with the view that strategies emerge over time, believing rather that strategies should be carefully planned (Ansoff, 1991; Christensen *et al*, 1987). In this regard, Andrews (Christensen *et al*:553) regards emergent strategy as 'erosion', as in the following:

Strategy will evolve over time, no matter what. It will be affected by consequences of its implementation. But the elucidation of goals can transcend incrementalism to make it a series of forays and experiments

evaluated continuously against stated goals to result in the deliberate amendment of strategy or in the curtailment of strategic erosion.

Boyd (1991:353) is also clear on his belief in the benefits of formalised planning:

... previous studies found modest correlations between planning and nine performance measures. Extensive measurement problems suggest that these findings underestimate the true relationship between planning and performance.

#### ***2.3.4.1. Strategic planning versus strategic thinking***

The distinction between deliberate and emergent strategies is also the distinction between strategic thinking versus strategic planning, in that both require distinct thought processes (Graetz, 2002:456). Planning concerns analysis: establishing and formalising systems and procedures, while thinking involves synthesis: encouraging intuitive, innovative and creative thinking at all levels of the organisation (Mintzberg, 1994b, 1994c; Heracleous; 1998).

More than a decade ago the need to re-examine strategy paradigms was brought to the fore (Prahalad & Hamel, 1994:6), especially where strategic thinking was concerned:

Many of the assumptions that were embedded in traditional strategy models may be incomplete and/or outdated as we approach the new competitive milieu. We will argue that the need for strategic thinking and behavior among managers has never been more urgent. This reality should force us to re-examine the traditional strategy paradigms.

Liedtka (1998, *in* Graetz, 2002:456) posits five major attributes of strategic thinking:

Strategic thinking reflects a systems or holistic view that appreciates how the different parts of the organisation influence and impinge on each other as well as their different environments.

1. Strategic thinking embodies a focus on *intent*, in contrast with the traditional strategic planning approach that focuses on creating a fit between existing resources and emerging opportunities.
2. Strategic thinking involves thinking in time; strategic thinkers understand the interconnectivity of past, present and future.
3. Strategic thinking is hypothesis driven. Hypothesis generating and testing is central to strategic thinking activities, with the critical question being “What if?” followed by “If...then?”. Strategic thinking spans the analytic-intuitive dichotomy that Mintzberg refers to in his definition of thinking as synthesis and planning as analysis.
4. Strategic thinking invokes the capacity to be intelligently opportunistic, to recognise and take advantage of newly emerging opportunities.

Heracleous (1998:482) recognises that strategic thinking and planning are distinct, but interrelated and complementary thought processes. Prahalad and Hamel (1994:6) believe that much of the criticism of the field of strategy may be valid, but that critics often miss the point. “We believe that the need for strategic thinking... is greater than ever,” state Prahalad and Hamel (1994:6). They agree that the concepts and tools of analysis that formed the backbone of the strategy literature (1965–85) needed a basic re-evaluation in order to pave the way for new ideas. They argue that the need to challenge strategic thinking and behaviour among managers’ ‘traditional strategy paradigms’ has never been more urgent.

Heracleous (1998:482) points to the difference between strategic planning and strategic thinking. Whereas strategic planning, in his view, is analytical and convergent, strategic thinking is synthetic and divergent. In a book entitled *The rise and fall of strategic planning*, Mintzberg (1994a) argues that there are other ways besides planning to 'make' or formulate a strategy. Mintzberg (1994a:2) claims that establishing a place for analysis in strategy formation, rather than restricting it to a narrow strategic planning process, and confounding analysis with 'rationality' – calling it *inter alia* 'systematic', 'objective' and 'logical' – has narrowed our view of the world.

Harari (1995) and Altier (1991) both express the view that strategic planning should be scrapped completely and strategic thinking, referring to a creative, divergent thought process, should be used in its stead. In support of this view, Hilse and Nicolai (2004:373) notice that researchers are increasingly suggesting that strategic planning should be abandoned completely.

Inkpen and Choudhury (1995:313) say about rigidity in strategy planning: "An absence of a rigid pattern of strategic decision-making may ensure that 'noise' is retained in organizational systems, without which strategy may become a specialized recipe that decreases flexibility and blocks learning and adaptation." As such it is strategic thinking that enhances decision-making, whereas strategic planning constraints creative and innovative decision-making.

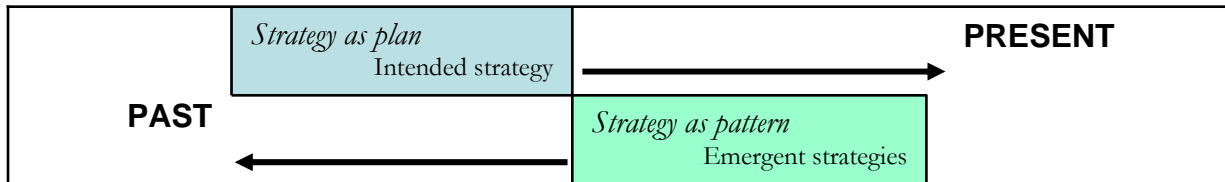
#### ***2.3.4.2 Strategy as a plan versus strategy as a pattern***

Mintzberg (1994a:23) uses for purposes of illustration the difference between the answer to the question: “What is strategy?” and the description of strategy application in an organisation. He points out that in answer to the question: “What is strategy?” one will almost certainly be told that strategy is a plan, or something equivalent. Then when the same people are asked to describe the strategy practices in their organisation, they will probably be happy to answer the question although their answer may contradict their own definition of the term. It turns out that strategy is one of those terms that we define in one way, yet apply/use in another. Mintzberg (1994a:23) distinguishes between two main definitions here, namely:

1. Strategy as a plan, and
2. Strategy as a pattern.

This distinction between plan and pattern is depicted in figure 2.1 below.

Strategy as a pattern refers to strategy being translated as consistency in behaviour over time. Organisations can therefore be seen to develop plans for the future and also evolve patterns out of their past. He consequently claims that the difference between the two main definitions is the difference between an *intended* strategy and on the other hand the *realised* strategy. This supports Peters’ (2003:24) notion of the impossibility of the five-week plan (let alone the five-year plan); “You’re lucky if you can write a five-week plan that makes any sense...after five weeks.”



**Figure 2.1: A difference between strategy as plan versus strategy as pattern**  
(Source: Adapted from Mintzberg, Ahlstrand & Lampel, 1998:12)

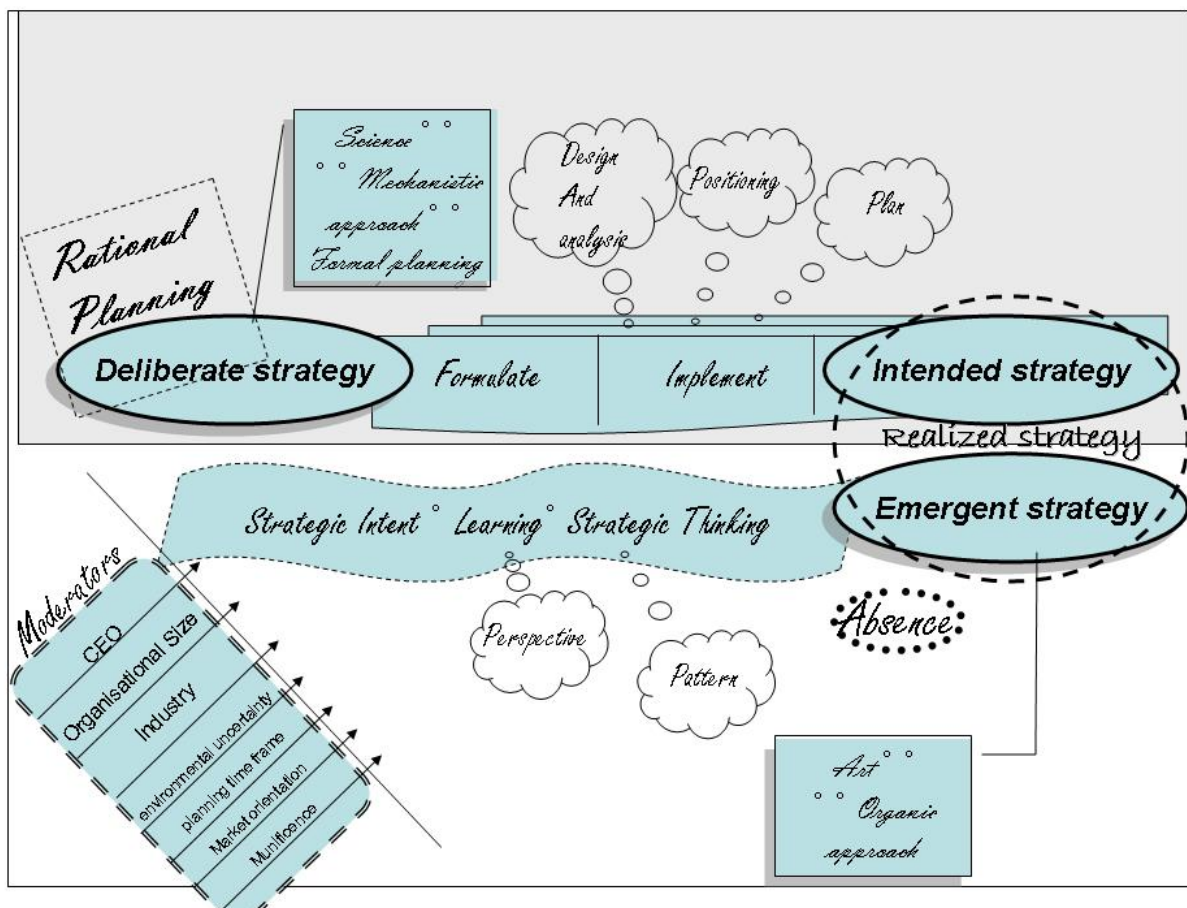
Harrington, Lemak, Reed and Kendall (2004:17–19) propose that the deliberate view and emergent view discussed above should be viewed as *ends of a continuum with multiple elements*. This is in line with thinking expressed by Mintzberg and McHugh (1985) and Mintzberg and Waters (1985). The deliberate end of the continuum refers to a more rational and comprehensive approach, while the emergent view, on the other end, refers to a more incremental and trial-and-error type of approach (Harrington *et al*, 2004:17).

#### 2.4 CONCLUSION: CRYSTALLISING A CONTINUUM

Figure 2.2 has been crystallised from the above explanation of various divergent views of strategy-making extremes. It illustrates a continuum of strategy-making approaches based on the broad distinction between deliberate and emergent strategies. It also denotes influencing factors (referred to as 'moderating factors' (moderators)) which are discussed in more detail in Chapter 4. The debate consequent upon these differences of opinion are elucidated within these two broad categories, namely rational planning approach versus emergent strategy approach, as opposite ends of a continuum of strategy-making approaches.

The end representing the deliberate strategy approach is henceforth referred to as rational planning, for the following reasons:

- 'Rational planning' is a term widely used in literature and refers to formalised, comprehensive planning of which the outcome is intended or deliberate strategies.
- 'Rational' is preferred over 'formal' due to the more descriptive meaning of the word, given by Oxford dictionary as "(of behaviour, ideas, etc.) based on reason rather than emotions: *a rational argument/choice/decision\* rational analysis/thought*" (Hornby, 2005:1205)



**Figure 2.2 Two extreme approaches to strategy-making (rational planning versus emergent strategy)**  
(Source: Own compilation)

Figure 2.2 illustrates the extreme views on strategy-making. It can be construed that rational planning is associated with strategy as a plan, as a product of positioning in an industry and as the result of design analysis. It is furthermore associated with the science approach and mechanistic approach to strategy-making.

The most common term used for the more fluid, creative, intuitive and evolving approach to strategy-making at the other end of the continuum (see figure 2.2) is the 'emergent' approach and it is henceforth be referred to as such. This approach to strategy-making is associated with the notion of strategic intent, strategic thinking and organisational learning. The discussion in this chapter showed that emergent strategy, being more flexible and creative in nature, is associated with strategy-making as an art and is also a more organic approach, in which various views on strategy come together. Strategic intent is linked to learning in a decentralised environment and disintegrating organisational boundaries with more employees from different hierarchical levels joining in the strategic intent of the organisation (Liedtka & Rosenblum, 1996:42). Strategic intent is therefore associated with the emergent approach to strategy-making. Strategic intent shows to strategy as a perspective and strategic learning result in certain strategy patterns evolving in organisations.

## 2.5 CHAPTER SUMMARY

Chapter 2 focused on providing an overview of divergent views on strategy-making. These divergent views were subsequently explained along a continuum of opposites, focusing on strategy as a science versus an art, mechanistic versus organic approach, planning and design versus learning approach and finally deliberate versus emergent approach to strategy-making. Some salient issues relating to strategy-making were also

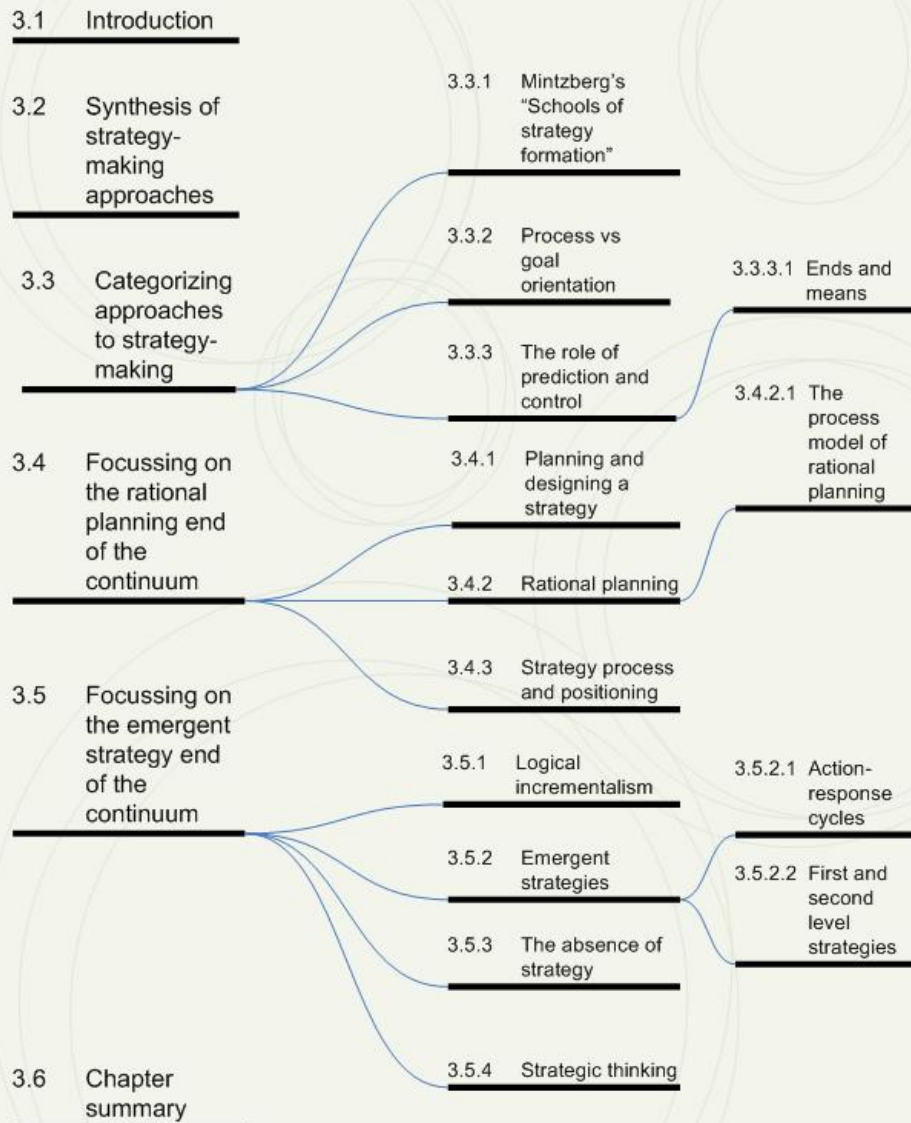


addressed, such as strategic thinking and strategic intent. The chapter concluded with a diagrammatic representation of the two extreme views and associated perspectives.

Chapter 3 continues to flesh out and explain the two extreme views of strategy-making (now labeled “rational planning” and “emergent strategy approach”).



## CHAPTER 3 EXPLAINING TWO DIVERGENT APPROACHES TO STRATEGY-MAKING



## CHAPTER 3

### EXPLAINING TWO DIVERGENT APPROACHES TO STRATEGY-MAKING

*...as F. Scott Fitzgerald put it, more bluntly: "The test of a first-rate intelligence is the ability to hold two opposed ideas in the mind at the same time and still retain the ability to function"*

Mintzberg, Ahlstrand and Lampel (1998:20)

#### 3.1 INTRODUCTION

Zan (2005:468) asserts that there exist weak epistemological foundations of the field of strategic management, to the extent that he refers to a 'missing history'. He states that this does not necessarily mean that it is an irrelevant field, but simply that it requires handling with care the assumptions and approaches. He attributes the weak epistemological foundations to the following facts:

- "...competition of ideas here often means competition between consulting firms (starting with the BCG vs. McKinsey matrixes) fighting for new and up-to-date tools (and fees) does not help in either underlining differences and similarities and the process of knowledge accumulation." ;
- A serious historical understanding – and in parallel a historical-grounded development of research and theories – requires huge amounts of time: years of archival research for one paper (Zan, 2005:468).

After twenty years of being "dedicated researchers in the field of strategy" Hafsi and Thomas (2005:507) ask the question, "if the academic field of strategy really does exist. Excellent and exhaustive reviews by many distinguished academics take note of the extreme diversity of the research but shy away from providing a convincing framework to clarify what the field is all about".

The previous chapter highlighted some key issues in the debate about what strategy really is and how strategy is made in organisations. Chapter 2 organised strategy theory around two poles of the same perspective, such as thinking versus planning, learning versus planning, art versus science etc. It finally concludes with the depiction of a continuum embracing two sides of the debate.

This chapter explains the two approaches to strategy-making on both extremes. The chapter commences with some views on how strategy should be categorised highlighted and discussed briefly. This is done to support and supplement the two strategy-making approaches on the opposing ends of the continuum (namely deliberate, formalised strategy and emergent strategies) developed in Chapter 2 and again established in these categorisations mentioned in the ensuing chapter.

### **Evolution of strategy research**

Empirical research in the domain of strategy is seemingly rare, mainly due to the difficulty of deconstructing the elements of strategy and then being able to isolate factors indicating success/failure of these strategies in organisations. For instance, it is difficult to use indicators such as ROI to indicate a successful strategy since this could either be positively associated with market share gains (which could be the result of strategy) or it could merely reflect increased efficiencies (i.e. decreases in expenditure/sales or asset/sales ratios) which does not necessarily mean an effective long term strategy has been deployed (Barker & Duhaime 1997:15). Case study research on various strategy issues is numerous though. Hafsi and Thomas (2005:511) note that the complex questions with which management practitioners and researchers alike have to wrestle have neither the level of

elegance nor the structure to which the purist might aspire. Yet the researcher cannot be content with individual case analyses; these are always situation-specific and rarely amenable to generalizations.” The authors continue to explain the nature of the research conducted in the field of strategy as follows, “... qualitative research, which generally focused on interactions between limited numbers of variables and was therefore held to be more precise, dominated the field” and the finally summarise, “...the tragedy of the field is precisely that academics are no more able than practitioners to live with the paradox of reality: we can all understand the individual but cannot understand the whole. The nuances of individual cases make strategic management what it is, but the search for clear-cut and generalisable answers is destroying the essence of strategy” (2005:512).

A study by Furrer, Thomas and Goussevskaia (2007) scrutinises 2125 articles from four leading journals in the field of strategy and provides an assessment of the structure and past evolution of the content of the strategic management fields and its different subfields. Numerous textbooks have also synthesised the field’s development (e.g. McGee *et al.* 2005; Grant 1997; Koch 2000; De Wit & Meyer 2004).

Furrer *et al* (2007) extracted the following summarised historical overview of research in the field of strategy:

1. The birth of the field in the 1960s can be traced to works of Chandler (1962); Ansoff (1965) and Learned, Christensen, Andrews and Guth (1965). These studies were *managerially oriented*, with an emphasis on normative prescription rather than on analysis. Ansoff attempts to routinise – the *process of strategic decision making* with rather detailed checklists of factors that the strategy maker must consider, as well as pointers on weighting these factors and on establishing

priorities among them, plus numerous decision-flow diagrams and choice rules. Furrer *et al* add that the early strategy research was based mainly on in-depth case studies of single firms or industries, the result of which are “hardly generalizable”(2007:3).

2. “In response to this issue of generalizability during the 1970s the transition started towards a research orientation,” explain Furrer *et al*. This period is characterised by the development of a dichotomy between two sets of research based on “very different ontological and epistemological perspectives” (Furrer *et al*, 2007:4). On the one end the *process approach* was pursued, which consisted of descriptive studies of how strategies were formed and implemented. Actual organisational observations led to ‘more realistic conceptions of the process’ in which strategies were arrived at indirectly and unintentionally. Quinn’s (1980) ‘*logical incrementalism*’ and Mintzberg and Waters’ (1978; 1985) “*emergent strategy*” are examples of such studies.
3. A stream of research seeking to understand the *relationship between strategy and performance* also emerged. Concepts such as industry attractiveness and environmental-industry fit serve as examples towards explaining organisational performance. Porter (1980, 1985) has made the most influential contribution to the field. Furrer *et al*. group these authors together based on the date of research, and therefore do not group Learned *et al* (1965) with this research stream. However, Mintzberg *et al* (1998:24) focus more on the content of the research and therefore regard Learned *et al* (1965) as a cornerstone textbook of the design school of which Porter and this focus on the environment and its relationship with the organisation typically forms part.

4. The 1980s saw strategy research again changing direction and the focus shifting from industry structure as a unit of analysis to that of the *firm's internal structure, resources and capabilities*. A resource based theory of *competitive advantage* (Wernerfelt 1984), *dynamic capabilities* (Stuart & Podolny 1996, Teece, Pisano & Shuen 1997) and a *knowledge-based approach* (Grant 1998; Szukanski 1996) was also developed.
5. Two related streams developed parallel to the resource-based theory of competitive advantage, namely the theory of invisible assets (Itami 1987) and competence based theories of *corporate diversification* (Prahalad & Bettis 1986; and Prahalad & Hamel 1990).

Koch (2000:7) adds to the brief history of strategy that he regards the 'golden years' of strategy in terms of invention, as approximately 1960-1973. However, further intellectual development has continued since. New contributions since 1990s include the focus on emergent strategies (Mintzberg 1989, 1994a; Mintzberg & Lampel 1999; Mintzberg *et al.* 1998, 2005) and *strategic thinking and intent* (Prahalad & Hamel 1989, 1990).

Grant (1998:18) views the dominant theme of the mid to late 1990s to be *strategic innovation* with its focus on issues such as strategic and organisational advantage based on dynamic sources of competitive advantage, control of standards, knowledge and importantly learning. This view proceeds from the view that emergent strategy has been a focus area.

Figure 3.1 below illustrates the structure of the strategy field based on the topics and issues addressed in research (Furrer *et al.* 2007:10). Figure 3.1 illustrates the wide variety of research topics explored within the field of strategy.







mutually exclusive. However, some academics have categorically stated and in some instances (e.g. Andersen, 2000) even proved that seemingly opposing approaches are (can and should be) adopted concomitantly in organisations. As such it is important that organisations, students and academics in the field of strategy be aware of the different approaches and views, lest they be biased to think that strategy should only happen in a particular way.

Mintzberg *et al* (1998:20) claim that 'pervasive strategic failure in many large corporations' may be attributed to the 'army of business school graduates who have been sent out with an incomplete tool kit'. They believe that to function as a strategist one should be able to hold opposing views and moreover be able to synthesise these views. The field of strategic management, in their view, is moving toward such synthesis.

In Hart and Banbury's (1994:251) opinion it is unfortunate that most existing strategy-making process models do not fully capture the complexity and variety of the phenomena.

Strategy-making is typically portrayed in 'either/or' term – either rational or incremental (Lindblom & Fredrickson *in* Hart & Banbury, 1994:251) or separated into formulation and implementation activities (Andrews & Porter *in* Hart & Banbury, 1994:251).

It is furthermore noted that even though empirical work has examined a wide range of processes, using different performance measures, it resulted in "little cumulative knowledge" (Hart & Banbury, 1994:251).

However, in field testing this theory, Hart and Banbury (1994:266) demonstrate that these dichotomous modes often reflect real practice behaviours. But they found that firms who moved beyond individual modes and utilised multiple modes outperformed single-mode organisations. Crossan (1997:40) also points out that organisations are ultimately a blend of both intended and emergent strategies. It should, however, also be noted, according to Crossan (1997:40), that business education cultivates skills that support the development of intended strategies.

Andersen (2000:185) urges that synthesis is needed in an article where he sets out to prove that organisational learning, where individuals experiment and exchange information, is not an isolated process, but is in fact complementary to strategic planning. He cites the following examples:

Ikea, the Swedish retailer of home furnishings, is known for empowered managers that are able to respond to changing market conditions. However, it is unlikely that the company would achieve its impressive global operational efficiencies without a central master plan. In another industry, Microsoft, a leading international software company, is composed of free-spirited and creative managers, but again it is hard to conceive of the company's new product developments without a common strategy to guide these initiatives. In the financial services industry, United Services Automobile Association (USAA) is a successful organization with managers authorized to make policy decisions. None the less, the insurance group needed a centralized strategy and planning process to build its unique processing infrastructure and extend its services portfolio.

The results of his study show that *strategic planning* and *learning* should not be viewed as incommensurate processes (Andersen, 2000). His research, supported by a total of 230 questionnaires from executives in 456 diverse business entities, shows that learning from decentralised managerial actions support strategic adaptability and influences the organisation's strategic path in dynamic environments. The results also indicate that autonomous actions (referring to instances where managers can make independent decisions enabling the firm to react faster to changing conditions and learn from new experiences) exerted little or no influence on the performance effects of strategic planning activities. So the two strategy approaches coexisted, but did not significantly enhance each other. Yet firms operating in dynamic and complex industries reached significantly higher performance levels when they adhered to both strategy approaches simultaneously. Consequently, executives operating in increasingly dynamic and complex industries should not choose between strategic planning and learning through autonomous actions, as appears to be a common belief (Andersen, 2000:196).

Andersen (2000:197) concurs that both strategy approaches coexist and can concurrently improve organisational performance. Strategic planning is important and enhanced performance in all the industrial settings researched, while autonomous actions or independent learning also affected firms operating in dynamic and complex industries. Therefore, strategic planning processes are essential to good performance in all industrial environments and should not be ignored. However, in dynamic and complex industries, performance was even higher when managers were simultaneously authorised to make autonomous decisions and learn from their actions.

Mintzberg *et al* (1998:11) are in agreement when they state:

...few, if any, strategies are purely deliberate, just as few are purely emergent. One means no learning, the other means no control. All real-world strategies need to mix these in some way: to exercise control while fostering learning. Strategies, in other words, have to *form* as well as be *formulated*. An *umbrella* strategy, for example, means that the broad outlines are deliberate (such as to move upmarket), while the details are allowed to emerge en route (when, where, and how).

Mintzberg (1991:465) grants that

we shall go nowhere without emergent learning alongside deliberate planning...the conception of a novel strategy is a creative process (of synthesis), for which there are no formal techniques (analysis), and second, that to program these strategies throughout complex organizations, and out to assenting environments, we often require a good deal of formal analysis. So the two processes can intertwine.

Any discussion of strategy inevitably ends on a knife-edge of both associated advantages and disadvantages (Mintzberg *et al*/1998:15).

### 3.3 CATEGORISING APPROACHES TO STRATEGY-MAKING

The development of the field of strategic management provides a guiding light that serves to bring increased understanding of the premises of the debate around the process of strategy-making. The literature that can be subsumed under strategy formation is ..."vast, diverse and, since 1980, has been growing at an astonishing rate" (Mintzberg, 1990:171).

Various authors have attempted to divide strategy literature into meaningful categories. These categories often contain similar perspectives and as such

the essence of the division along strategy-making approaches stays intact. However varied models and terms are used to delineate approaches. In the following discussion some of the approaches that can ultimately be traced back to the broad distinctive categories outlined in Chapter 2 (notably that of rational planning versus the emergent strategy approach) will be discussed.

Section 3.3.1 deals with the schools of thought on strategy formation. Those discussed below include different approaches along the continuum of strategy-making modes described in Chapter 2. Some theorists have attempted to simplify this distinction and categorisation using opposing ends which can in essence be linked to the opposing ends of the continuum of strategy-making approaches. The latter categories of strategy-making will be discussed from section 3.3.2 onwards.

### ***3.3.1 Mintzberg's "Schools of strategy formation"***

Mintzberg explains that a good deal of the strategy literature naturally divides itself into distinct schools of thought. These schools of thought have been divided by Mintzberg (1994a, and Mintzberg *et al*, 1998) into ten distinct categories. Three of these schools are "...prescriptive in orientation, treating strategy formation as a process of conceptual design, of formal planning, and of analytical positioning (the latter including much of the research on content of competitive strategies)". Six other schools deal with specific aspects of the process in a descriptive way. Table 3.1 illustrates the schools of thought on strategy formation.

**Table 3.1: Mintzberg's schools of thought on strategy formation**

*(Mintzberg 1994a:3)*

School	View of Process	
Design	Conceptual	<i>Note: These three schools are prescriptive in nature and more concerned with how strategies should be formulated than with how they necessarily do form. (Mintzberg, Ahlstrand and Lampel, 1998:5)</i>
Planning	Formal	
Positioning	Analytical	
Cognitive	Mental	<i>Note: These seven schools consider specific aspects of the process strategy formation, and have been concerned less with prescribing ideal strategic behaviour than with describing how strategies are made. (Mintzberg, Ahlstrand and Lampel, 1998:6)</i>
Entrepreneurial	Visionary	
Learning	Emergent	
Political	Power	
Cultural	Ideological	
Environmental	Passive	
Configurational	Episodic	

Mintzberg *et al* (1998:5; also Mintzberg, 1994a:2) outline and describe the different schools. Three of the above schools are prescriptive in nature, seeking to explain the 'proper' ways of going about forming or making the strategy. The "design school" considers strategy-making as an informal process of conception, typically in a leader's conscious mind. This school presented in the 1960s the basic framework on which the other two prescriptive schools are based. In the 1970s the planning school grew to the height of popularity. This perspective holds a more formalised approach, regarding strategy making as a more detached and systematic process of formal planning. In the 1980s the school was displaced by the positioning school, which was more concerned with the content of strategies than with the process of strategy development.

The emphasis here is on the selection of strategic positions in the economic market place. The subsequent schools considered specific aspects of the process of strategy formation, and have been concerned less with prescribing the ideal strategic behaviour and more with how strategies do, in fact, get made. Strategy has been described in the past as an *entrepreneurial* activity, since it is associated with a leader's creation of vision, hence the emergence of the *entrepreneurial* school. Strategy as such has been regarded as the "personalized vision" (Mintzberg *et al*, 1998:6). In its turn, having a personalised vision as part of a strategy implies that strategy formation is inextricably part of the process of 'concept attainment' in a person's head. Accordingly, the *cognitive* school has formed, which seeks to use the message of cognitive psychology to enter the strategist's mind. Each of the four schools that follow looks for explanations of strategy formation beyond the individual, focusing on external forces and factors. The *learning school* views the world as too complex to allow strategies to be developed at once as clear plans or visions. Therefore, strategies must emerge in small incremental steps, as an organisation adapts or "learns". Similarly, the *power school* treats strategy as a negotiation process, either by conflicting groups within an organisation or by organisations themselves as they confront the external environments. Another school of thought, the *cultural school*, regards strategy as rooted in the organisational culture. As a result, the strategy formation process is fundamentally collective and cooperative. The proponents of the *environmental school* believe strategy to be a reactive process in which the initiative lies outside of the organisation in the external context and not internally. As a result, the environmental school seeks to understand the pressures imposed on organisations.

The last school could arguably be regarded as the school of thought that combines the others, namely the *configuration school*. This approach

combines the various elements of the strategy-making process, the content of strategies, organisational structures and their contexts, into distinct stages. For example, the entrepreneurial growth or stable maturity sometimes sequences over time to describe the life cycles of organisations. Organisations can, however, settle into stable stages when strategy-making has to describe the move from one state to another. As such, the school explains the process as one of transformation, which incorporates much of what Mintzberg *et al* (1998:7) label as "huge prescriptive literature and practice on 'strategic change'."

These schools developed and grew with the maturation of the field of strategic management. Mintzberg *et al* (1998:7) conclude that:

few have already peaked and declined, others are now developing, and some remain as thin but nonetheless significant trickles of publication and practice....Note that these schools can be found in the literature, often in very clearly delineated pockets: particular academic journals, special practitioner magazines, certain styles of books. But most are, or have been, equally evident in practice, both books within organizations and from the consulting firms that serve them. Practitioners read and are influenced by the literature, just as the literature is influenced by the practice.

Not all academics are at ease with Mintzberg's categorisation of the 'schools of thought'. McGee *et al* (2005: 6) criticise what Mintzberg *et al* (1998, 1995) "rather grandiosely" call 'schools of thought' as mere ways of looking at strategy, some of which have become fashionable and some of which have not. They propose that these epistemologies be avoided and claim that the meaning of strategy should rather be broken down into the following component parts:



- *External logic* – how the organisation positions itself relative to its external context;
- *Internal logic* – the levels of the organisation at which strategy has different meanings and what distinctive resources and competences the organisation must acquire;
- its *performance over time* – distinguishing between achievement of long-term objectives, meeting milestones along the way, and preserving short-term stability; and finally
- *Managerial requirements* – the role of general managers and how strategy is planned, managed, monitored and maintained (McGee *et al*, 2005:6).

These components address the meaning of strategy and do not contribute to explaining the developmental stages or epistemologies of strategy.

An additional school of strategy-making is added to the Mintzberg epistemological schools. Ansoff (1991:452), in his reaction to a critique of the design school by Mintzberg (1990), adds a school of strategy he calls the school of Holistic Strategic Management. Ansoff asserts that this approach and its premises is proof enough to refute the notion that all prescriptive schools 'denied themselves the change to adapt' (1991:453). Some key concepts addressed by the school of holistic strategic management, are the following:

- It proposes a structured method for analytic strategy formulation (Ansoff, 1965).
- The concept of strengths and weaknesses associated with the design school (Mintzberg *et al*, 1998:28) was replaced by the concept of 'organizational capability' (Ansoff, 1965).

- The original concept that the strategy should be centralised in the hands of the CEO was replaced by the concept of ‘strategic bi-centralisation’ (Ansoff, 1984).
- A diagnostic procedure was developed for sequencing strategy/structure development (Ansoff, Declerck & Hayes, 1974 *in* Ansoff, 1991:454).
- The concept of ‘real time response’ was developed as an alternative to periodic strategic planning, and three real time response procedures proposed: Strong signal issue management; weak signal issue management; and surprise management (Ansoff, 1975).

### ***3.3.2 Process versus goal orientation***

Idenburg (1993:133) uses two fundamental dimensions to categorise strategy development:

1. Goal orientation (what); and
2. Process orientation (how).

It should be noted that the concept ‘process orientation’ as used by Idenburg (1993) refers to the process of internalising strategies in the organisation. This is distinct from the concept ‘process approach’ used in Chapter 2 in reference to the more formalised process of strategy-making followed in the rational planning approach to strategy-making.

Idenburg (1993:133) casts these dimensions in matrix format and then comes up with four views of the strategy development process, namely:

1. *Rational planning;*
2. *Planning as a guided learning process;*
3. *Logical incrementalism;* and
4. *Emergent strategy*

The *rational planning approach* will be discussed in more detail in subsection 3.3, but can be briefly summarised as a systematic approach of formulating a strategy, developing sub-plans and planning the implementation. In this view goal orientation enjoys precedence over “process orientation”. The latter refers to *how* strategy will be operationalised in an organisation, in other words the “process” of strategy internalisation.

Where Mintzberg *et al* (1998) include logical incrementalism in their Learning School, Idenburg (1993:134) separates the learning and logical incrementalism approaches. He calls the former “planning as guided learning”.

Rational planning is opposed to *planning as guided learning* where behavioural change of managers is a priority when strategic goals are set – in other words, the ‘how’ or process orientation. “Every good manager is creatively dissatisfied with the status quo. Strategy development is then a never ending process of continuous improvement” (Idenburg, 1993:134).

The learning process approach recognises that it is difficult or impossible to predict the future external and internal environment, and that an organisation in a competitive situation must act timeously and learn quickly. Idenburg (1993:135) notes that organisations favouring the learning approach are characterised by a flat hierarchy, intelligent professionals and lots of information and ideas, as well as being exclusively preoccupied with learning processes.

*Logical incrementalism* recognises that the planned implementation of a strategy from A to Z is an illusion. The process of strategy development happens in phases, where each subsequent phase builds on the previous phase and has its own internal logic: structure follows strategy, but organisational structure also impacts on strategy development (Idenburg, 1993:135)

On the way from A to B, it becomes apparent that there are many routes to B. Some are blocked off, others are dead ends, but we can take a number of steps in the right direction following each observation point

Logical incrementalism recognises that the reality of strategic management comprises steering goals as well as people. Quinn (1980:3) says about this approach that managers do not follow

highly formalized textbook approaches in long range planning, goal generation and strategy formulation. Instead, they artfully blend formal analysis, behavioural techniques, and power politics to bring about cohesive, step-by-step movement toward ends which initially are broadly conceived but which are then constantly refined and reshaped as new information appears.

Quinn termed this integrating methodology “logical incrementalism”.

The fourth view of strategy development, centring around *emergent strategy*, misses both the goal orientation and process orientation, according to Idenburg (1993:136). This approach holds that environmental unpredictability necessitates organisational reaction in a flexible, “opportunistic and accidental” manner. Mintzberg *et al* (1998:11) describe

emergent strategies as strategies where a pattern was realised that was not expressly intended. The example used by Mintzberg *et al* (1998:11) is one where a company does not pursue an express diversification strategy (plan), but simply makes diversification decisions one at a time to test the market. First it buys an urban hotel, next a restaurant, and so on, until a strategy (pattern) of diversifying into urban hotels with restaurants has emerged.

Says Idenburg (1993:133) about these approaches: “all four contain a grain of truth as reflections of the practical activities of strategic management. They are inter-related.” Figure 3.2 below depicts these views on strategy development.

		<i>Goal orientation (what)</i>	
		Strong	Weak
<i>Process orientation (how)</i>	Strong	<b>Logical incrementalism</b>	<b>Guided learning</b>
	Weak	<b>Rational planning</b>	<b>Emergent strategy</b>

***Figure 3.2: Four views on the process of strategy development***

*(Source: Idenburg 1993:133)*

### ***3.3.3 The role of prediction in categorising***

The classic learning and planning debates over strategy-making concerns various ‘degrees’ of uncertainty, with both focusing on the appropriate role

of prediction and control in the decision process, according to Wiltbank, Dew, Read and Sarasvathy (2006:983).

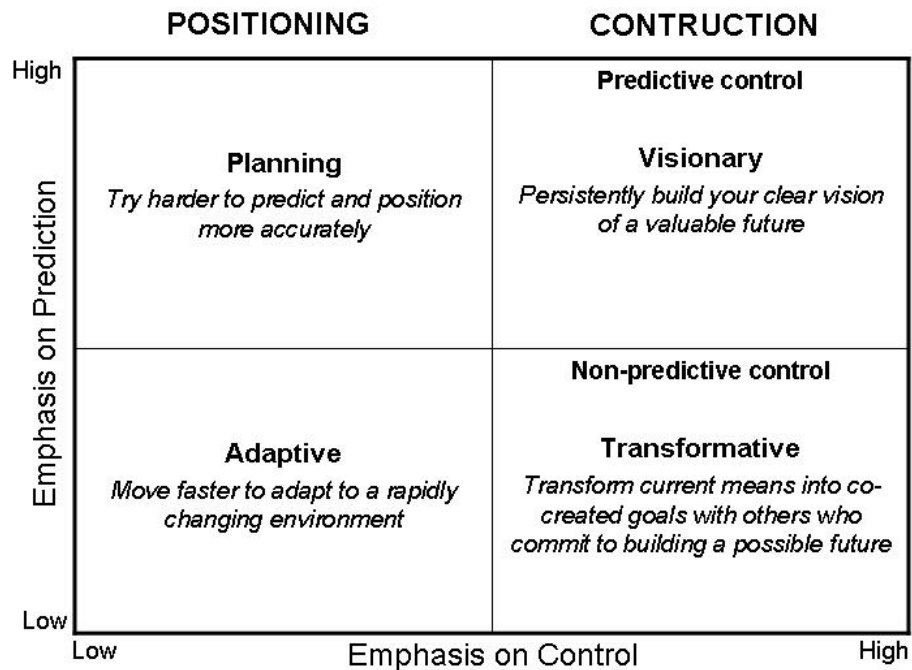
Mintzberg's (1994c:7) analysis of strategy as a plan concurs with the fact that strategy is to some scholars about controlling the future. He refers to some planning writers expressing exactly this opinion, "Planning is the design of a desired future and the effective ways of bringing it about" (Anckoff (1970:1) *in* Mintzberg, 1994c:8) and the purpose of planning defined by Ozbekhan (1969:152) as "to create controlled change in the environment" (*in* Mintzberg 1994c:8).

Planning considers prediction from a natural sciences viewpoint, where prediction is regarded as very valuable. From this perspective, prediction enable control, allowing the organisation to choose the appropriate means to proceed towards the desired outcomes. Learning in turn enables adaptation, which avoids prediction as much as possible (Wiltbank *et al*, 2006:983).

The main focus of strategy-making in a fast changing environment is not so much on trying to predict but more on adaptation. Wiltbank *et al* (2006:987) believe that the planning versus learning debate lays out several issues with prediction as core aspect of strategy making.

First, both planning and adaptive approaches to strategy making center around the appropriate role and/or effective ness prediction. Second, empirical support exists for the use of prediction as an effective way to decide what to do next, even in uncertain situations; there is also significant support for adaptive efforts. Third, several recent strategic approaches attempt to resolve this conflict by connecting the planning and adaptive approaches, encouraging firms

to carefully plan to quickly adapt. Finally, both planning and adaptive strategies focus on positioning within an environment that is exogenous to the efforts of the organization. Under this assumption of exogeneity, predicting and positioning are logical ways for organizations to seek control of their outcomes, and successfully reposition for their future.



**Figure 3.3: Framework for prediction and control**

(Source: Wiltbank, Dew, Read and Sarasvathy; 2006:983)

The above graphical depiction (figure 3.3) of Wiltbank *et al*'s categorisation of strategy-making approaches hinges on the preference for control and prediction. Two approaches (planning and adaptive) are grouped as positioning approaches. Positioning “deals with the relative emphasis on prediction and navigating an exogenous environment” (Wiltbank *et al*, 2006:990). Construction on the other hand, evokes means-ends

relationships rather than the relationship between the organisation and its environment. Ends in simple terms relate to what an organisation desires to achieve, while means relate to *how* an organisation intends achieving its ends (Brews & Hunt; 1999:891). Construction therefore can be seen as the formation (construction) of strategies in order to achieve the organisations ends or goals.

The positioning approaches include planning. The rational planning view predicts that as uncertainty increases, organisations that work more diligently to analyse and predict more accurately the changing situation in which they operate will outperform those that do not. The adapting view, described by the above model, borrows from the learning school that suggests organisations learn what to do next by minimising the use of predictive rationality and instead experimenting and moving quickly to capture new opportunities (Mosakowski, 1997 *in* Wiltbank *et al*, 2006:985).

The approaches associated with construction are the visionary and transformative approaches. Construction approaches either assume the non-existence of key elements in the environment or that the organisation has the ability to affect these in a significant way.

Visionary approaches emphasises constructing an organisation and its environment by imagining future possibilities and proactively bringing them to fruition (Wiltbank *et al*, 2006:990).

The concept of strategic intent as explained by Prahalad and Hamel (1989:74) could be used to exemplify the visionary approach. They mention that strategy should not be merely a testing of options to establish organisational fit within a particular industry structure; the strategist's goal



should be to create a “new space uniquely suited to the company’s own strengths, space that is off the map”.

This approach simultaneously emphasises high control and high prediction.

“The future that comes to exist does so in large part simply because visionary leaders chose to create it” (Wiltbank *et al*, 2006:990).

Wiltbank *et al* build on theories by Sarasvathy (2001a; 2001b) and Dew (2003) to articulate the transformative approach. These authors have argued that non-predictive and non-visionary approaches to strategy making can be useful for entrepreneurs. They outline a strategy making process that is action oriented and non-predictively transforms an organisation’s means into newly constructed settings. The emphasis is on future events that they can control rather than those it can predict. The following example is cited (Sarasvathy & Dew (2001a, 2003 and 2005) in Wiltbank *et al*, 2006:991):

an endocrinologist thinking of starting an obesity clinic begins with the fact that she understands the causes of obesity and some ideas for helping people with the problem; a real estate professional may also start an obesity clinic because he has found a prime location next to a thriving teaching hospital specializing in obesity research, but he is likely to begin with possibilities suggested by the location of the property rather than the needs of obese people. The possible directions to take next emphasize strategies of control, pieces of the future that they can shape through their relatively unique abilities prior knowledge, and social network.

### ***3.3.3.1 Ends and means***

Many early strategy authors include the concept of means and ends in their definition of strategy (Andrews, 1971; Chandler, 1962; Hofer & Schendel, 1978 *in* Brews & Hunt, 1999:890).

The distinction between means and ends has been used by Brews and Hunt (1999) to categorise different approaches to strategy-making. Ends are defined as (Brews & Hunt, 1999:891):

the major, higher level purposes, mission, goals or objectives set by organizations, each of which (should there be more than one) significantly influences the overall direction and viability of the firm concerned;

and means are defined as (Brews and Hunt, 1999:891):

the patterns of action which marshal/allocate organizational resources into postures that, once implemented, increase the probability of attaining organizational ends.

The ends and means resulting from the emergent strategy-making approach are either specified simultaneously, or are intertwined (Fredrickson & Mitchell, 1984) and are rarely announced or recorded in a formal planning document, and when they are announced, they remain broad, general, and non-quantified (Quinn, 1980). Means develop and evolve over time as organisations learn from environmental interaction (Mintzberg, 1990). In contrast to the emergent approach, rational planning results in ends that are announced and recorded in a formal planning document. Means emerge from the planning process fully formed and ready for implementation.

Ends and means are sometimes explained in relation to strategy and tactics. An example of this explanation linking strategy to ends and tactics can be found in the explanation that strategy is concerned with the relationship between ends and means, “that is, between the results we seek and the resources at our disposal” (Nickols 2003:2). Nickols explains that strategy and tactics are both concerned with formulating and then carrying out courses of action intended to attain particular objectives. For the most part, strategy is concerned with deploying the resources at your disposal whereas tactics is concerned with employing them. He portrays how strategy and tactics bridge the gap between means and ends in figure 3.4 below.



***Figure 3.4: Strategy and tactics: bridging the gap between means and ends***  
(Source: Nickols, 2003:3)

Figure 3.4 shows that resources are deployed based on high level ends developed in the strategy-making process at the beginning of an organisational process (likened to crossing a bridge). Means, on the other hand, are the ways in which resources are employed to link the outcomes of strategies with the intended strategies for which specific ends were developed.

Anckoff (1970:4) defines planning as anticipatory decision-making, which is comprised of two planning components – strategic and tactical. Strategic planning decisions are those which are broad in scope, have long-term effects, formulate organisational goals, and are difficult to reverse. Tactical planning decisions are concerned with selecting the most efficient means and pursuing the goals set out in the strategic plan. Anckoff emphasises that planning on corporate level is normally more strategic in nature than on the other hierarchical level.

Ends and means with varying specificity are found in strategy making processes (Tosi & Carroll 1968:416). Applied to the different approaches to strategy-making, it can only be evident that the degree of specificity of means and ends would vary along the continuum from rational planning to emergent strategies crystallised in the preceding discussion and chapter. Ends and means specificity could therefore serve as a way to distinguish between different modes of strategy making. The preferred approach to strategy making could inform on the specificity and detail to be expected in terms of organisational ends and means. Likewise the detail and comprehensiveness of ends and means would suggest a specific formation approach being followed in an organisation.

Thus specific and detail ends and means would support a rational planning approach, while vague and broader ends and means would support an emergent approach.

### **3.4 FOCUSING ON THE RATIONAL PLANNING END OF THE CONTINUUM**

A rational planning perspective is central to the conventional strategic management paradigm, where strategic decision-making is perceived as a sequential analytical process. This perspective is ingrained in the frameworks

of modern strategy textbooks, although according to Andersen (2000:196), prior empirical studies provide somewhat equivocal evidence on the performance effects of planning and this has led to the declared demise of strategic planning (Mintzberg, 1994c). Andersen's (2000) study proves that under certain conditions strategic planning is conducive to higher performance. (Some of these conditions will be discussed in Chapter 4 of this study).

Planning is generally characterised by its processual nature. Schendel and Hofer (1979:11) proposed the following definition:

Strategic management is a process that deals with the entrepreneurial work of the organization, with the organizational renewal and growth, and more particularly, with developing and utilizing the strategy which is to guide the organization's operations.

This definition highlights the idea that strategy is not a static condition, but a process of change starting with the visionary beginnings of the organisation and finally guiding all operations in the organisation.

Strategy process research is essentially concerned with choice processes (strategic decision making) and implementation processes (strategic change), according to Pettigrew (1992:6).

In more recent research Szulanski *et al* (2005:xv) note that scholarly strategy process research goes on, perhaps more than ever, "suggesting that there is something fundamental and deeply interesting and profound about how strategies are made, where they originate in organizations, and how the process of strategy-making impacts the performance of organizations."

Pettigrew (1992:9) extracted five guiding assumptions from a wide range of theoretical and empirical investigations researched to explain what the focus of strategy process and planning research should be. They are:

1. Embeddedness: studying processes across a number of levels of analysis (referring to the macro-, market and micro-environmental contexts);
2. Temporal interconnectedness: studying processes in past, present and future time (explained as “a search to catch reality in flight”);
3. A role in explanation for context and action (“Context is not just a stimulus environment but nested arrangement of structures and processes where the subjective interpretations of actors perceiving, learning, and remembering help shape process”);
4. A search for holistic rather than lineal explanations of process (“Links between multiple levels of context can only be established by exposing actions and recurrent patterns in the processes under investigation over years and sometimes decades”); and
5. A need to link process analysis to the location and explanation of outcomes (There is a need to link strategy process to a clear outcome, such as relative profitability) (Pettigrew, 1992:9).

The above guidelines for what strategy process research should entail highlight a few important aspects of focus for planning as a strategy-making mode. The first important aspect is that strategy-making occurs within a layered environmental context. This context forms the basis for some of the analytical techniques used by the design school (such as Porter (1991) discussed below as well as the positioning view of strategy explained earlier (Wiltbank *et al*, 2006)). The importance of outcomes is also emphasised. Outcomes are inseparably linked to ends as the organisational goals are

developed with specific outcomes in mind. The ends focus organisational priorities on the attainment of these envisaged or predicted outcomes.

### ***3.4.1 Planning and designing a strategy***

Nadler (1981:1) classifies planning and design together because he believes their definitions overlap and the words are often used interchangeably “as in ‘planning a vacation,’ or ‘designing a health care delivery system’”. Says Nadler, “No purpose is served by saying that ‘planning’ is open-ended while ‘design’ is specific, or that the former has a longer time horizon, or that the latter is project- rather than program-oriented. Whether it be an architect’s blueprint, a five year land-use map, or a family’s financial plan, solution specifications are detailed, resources allocations are proposed, innovation is encouraged, and purposes are defined – and this is planning and design”. He continues to describe the three basic objectives of planning and design as the following:

1. To maximise the effectiveness of a recommended solution;
2. To maximise the likelihood of its implementation;
3. To maximise the effectiveness of resources used in the planning and design effort.

The above description Nadler uses centres around planning and design as a *strategy* to implement in order to better processes in the organisation. In the typical planning and design scenario the process steps to implementation of this so-called strategy will be to:

1. Develop a hierarchy of purpose statements. From this the purpose to a solution should be achieved and measures of effectiveness indicating the successful achievement identified.
2. Generate solution ideas that achieve both the selected and bigger purposes.

3. Group and shape ideas into major alternatives from which the most feasible ideal solution, the target solution, is selected.
4. Detail the recommended solution incorporating all necessary irregularities and exceptions, staying as close as possible to the target solution.
5. Install the solution, letting purposes and the target solution guide detailed installation. Create and maintain an environment conducive to continuing change and improvement (Nadler, 1981:9).

The above description of planning and design focuses on a specific organisational situation where a strategic decision is required or a design of a new solution is needed. In pursuance of this 'rational model', Hart (1992:328) calls for comprehensive and exhaustive analysis prior to any decision. Rationality implies that a decision maker

1. Considers all available alternatives,
2. Identifies and evaluates all of the consequences which would follow from the adoption of each alternative, and
3. Selects the alternative that would be preferable in terms of the most valued ends (Hart, 1992:328).

The rational model of strategy-making furthermore involves systematic environmental analysis, assessment of internal strengths and weaknesses, explicit goal setting, evaluation of alternative courses of action, and the development of a comprehensive plan to achieve the goals (Andrews 1971; Ansoff 1965; Hofer & Schendel 1978 and Porter 1980).



### ***3.4.2 Rational planning explained***

Rational planning is a form of strategy development that is concerned with the development and formulation of attainable objectives. Idenburg (1993:133) explains this process as follows:

A management team located in A studies the alternatives and selects the route to be taken to B. All kinds of creative techniques and intuition can be employed in selecting the goals (option development). However, after the selection process, these are rational arguments and analytical considerations as the bases for explicitly formulated options or optimal solutions for defined problems. These are reduced to manageable sub-problems which must lead to plans of action. The implementation of these plans of action is controlled through 'management by objectives'. Measuring is knowing. The approach is systematic strategy → structure → systems, etc.

Models for rational planning are furthermore based on iterative strategy development. Alternative strategies are selected after the mission and basic objectives are determined. This is followed by implementation plans, based on the assessment of the opportunities and threats in the external environment, strengths (competitive advantage, core competencies) and weaknesses in the internal environment (Idenburg, 1993:133).

Boyd (1991:353) suggests that strategic planning is one tool to manage environmental turbulence. He defines formal strategic planning as an "...explicit and ongoing organizational process with several components, including establishment of goals and generation and evaluation of strategies". An effective strategic planning system will link long-range strategic goals with both mid-range and operational plans (Steiner 1979:27). According to this definition planners collect data, forecast, model

and construct alternative future scenarios. Boyd expresses the opinion that these activities should allow organisations to outperform other firms which did not engage in planning.

Intended strategy (derived from a rational planning process) is strategy as conceived of by the top management team. Even here, says Grant (1998:21) rationality is limited and the intended strategy is the result of a process of negotiation, bargaining, and compromise, involving many individuals and groups within the organisation. However, the realised strategy that we observe tends to be only about 10-30 percent of the intended strategy. Grant concedes that the central issues of the 'process school' are the processes through which strategic decisions are made in practice. The design school, he says, is more normative in its approach. Its goal is to uncover the factors that determine success to permit managers to develop performance-enhancing strategies. Central to the rational approach to strategy is that the reasons for business success and failure can be systematically analysed and this learning can be applied to formulating business strategies (Grant, 1998:21).

#### ***3.4.2.1 The process model of rational planning***

Today the scholar of strategy will find an infinite number of process models presented in literature to illustrate the process of strategy-making. Two models are presented below. Each has been significant in its impact and well known throughout the literature of strategic planning. Ansoff's (1965:202) model (figure 3.4) is an example of a very detailed and elaborate process, whereas Steiner's (1969:33) model (figure 3.5) is more general, less detailed but very popular in strategy theory.

Ansoff's model (figure 3.4) serves to summarise the basic premises of the planning school:

1. Strategy formation should be a controlled and formalised process, decomposed into distinct steps.
2. The CEO is responsible for strategy formation, whereas the managerial level employees oversee and manage the implementation.
3. Strategies come out of this process fully developed, ready to be implemented through detailed budgets, programmes, functional and operational plans.

Steiner's model (figure 3.5) highlights critical process steps of setting objectives, conducting an external audit (with the main aim to predict possible futures), the strategy evaluation phase and the strategy operationalisation phase. Steiner (1979:177) emphasises the steps in the process as well as the timetable by which they are carried out, both of which need to be programmed.



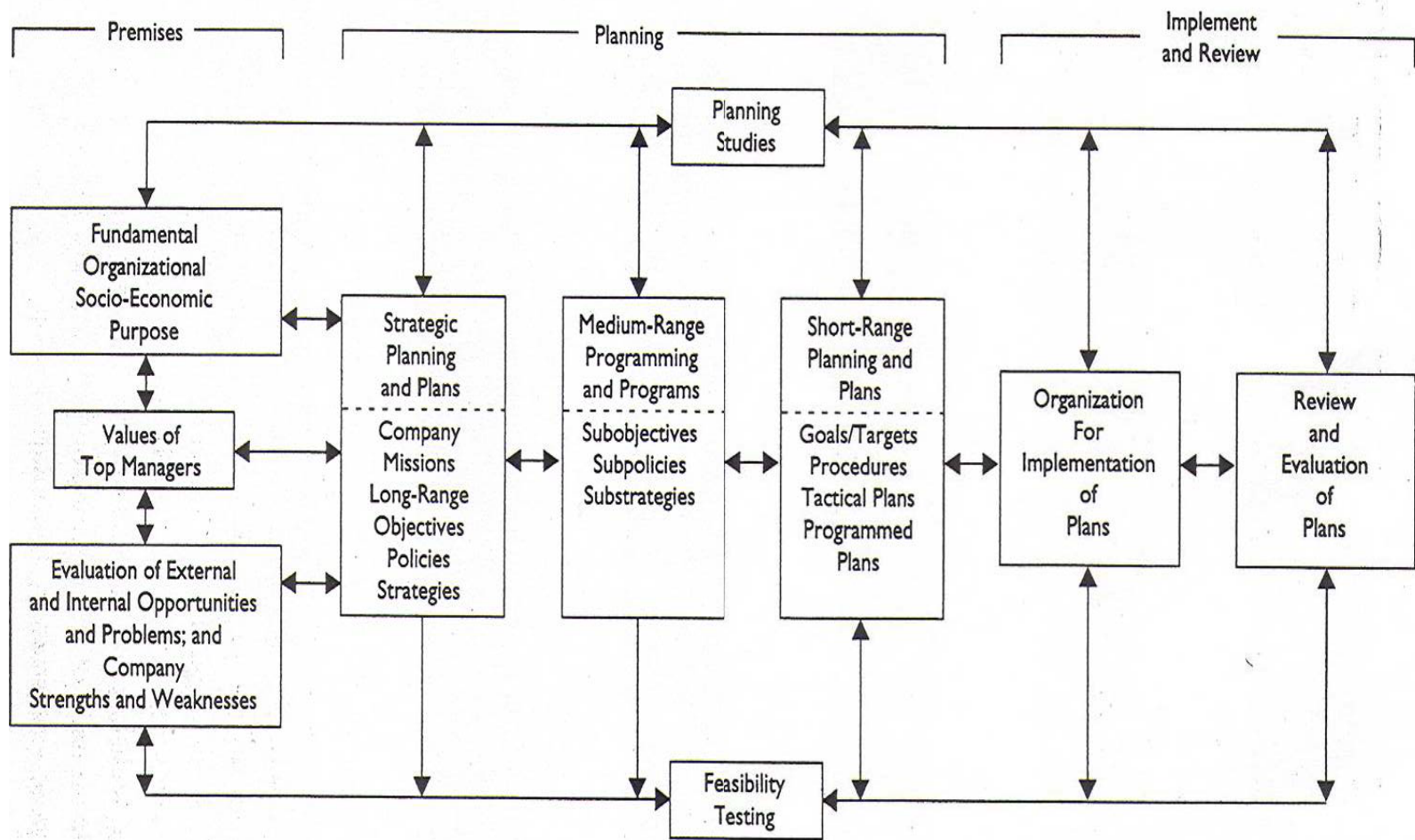
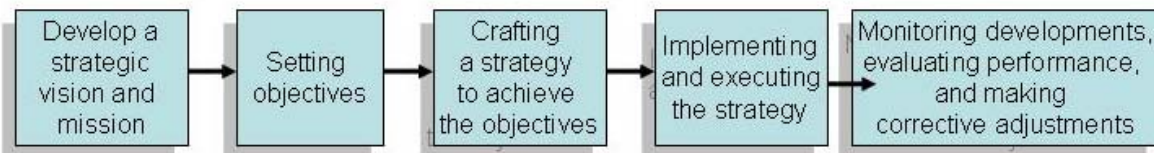


Figure 3.6: The Steiner model of strategic planning (Steiner 1979:33)

A more modern example of strategy as a process is presented in the Thompson, Gamble and Strickland (2004:11) figure 3.6 below. The proponents of strategy as plan or process normally defines strategy as “the game plan management is using to stake out a market position, attract or please customers, compete successfully, conduct operations, and achieve organizational objectives”(Thompson *et al.* 2004:3).

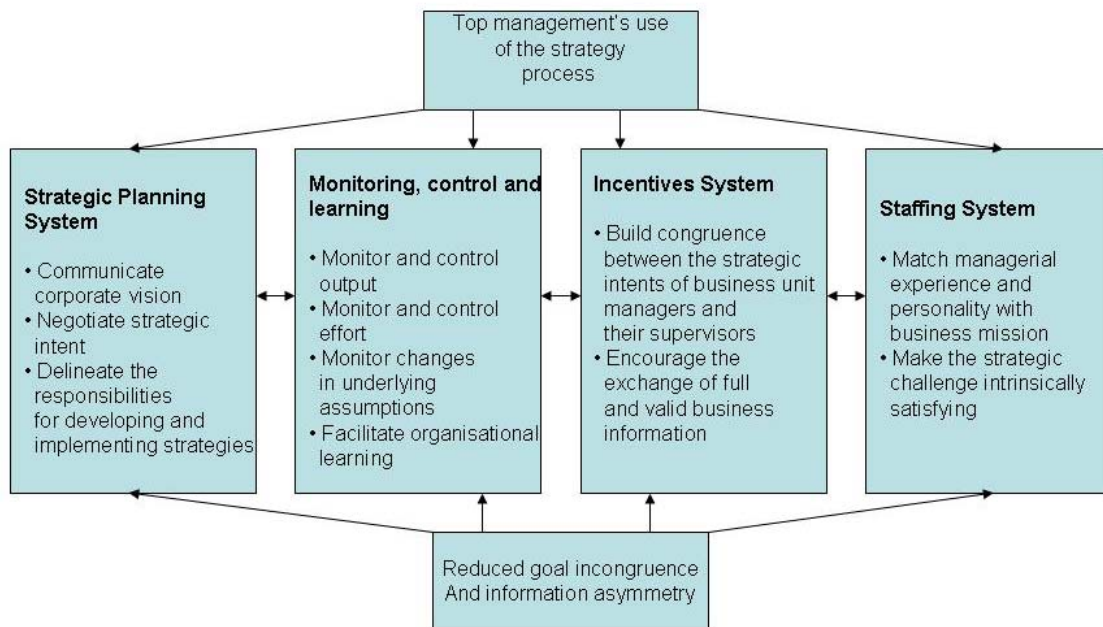


***Figure 3.6: The Strategy-Making, Strategy-executing process***

(*Source:* adjusted from Thompson, Gamble & Strickland, 2004:11)

Chakravarthy and Lorange (1991:4) offer a planning model that can be used in the management of strategy and also provide for incentives schemes and staffing systems in the process. Figure 3.8 below depicts this process of strategic management.





**Figure 3.8: The strategic management process**

(Source: Chakravarthy & Lorange 1991:4)

As one of the management theorists who focus more on the process of strategy creation and its analytical properties, Porter states that “[t]he reason why firms succeed or fail is perhaps the central question in strategy” (1991:95). Most of early strategy success research hinges on the effectiveness of the strategy process. As such early literature on strategy defined three essential conditions for strategy success:

1. An organisation should develop and implement an internally consistent set of goals and functional policies that collectively define its position in the market place. Strategy has an integrative role as far as different organisational functions (e.g. marketing, finances, production etc) are concerned.
2. The above internally consistent set of goals and policies aligns the organisation’s strengths and weaknesses with the external (industry) opportunities and threats.

3. Strategy should be centrally concerned with the creation and exploitation of its so-called “distinctive competences”, i.e. the unique strengths the organisation possesses (Learned *et al.* 1965; Andrews 1971; Selznick 1991).

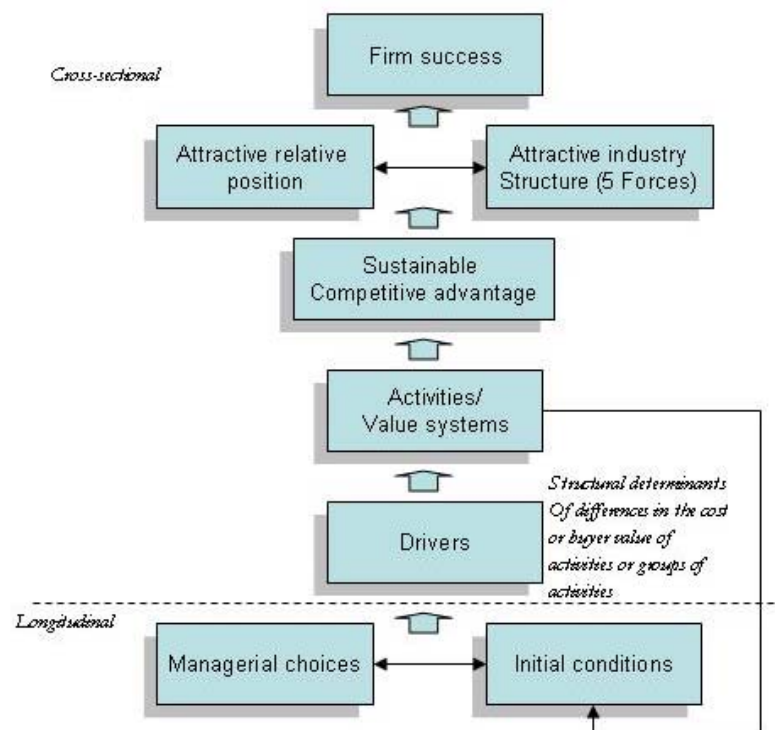
### ***3.4.3 Strategy process and positioning***

Porter (1991:105) is adamant that the process of how a certain strategy has been formed is of lesser importance than an organisation’s relative positioning in its market with regard to its value-creation activities, resources and capabilities and relative competitiveness. He claims that one of the fundamental approaches to crystallising a theory on strategy, is by reflecting on a ‘chain of causality’, where outcomes are traced back to the original causes and using the chain of causes as basis for the theory on strategy. He adds the *caveat* that due to the complexity of any given chain of causality and possibility of assigning ‘false’ causes, this could be a contentious, although useful, way of creating a theory. In this chain of causality, interrelated organisational activities are important, since an organisation’s strategy defines its configuration of activities and how they interrelate. The connection between resources and activities is even more fundamental because resources represent an inherently intermediate position in the chain of causality. The organisation’s profitability is therefore determined by the characteristics of its industry and its relative position within it. Therefore these aspects should also determine its strategy (Porter, 1991:98).

While frameworks coined and researched by Porter, such as the value chain and value system (Porter, 1985:37, 35), and the well-known ‘five forces’ (Porter, 1980:4) have pushed a considerable distance backward along the chain of causality, the focus has been on what Porter (1991:105) termed the



*cross-sectional* (or longitudinal) problem, illustrated in figure 3.9 below. This problem is contained in the following possible questions: What makes some industries, and some positions within them, more attractive than others? What makes particular competitors advantaged or disadvantaged? What specific activities and drivers underlie the superior positions? Porter maintains that in answering these questions, the issue of causality is confronted again.



**Figure 3.9: Porter's determinants of success in distinct business (cross-sectional/longitudinal problems)**

(Source: Porter, 1991:100)

The above frameworks combined in one framework for addressing the cross-sectional problem, are, according to Porter (1991:105) 'agnostic' as to the *process* by which the superior positions were attained, and largely

unaffected by it. Whether the strategy was consciously chosen, coincidence, the result of incremental steps, or driven by one major decision does not itself affect the attractiveness of the position independently of the activities and drivers on which it rests. Similarly, the past process by which firms accumulated their strengths and capabilities is not in and of itself decisive. Porter claims that his cross-sectional frameworks address the choice of strategy given whatever array of capabilities the firm and its rivals possess at a point in time and can feasibly develop in the future.

Porter is fierce in his opinion (and he specifically refers to Mintzberg (1990)) that the efforts by some researchers to 'dichotomize' *process* and *substance* are "...simply incorrect..." (1991:105). He is of the opinion that both process and substance (i.e. "content" according to Chaffee, 1985:89) are necessary and important to understand. The cross-sectional problem is also logically prior. Without a rather specific understanding of what underpins a desirable position, it is virtually impossible to deal analytically with the process of getting there, continues Porter. Strategy therefore becomes an aimless process in which luck determines the winners.

Mintzberg *et al* (2005:21) criticise Porter's theories on strategy as having little impact on how most large organisations go about formulating strategy since his work is descriptive/not prescriptive. "His vast checklists provide little guide to what firms should actually do, or avoid doing. Every firm would like to be in an industry with high barriers to entry, weak rivals and high profits. But few are so lucky" (Mintzberg *et al*, 2005:21).

In addition, Hilse and Nicolai (2004:373) point out that for the last 15 years, management theorists have been looking particularly at the question as to in what way company strategies are empirically achieved. A recurring finding of

this research trend is that the empirically observable model of strategic development differs considerably from that of synoptic-rational planning. As a result of this it is Hilse and Nicolai's observation that there is increasing pressure as seen from researchers' recommendations to abandon the planning model. Unfortunately, these recommendations are poorly supported by suggestions to the contrary. Hence, strategy process theory is criticised for its lack of prescriptive content (Eisenhardt & Zbaracki, 1992:33; Mintzberg *et al*, 2005:21)

Chaffee (1985:89) contends that strategy involves issues of both content and process. In this regard it includes "...both the actions taken, or the content of strategy, and the processes by which actions are decided and implemented." Strategy furthermore involves thought processes consisting of conceptual as well as analytical exercises. In his opinion some authors stress the analytical dimension more than others, but "most affirm that the heart of strategy making is the conceptual work done by leaders of the organisation."

### **3.5 FOCUSING ON THE EMERGENT STRATEGY END OF THE CONTINUUM**

Hamel expresses the opinion that the core problem in organisations is failure to distinguish planning from strategizing. He justifies his strong opinion by explaining that planning is about programming, not discovering. Planning is for "technocrats", not for dreamers, he says. And finally, "giving planners responsibility for creating strategy is like asking a bricklayer to create Michelangelo's Pietà (Hamel 1996:71; 81).

It is the CEO's responsibility to stay close enough to the organization's learning process that he or she can share employees' insights and understand their emerging convictions. In the traditional

planning process, outcomes are likely to cluster closely around managers' prejudices; the gap between recommendations and pre-existing predilections is likely to be low. But this is not the case in a more open-ended process of strategy discovery.

Hamel (1996:81) outlines a few principles of strategy that provide for evolutionary change. One of these principles he captions with the following statement, "Principle 10: You can't see the ends from the beginning". He formulates his opinion of a strategy-making process by emphasising that such a process should involve a broad cross section of the company, delve deeply into discontinuities and competencies, and should encourage employees to escape an industry's conventions. Senior managers cannot predict where an open-ended strategy-making process will lead, but organisational dialogue will inevitably lead to industry revolution.

Hamel states (1996:82) that:

to invite new voices into the strategy-making process, to encourage new perspectives, to start new conversations that span organizational boundaries, and then to help synthesize unconventional options into a point of view about corporate direction – those are the challenges for senior executives who believe strategy must be a revolution.

This open-ended approach to strategy-making with its emphasis on organisational dialogue and involvement across organisational levels, is the crux of the emergent approach to strategy-making.

### ***3.5.1 Logical incrementalism***

Under the label of “disjointed incrementalism” Lindblom (1959:80) described ‘policy making’ (a term used interchangeably for strategic planning in the US government) as a ‘serial’, ‘remedial’, and ‘fragmented’ process in which decisions are made at the margin, more to solve problems than to exploit opportunities, with little regard for ultimate goals or even for connections between decisions. The different role-players in the organisation are said to engage in this informal strategy process of “mutual adjustment” (Lindblom 1959:81). Strategy planning (or policy-making) is typically a “never-ending process of successive steps in which continual nibbling is a substitute for a good bite” (Lindblom 1968:25).

Quinn (1978, 1980) supplemented the theory of ‘disjointed incrementalism’ and developed the theory of ‘logical incrementalism’ as a way of explaining the combination of longer-term plans and targets with evolutionary, learning-based pattern of movement on the way (patterns that emerge). Quinn argues that ‘properly managed, it is a conscious, purposeful, proactive, executive practice’ (Quinn 1980:3).

Quinn (1978:7) relays an anecdote recorded during an interview of a manager who, when younger, always conceived of a room where all strategic concepts were worked out for the whole company. He never found that room but discovered that the strategy of the company might not even exist in the mind of one man or even be written down. It is simply transmitted in the series of decisions made (Quinn, 1978:7):

When well-managed major organizations make significant changes in strategy, the approaches they use frequently bear little resemblance to the rational-analytical systems so often touted in the planning literature. The full strategy is rarely written down in any one place.

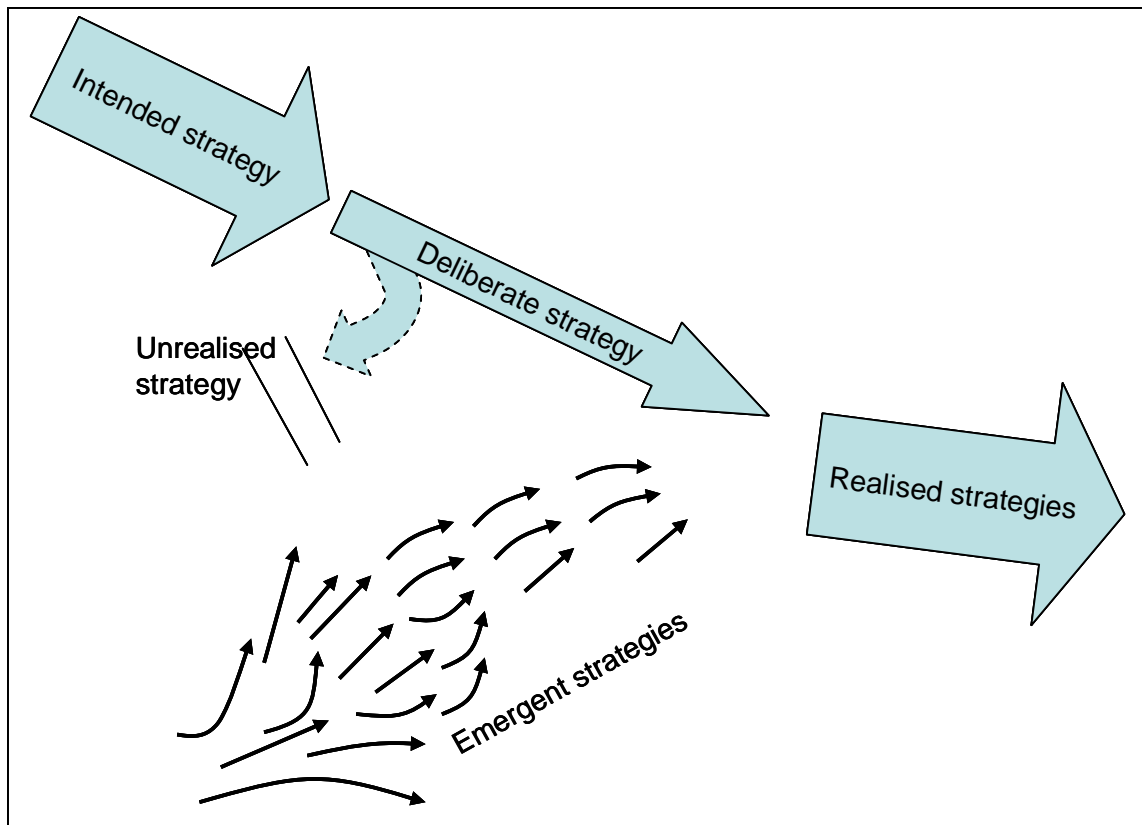
The processes used to arrive at the total strategy are typically fragmented, evolutionary, and largely intuitive. Although one can usually find embedded in these fragments some very refined *pieces* of formal strategic analysis, the real strategy tend to *evolve* as internal decisions and external events flow together to create a new, widely shared consensus for action among key members of the top management team.

Amidst criticism of some of the vagueness surrounding emerging strategies and incremental strategies Quinn prescribed the following conditions for logical incrementalism (Quinn 1982:615):

1. Lead the formal information system.
2. Build organisational awareness in the early stages of strategy formation studying, challenging, questioning, listening, talking to creative people outside ordinary decision channels, generating options, but purposively avoiding irreversible commitments.
3. Build credibility change symbols as a way to unite role-players across the spectrum of strategy-making.
4. Legitimise new viewpoints, such as creating discussion forums or allow slack time to talk through threatening issues.
5. Pursue tactical shifts and partial solutions.
6. Broaden political support for emerging new thrusts.
7. Overcome opposition through people selection and coalition management.
8. Consciously structure flexibility.
9. Develop trial balloons and pockets of commitment.
10. Engage in continuous change.
11. Recognise that strategy is not a linear process.

### 3.5.2 Emergent strategies

In a cornerstone article in 1985 Mintzberg and Waters argued that a distinction should be made between deliberate and emergent strategy (see figure 3.8). A deliberate strategy occurs when realised strategies were fully intended. However, realised strategies can also come about despite or in the absence of intentions, which Mintzberg and Waters (1985:260) labelled 'emergent strategy'. It is their conviction that few strategies are purely deliberate or emergent, but usually a mix between the two (see figure 3.9 below).



*Figure 3.9: Strategies deliberate and emergent as ends of a continuum/process*

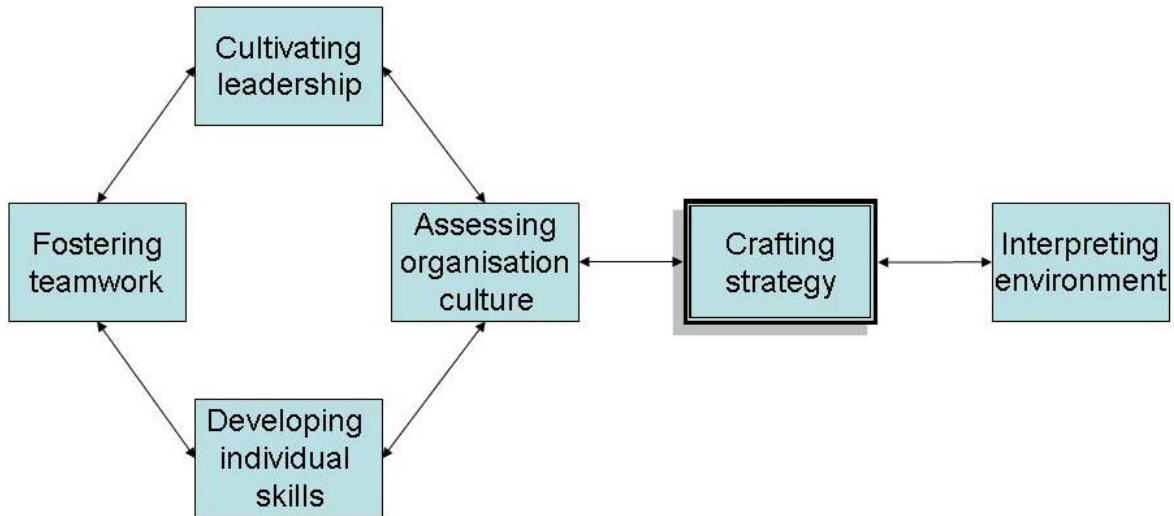
(Source: Mintzberg et al 1998:12)

The emergent strategy approach goes hand in hand with the notion of organisational learning (Mintzberg *et al.* 1998:210) and as such is grouped under the learning school approach.

Also embedded in this approach is strategic intent (Prahalad & Hamel 1990:79). Boisot (1995:36) notes the value of strategic intent for situations of environmental uncertainty: "...strategic intent relies on an intuitively formed pattern or *gestalt* – some would call it a vision – to give it unity and coherence. This yields a simple yet robust orientation, intuitively accessible to all the firm's employees, an orientation which, on account of its clarity, can be pursued with some consistency over the long term in spite of the presence of turbulence".

Crossan (1997:40) expresses the opinion that although organisations' strategies are a blend of both intended and emergent strategies, many organisations unfortunately do not have the capacity to let strategy emerge. She points out that the intent and desire to let strategies emerge are important, but a high degree of teamwork is also needed. Crossan couples the concept of 'improvisation' with the concepts of 'organisational learning' and 'strategic renewal'. These concepts can in turn be linked to the emergent strategy approach. She adds that planning involves long time horizons before any action occurs and involves much analysis in its development – it is not usually associated with a creative and spontaneous process. However, emergent strategies require creativity and intuition applied to actions. Improvisation, claims Crossan (1997:39) with its key aspects of spontaneity of action and level of intuition offers a solution. She illustrates the role of improvisation in the strategy-making process as a combination of teamwork, leadership, culture, individual skills and ability to interpret the environment (as can be seen from figure 3.10 below).





*Figure 3.10: Organisational requirements for crafting emergent strategies*  
(Source: Crossan 1997:39)

### ***3.5.2.1 Action-response cycles***

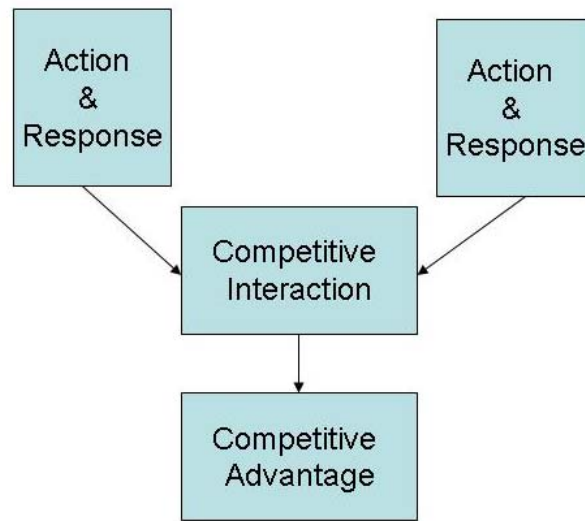
Marcus explains the emergent strategy approach with the use of the concept of 'action-response cycles' (see figure 3.11 below). He refers to Prussian military strategist Carl von Clausewitz who wrote that detailed planning fails due to the inevitable frictions encountered: chance events, imperfections in execution, and the independent will of the opposition. The Prussian general staff did not expect a plan of operations to survive beyond the first contact with the enemy. It set only the broadest of objectives and emphasised seizing unforeseen opportunities as they arose (Marcus, 2005:11).

Strategy is not a lengthy plan, explains Marcus (2005:11), but the evolution of a general idea through continually changing circumstances of which the results are a consequence of action-response cycles: both sides act and both

sides respond. The outcomes are not likely to be the intended outcomes as they materialise from real-life encounters with the 'enemy'.

Marcus (2005:12) calls the rational planning approach to strategy-making an 'unrealistic' one. This is so because competitors' responses to intended strategies negate what the firm wishes to do; eventually the firm adjusts to the actual situation and realised strategies emerge that differ from the intended set of strategies. These realised strategies are a result of a number of organisational decision-makers' responses and counter-responses to competitive situations. It can be deduced from this explanation that different management levels co-determine organisational strategy and not just the CEO as is the popular notion in the planning and design school of thought (Marcus, 2005:12).

The original plans no longer match reality as the situation unfolds and rigid adherence to them is not fruitful... Strategy is a process that introduces flexibility, which strategy as a formal planning exercise eliminates.



**Figure 3.11 Strategy results as action-response realised strategies**

(Source: Smith, Grimm and Gannon, 1992:9 in Marcus 2005:11)

### **3.5.2.2 First and second level strategies**

Parnell (2000:38) drills beneath the surface of Mintzberg's deliberate-emergent strategy classification to reveal more specific strategies associated with these categories. He developed a model that identifies "first-level" and "second-level" business strategies based on six forms of competitive advantage. This model is shown in table 3.2 below.

The difference between the two levels is subtle. First-level strategies represent *deliberate or intended strategy*. The selection of a first-level approach may *imply* a specific second-level approach. The first level is more visionary, outlining a few basic principles about strategic thinking in an organisation. At the first level, businesses can generally seek to be proactive as a first mover, contemplative as a second-mover, or governing as a segment controller.

In contrast, the second level is more practical and pragmatic, suggesting more specific ways in which the organisation can be positioned relative to its competitors. Second-level strategies represent an *emergent strategy*. This level examines the *specific competitive means* through which businesses seek to orchestrate their competitive activities. At the second level, businesses seek to develop and maintain broad product/service lines, develop and emphasise perceived uniqueness, or develop and maintain a high degree of production and/or distribution efficiency (Parnell 2000:38).

A business may employ any combination of first- and second-level strategies, and may choose to compete with a strategy (or strategies) on one level and not the other.

***Table 3.2 First and second-level strategies***

(*Source:* adjusted from Parnell 2000:39)

	Strategy	Benefits	Costs and risks	Industry influence	Functional strategy and organisation resource implications
First – level strategies (deliberate)	First-mover	High margins	No market application	Low	Effective product R&D
		Development of innovative reputation	Product/service failures		Innovative culture
	Speed	Second-mover	Limited initial investment, but potential for early entry	Never first in the market	Moderate
Flexibility in production	Markets entered not fully developed		Speed	Segment Control	Efficient production processes
Market segment expertise	Large market share	Lost opportunity for synergy and new markets	Moderate		Development of expertise through specialisation
Second – level strategies (emergent)	Product/service breadth	Synergy through satisfaction of related needs	Potential for lost efficiencies in production	High	Flexibility in production
	Perceived uniqueness	High margins	High marketing costs	High	Marketing expertise
		Brand loyalty	Potential for higher production costs		Effective product R&D
Production and distribution efficiency	Ability to survive price wars	Potential for low perceived value of offerings	High	Effective process R&D	
	Potential for low prices and/or high margins	Efficient production processes			
				Cost containment	

Parnell (2000:47) concludes that empirical data in his study suggested that combining first and second level strategies can lead to superior performance in *either* growth *or* profitability, but not both. Many businesses in his study effectively combined strategies (e.g. segment controllers also emphasising the product/service breadth second-level strategy). However, some strategy combinations (e.g. first movers also emphasising the product/service breadth second-level strategy) were associated with poor performance. In some respects, a strategy represents a choice between two or more alternatives. "Businesses which successfully combine strategies must utilise synergies to overcome the apparent tradeoffs associated with combinations...Indeed, a single business might base its strategy on several facets of competitive advantage, although some combinations may be easier to implement than others", says Parnell (2000:4).

### ***3.5.3 The absence of strategy***

Inkpen and Choudhury (1995:313) add another angle to the debate about strategy, when they contend that an alternative approach to strategy "...may be to step back and ask some fundamental questions about the reasons why a particular firm fails to exhibit the requisite characteristics for classification.

Some authors regard the emergent approach as an absence of strategy and remain critical as to its prospects of success. Gaddis (1997:39) has written about the assumption of the "super-organisation that can continuously develop, increment by increment, its own strategic direction to a prosperous (undefined) future". He mentions the Roman general Varro who did not need any strategy. He took his superior force into battle against Hannibal and suffered a devastating defeat. Gaddis concludes sarcastically that "apparently a suitable strategy for the superior Roman army failed to 'emerge' as the battle wore on".

There are even cases where organisations think they have a strategy, but don't, say Hambrick and Fredrickson (2001:48). They boldly declare that certain companies make "grand declarations" such as 'Our strategy is to be low-cost provider' or 'We're pursuing a global strategy' or 'Our strategic intent is to always be the first-mover', but none of these types of statements refer to a strategy. They are 'strategic threads', mere elements of strategies. The authors conclude that the use of such statements in official documents only attests to the increasingly common syndrome of 'the catchall fragmentation of strategy'.

So, in fact where organisations think they have strategies, they could merely be touching on the surface and experimenting with elements of strategy.

In answer to criticism such as the above arguments the emergent strategy defence rests upon abundant moderating factors such as suitable environments and industry structure and will be explored in Chapter 4.

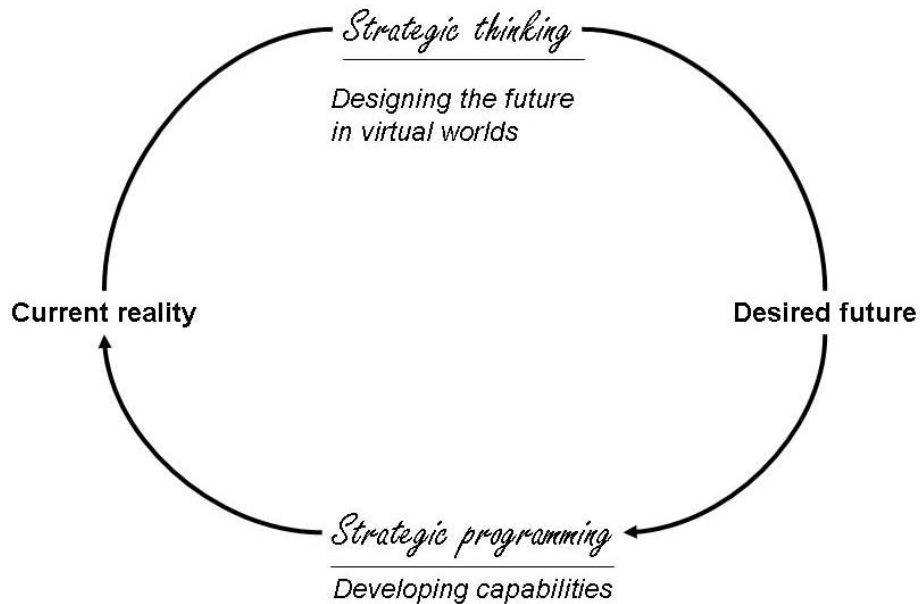
#### ***3.5.4 Strategic thinking***

Maybe we think too much and see too little, ponders Mintzberg (in Mintzberg *et al*, 2005:139). In this regard Christensen (1996:70) found that strategic thinking is not a core managerial competence in most organisations. Strategic thinking does not mean following industry recipes or copying competitors unless these are done as carefully considered choices. Strategic thinking is not mindlessness, imitation or thoughtless persistence. The seeing part of strategic thinking, to Mintzberg (2005:139), comes in the form of:

- Seeing ahead with a good vision;
- Seeing behind by understanding what happened in the past;
- Seeing the bigger picture from above;
- Seeing below – looking closer to distinguish the trees from the forest, the detail in the bigger picture;
- Seeing beside by thinking laterally;
- Seeing beyond by not just seeing an expected future, but inventing a new future; and
- Seeing it through by acting on promises and plans.

Liedtka (2000:197) explains strategic thinking as a 'cognitive loop' in which strategic change begins with a cognitive framework in the minds of managers. Her opinion ties in with strategic thinking as seeing beyond the current reality and creating an image of a future to which the organisation can aspire. Strategic thinking is closely associated with emergent strategy (or what Liedtka (2000:197) calls 'generative strategic planning'). This is illustrated in figure 3.12 below.





**Figure 3.12 Model of generative strategic planning**

(Source: Liedtka, 2000:197)

Figure 3.12 above suggests that part of strategic planning should be the feedback into the organisation to create capabilities with which strategies can be pursued. Figure 3.12 shows that through a combination of strategic thinking and strategic planning the current reality can be transformed into a desired future.

Kotzé (2003:108) suggests in line with Mintzberg (1987:66) than strategic thinking is the link between what is described as a past of corporate capabilities and a future of market opportunities, between thought and action.

Strategic thinking embodies a focus on intent, in contrast to the traditional strategic planning approach that focuses on creating a “fit” between existing

resources and emerging opportunities, strategic intent creates a substantial “misfit” between these (Graetz, 2002:456). Strategic thinking is closely linked to the notion of organisational learning, referring to the creation of circumstances, climates or conditions in organisations which encourage, support and reward the development and learning of employees. As organisational members learn to overcome specific competitive challenges, they develop potentially valuable resources and capabilities (Kotzé, 2003:109).

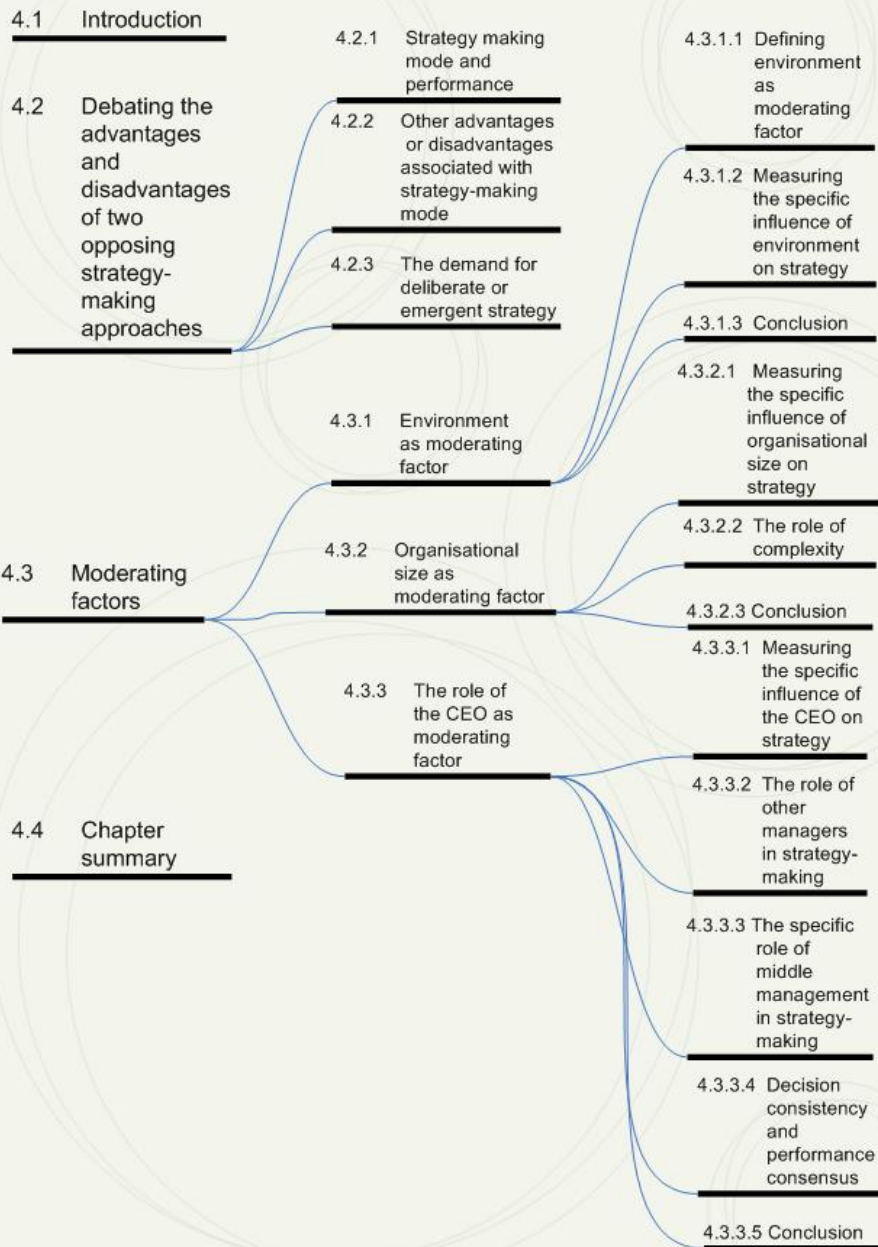
### **3.6. CHAPTER SUMMARY**

This chapter dealt with the two extreme approaches to strategy-making that were crystallized in Chapter 2. The chapter started with some appeals being made and motivation for a synthesis of strategy-making approaches to be used in organisations, in stead of exclusively focusing on one specific approach. The chapter continued by broadly explaining various prominent categorisations of strategy-making approaches, narrowing these down to approaches that deal with the two extreme approaches of emergent versus rational strategy-making. This was followed by an in-depth discussion of each of the two approaches (emergent strategy and rational planning) and the main issues associated with each.

Chapter 4 deals with the factors that influence or moderate the choice of a specific strategy-making approach.



## CHAPTER 4 FACTORS MODERATING THE CHOICE OF STRATEGY-MAKING APPROACH



## CHAPTER 4

### FACTORS MODERATING THE CHOICE OF STRATEGY-MAKING APPROACH

*“Hence, strategic management constitutes a normative outline for rational strategy formulation but provides little explicit consideration of the potential management roles in the strategy formation process. Conversely, strategic emergence has often been ascribed to decision patterns evolving over time as relatively autonomous managers within the organization engage in resource committing activities”*

Andersen, 2004:265

#### 4.1 INTRODUCTION

Brews and Hunt (1999:889) suggest that certain circumstances warrant a specific approach to strategy-making to be followed. They report on a study investigating whether environmental conditions and organisational size moderate the type of planning firms employ in their strategy formation activities.

In this chapter the focus is on so-called “moderating factors” as being those conditions that influence the type of strategy employed. Much of what has been said in the previous two chapters hinted at the tension present when a strategy-making approach comes into question.

Chapter 2 outlined the debate in its extremities and Chapter 3 progressed with the explanation of the opposing ends. The first part of this chapter contextualises the battle ground between proponents on both ends of the strategy-making spectrum. The purpose of sketching the conversational pinnacles and academic contentions at the onset of this chapter is to highlight the above-mentioned additional and very critical aspect of the

academic discourse on strategy-making approach, namely the consideration of *factors that influence the strategic decision of selecting a strategy-making approach*. These factors are commonly referred to as moderating factors. In other words, the selection of a mode of strategy-making cannot be done without first considering certain aspects in the decision sphere of the organisation – such as industry environment, organisational size, etc. This chapter draws attention to the most prominent of these frequently researched and debated moderating factors, specifically organisational size, industry environment and the influence of the CEO in setting strategic direction.

## **4.2 DEBATING THE ADVANTAGES AND DISADVANTAGES OF TWO OPPOSING STRATEGY-MAKING APPROACHES**

The selection of a mode of strategy-making advances from the perceived advantages that come from following a specific mode of strategy-making. These advantages are also sometimes linked to company-specific factors, known as the moderating factors. These influence how strategy is made in an organisation either directly or indirectly.

### ***4.2.1 Strategy-making mode and performance***

Brews and Hunt (1999:889) are of the opinion that few issues attracted more attention in strategy research than the relationships between the mode of strategic planning adopted by the firm and the economic performance of the firm. They notice that it is regrettable that “...decades of planning/performance research have yielded inconsistent findings” (Brews and Hunt, 1999:889). Their study reviewed 18 empirical studies testing the effect of formal strategic planning on economic performance and concluded the link was ‘tenuous’ (Pearce, Freeman and Robinson, 1987 *in* Brews and

Hunt, 1999:889). A meta-analysis of 21 studies found that the formal strategic planning/performance link was weak, with a correlation of 0.1507 (Boyd, 1991 *in* Brews and Hunt, 1999:890). A similar meta-analysis of 26 studies concluded that strategic planning positively influenced firm performance (Brews and Hunt, 1999:890). While similar analysis of 14 studies investigating the effects of planning on small firm financial performance concluded that the relationship, though small, was significant and positive (Schwenk and Schrader, 1993 *in* Brews and Hunt, 1999:890).

Brews and Hunt (1999:890) suggest some explanations for the research inconsistencies pertaining to the linkage between performance and mode of strategy-making, including:

- Cognisance not taken of the impact of environment on the type of planning employed. Some studies found that formal strategy-making processes or planning are positively associated with performance in unstable, turbulent or dynamic environments. Other studies concluded formal strategic planning is best suited to stable environments (Brews and Hunt, 1999:890)
- The 'crude' dichotomous or trichotomous classifications of planning behaviours employed: comparing formal, long range planners with non-formal, long range planners or comparing non planners with incomplete planners and complete planners (Kudla, 1980:5).

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 (Mintzberg, 1994a).

Of special interest in the above realisation of research inconsistencies, is firstly the prominence given to environmental and other factors influencing

the choice of strategy-making approach, and secondly the hint at the inappropriateness of discarding one approach in favour of another. The latter has been addressed in the previous chapter where mention was made of several authors suggesting synthesis of strategy-making approaches. The inherent warning to not crudely dichotomise approaches also bears significance in a discussion of environmental factors that make one approach more attractive and preferable in one scenario and another in a different scenario.

#### *4.2.2 Other advantages or disadvantages associated with strategy-making modes*

The “bitter” debate (Brews & Hunt, 1999:889) detailed in the preceding chapters, hinges on the question vital to the theory and practice of strategy: what types of planning should firms utilise in their strategy formation behaviours?

Arguments in favour of the formal approach to strategy planning include Ansoff (1991, 1994) flying the ‘planning school’ flag. He contends that formal planning is beneficial in both stable and unstable environments. Brown and Eisenhardt (1998:158) provide a case study example that illustrates how formalised strategic planning takes place: “...study the industry, select a strategy, and build tactics around it.” They (Brown and Eisenhardt 1998:158) submit that such strategic planning has several strengths, such as:

- “It serves a useful, symbolic role. At Pulsar, it provided a rallying point for employees. It generated excitement and a relentless work ethic at the firm. At other companies, such planning can usefully signal

discipline and sophistication to constituents like lenders and stockholders”.

- Strategic planning also serves a useful purpose in coordinating a complex set of efforts among many people. It is a way to organize tasks and lay out a resources roadmap for people to follow.
- “Without any type of planning, there is chaos”.

Brown and Eisenhardt (1998:158) limit to a certain extent instances where this advantage comes to the fore, when they state that “[s]trategic planning can even be effective as the primary strategy for managing the future of slow-moving industries.” This implies that “slow-moving industries” benefit more from strategic planning than industries where change is fierce, to the extent that the planning *per se* becomes the strategy. However, in more dynamic industries, the advantage of planning becomes less due to inherent characteristics such as inflexibility. This is because strategic planning is not about the future, “in reality, strategic planning gives managers almost no help in gaining insight about the future. It is a passive approach that does not actively engage the future, it can even be detrimental to managing the future when the plans are too rigid”, as such strategic planning should be treated as a “rough roadmap, budgetary guideline, and rallying point, not as a straitjacket that [limits] managers from adapting to the real future (Brown and Eisenhardt 1998:158)”. They furthermore suggest that strategic planning should be complemented by actually engaging the future through experimentation and building strategy based on insights from such experiments.

Farjoun (2002:563) contends that the mechanistic view with its ensuing planning models based on shared assumptions and concepts, have mutually



reinforced one another, and facilitated better communication, generation and exchange of ideas.

Notwithstanding the above arguments for the use of the formal mode of strategy-making, the latter is still being increasingly questioned. Its simple assumptions, better suited to a relatively stable and predictable world (Brews and Hunt, 1999; Harrington *et al*, 2004) and to the early stages of the field's development, seem to be at odds with the more complex and constantly changing observed behaviour of individuals, firms and markets. Critics have described it as 'static' (Pettigrew, 1992), linear (Henderson and Mitchell, 1997) and fragmented (Schendel, 1994).

Mintzberg (1994b:13) highlights the following 'pitfalls' of planning in his argument against the planning approach to strategy:

- The commitment pitfall, where management's commitment to planning is questioned as much as "(a) whether planning is committed to management, (b) whether commitment to planning engenders commitment to strategies and to the process of strategy making, and (c) whether the very nature of planning actually fosters managerial commitment to itself". This pitfall is explained in the following way, "What is sometimes not appreciated is that there is no such thing as an 'optimal' strategy, calculated via some formal process. Intended strategies have no value in and of themselves; ...they take on value only as committed people infuse them with energy."
- The change pitfall, where planning "...impedes more than promotes..." organisational change. "The purpose of a plan is to render things inflexible, that is, to set the organization on a course of action".
- The politics pitfall, where planner bias (in stead of objectivity) influences the strategic plan.

In support of these pitfalls and negative view on planning, Heracleous (1998:482) outlines the fallacies that strategic planning, as “...programmatically, analytical thought process...” is based on:

- Firstly, the fallacy of prediction, the belief that planners can predict what will happen in the market place. (This is called by Mintzberg (1994b:15) the ‘Fallacy of predetermination’);
- Secondly, the fallacy of detachment, the premise that effective strategies can be produced through formalised processes by planners who are detached from the business operations and market context.
- Lastly, the fallacy of formalisation, the questionable idea that formalised procedures can in fact produce strategies, whereas their proper function is to operationalise already existing strategies.

Mintzberg (1994b:19) epitomises all the above fallacies, when he suggests that the ‘grand fallacy of ‘strategic planning’ comes into being. He (Mintzberg, 1994b:19) contends that:

because analysis is not synthesis, strategic planning has never been strategy making. Analysis may precede and support synthesis, by defining the parts that can be combined into wholes. Analysis may follow and elaborate synthesis, by decomposing and formalizing its consequences. But analysis cannot substitute for synthesis. No amount of elaboration will ever enable formal procedures to forecast discontinuities, to inform detached managers, to create novel strategies. Thus planning, far from providing strategies, could not proceed without their prior existence.

There has been widespread critique of the planning approach in similar vein in various strategy and management literature (Peters, 2003; Kinni, 1994;

Albrecht, 1994). Some have even gone to the extent of criticising the existence of a strategy (Altier, 1991; Harari, 1995, Inkpen and Choudhury, 1995; Mintzberg, 1994a; Mintzberg *et al*, 2005; Peters, 2003).

Mintzberg *et al*. (1998:19) say about the portrayal of strategic management as the discrete phases of formulation, implementation and control: "This bias is heavily reflected in practice, particularly in the work of corporate and governmental planning departments as well as many consulting firms. ..."

Peters (2003:23) portrays strategic planning and systematic planning 'rituals' as a "losing bet":

In response [to the once 'invincible' United States being economically humbled by, in particular Japan, the best minds in business offered their best ideas on how to survive in the new competitive environment. These were the big strategic "bets" of the late 20<sup>th</sup> century. First, there was The Strategic Planning Bet. People believed in five-year plans. Ten-year plans. A strategy "guru", completely cowed by Japan's industrial success, claimed that one Japanese company (I think it was Canon) actually has a 500-year plan. Those of us enslaved by Wall Street's crazy quarterly-earnings requirements wept openly. Imagine, we intoned as one... a 500-year perspective! Ah, those were the days. Meg Whitman has seen the faith in long-term strategy come and go. She's CEO of the insanely successful e-Bay...and survivor of the dot-com conniptions. In the old days, she says, enterprise "strategy meetings" were held "once or twice a year." Now, in eBay World, "strategy sessions" are "needed several times a week." Forget the 500-year plan: You're lucky if you can write a five-week plan that makes any sense...yes...after five weeks.

On the other side, in critique of the incremental (or emergent approach) Andrews (1980:55) has referred to Lindblom's (1959:79) "muddling through" organisation as 'purposeless' and "anti-strategic".

Arguing for synthesis (as was discussed in Chapter 3) Brock and Barry (2003:556) emphasise that strategy and planning should not be separated. They argue for ways in which these can be incorporated (specifically how planning can be derived from and support strategy formation in a multinational organisation). They show through empirical evidence the importance of selecting a specific 'mode of planning'. These modes facilitate selection/formation of different types of strategies for environments characterised by 'continuous change' versus 'stable, concentrated' environments. Brock and Barry (2003:555) conclude that provided planning as an organisational process "is used in a manner consistent with an organization's strategic orientation, planning can assist information gathering, public relations, group therapy, direction and control and facilitate intra-organizational communication, cooperation, and sustained strategy implementation". Their findings show that internally consistent organizational configurations are associated with superior performance.

Neither intentions nor emergence are useful tools with which to analyse strategy since neither as a pure form is likely to be observable. Instead there is a continuum on which different 'blends' can be seen. McGee *et al* (2005:11) views "realised strategy" as "a blend of intentions and emergence which can be interpreted by reference to the strengths of pressure from the external environment – a kind of environmental determinism" (2005:11).

The above summary of arguments all relay some reason why a specific strategy-making approach would be better suited to an organisation. The

demand for any of the two extreme approaches (rational versus emergent) can therefore be seen to be influenced by specific moderating factors as is explained in the following sections.

#### ***4.2.3 The demand for deliberate or emergent strategy***

The advantages of the two opposing approaches are best summarised by De Wit and Meyer (2004:112). The demand for any of the two approaches can indirectly or directly be linked to the environment in which the organisation operates or certain organisational factors that influence a choice of strategy-making approach. The advantages are outlined below followed by an in depth discussion of the moderating factors at play when each of these approaches are preferable.

The demand for rational planning and deliberate strategising are based on the following promised advantages that strongly pressure organisations to engage in deliberate strategising:

- The need for unified direction;
- The need for commitment to a course of action;
- The need to coordinate all strategic initiatives within an organisation into a single cohesive pattern;
- The need to optimise resource allocation;
- The need for programming all organisational activities in advance (Wit and Meyer, 2004:112).

The approach of letting strategy advance, in other words, emergent strategy, on the other hand has a number of advantages that organisations need to consider:

- Opportunism – the ability to ‘play the field’ is an important factor in effective strategy formation (Quinn 2002);

- Flexibility;
- Learning;
- Entrepreneurship;
- Organisational wide support (Wit and Meyer, 2004:112).

It can be seen from the above discussion that different needs dictate different strategy-making approaches. This is because each approach promises certain advantages which if they are realised, address these needs.

### **4.3 MODERATING FACTORS**

Parnell and Lester (2003:294) suggest certain reasons why organisations would choose to follow a certain approach to strategy-making. These reasons in turn inform the moderating factor discussion. In other words, certain organisational factors (such as environment and organisational size) would necessitate a specific perspective on strategy-making and this would result in a specific approach to strategy-making being followed in an organisation. Table 4.1 below summarises the central questions and thinking associated with each approach to strategy-making following the particular question posed by Parnell and Lester (2003:293):

**Table 4.1 'Critical dilemmas' in strategy-making informing type of approach selected**

<i>Essential question (dilemma)</i>	<b>Approach: Rational planning</b>	<b>Approach: Emergent</b>
<i>Should strategy be approached as an art or a science?</i>	Science (follow a process of comprehensive analysis)	Art (creativity and intuition are central to strategic decision-making)
<i>Should strategies be openly disseminated or hidden?</i>	<p>Evidence of the existence of a strategy can be seen in accounting data, company reports, executive perceptions etc.</p> <p>"In an environment where managers frequently move from one company to another, forthright strategic discussions with employees may ultimately result in sharing confidential strategic intentions with competitors" (2003:293)</p> <p>A more certain environment allows more free communication of strategies.</p>	
<i>Is strategic consistence more important than flexibility?</i>	<p><i>Strategy stability is required</i> because</p> <ul style="list-style-type: none"> <li>▪ strategic inaction may minimize uncertainty in an already uncertain environment;</li> <li>▪ strategy change may necessitate substantial capital outlays;</li> <li>▪ consumer confusion may result from</li> </ul>	<ul style="list-style-type: none"> <li>▪ "A strategy tends to yield superior performance when it 'fits' with the organization's environment. Without strategic flexibility, an organization cannot adapt to its changing external environment."</li> <li>▪ Flexibility is critical when first-mover advantage is</li> </ul>

	<p>strategy changes and hamper long term success</p>	<p>required.</p> <ul style="list-style-type: none"> <li>▪ Changes in human, physical, capital and informational resources necessitate strategy change.</li> <li>▪ Strategy change is needed when desired organisational performance levels are not attained.</li> </ul>
<p><i>What degree of risk is inherent in strategy formulation?</i></p>	<p>It is argued that risk reduction is the main responsibility of top management and risk should be avoided or minimised.</p> <p>Analytical and qualitative techniques should be used to “transform environment in the direction of certainty” (2003:296)</p>	<p>It is argued that “strategy formulation is inherently risky and top managers should not forego attractive opportunities because of lack of certainty” (2003:296).</p>
<p><i>Should top-down or bottom-up approaches to strategy formulation be employed?</i></p>	<p>Trends towards bottom-up approaches to decision-making is a recent phenomenon, but executives have a better view of the whole organisation and strategic decision making skills. However, a strict top-down approach may not yield the best approach (2003:296).</p>	

(Source: Adapted from Parnell & Lester, 2003)

The above summary highlights the following important moderating factors when it comes to selecting strategy-making approaches. These are:

- Organisational environment with specific reference to environmental stability and certainty. Environment necessitates varying degrees of



dissemination of strategy, flexibility (i.e. time horizon of planning), strategy stability and consistency.

- The direction of strategic decision-making in organisations. This refers to the way in which decisions are made as being either from the CEO downwards or from the bottom-up.

Other frequently mentioned influencing factors or moderating factors are discussed in the subsequent sections, namely the environment, size of the organisation and the role of the CEO.

Some other moderating factors are also mentioned in literature (Harrington *et al*, 2004:16), although not as widely as the above-mentioned moderating factors. As such they need to be mentioned but are not be discussed in detail:

- Timeframe of planning – Rational planning is associated with fixed cycles of strategy formulation and update. The association with environment and timeframe is discussed in sub-section 4.3.1 below.
- Munificence of resources – The comprehensiveness of a rational planning approach to strategy-making requires human resources as well as financial resources. The abundance and availability of resources (referred to as munificence of resources) therefore influences the time and organisational effort which in turn determines if an organisation will embark on a rational planning exercise (Baum & Wally, 2003).
- Market orientation of organisations - This refers back to the positioning approach to strategy, where firm strategy is based on market factors. Market orientation is implied in the environmental factor as moderator to strategy-making approach discussed in sub-section 4.3.1;
- Organisational life cycle. The organisational life cycle is said to influence not only the type but also the way strategies are developed

in organisations, with each stage in the life cycle making different demands on the organisation (McGahan and Porter, 1997:20).

#### ***4.3.1 Environment as a moderating factor***

Harrington *et al* (2004:15) is in agreement with the views as expressed in research by Brews and Hunt (1999), Miller and Cardinal (1994) and Boyd (1991) and Mueller, Mone and Barker (2000) when they argue that an effective strategy process depends in large on the nature of the environment in which the organisation operates. This contingency approach followed is in line with previous strategy research (Ansoff, 1987.; Hart, 1992. and Mintzberg and Waters, 1985) as well as with the notion that 'fit' with the environment improves firm performance. Harrington *et al* define 'fit' as 'matching' (2004:15).

##### ***4.3.1.1 Defining environment as moderating factor***

Some of the factors that can be used to determine environmental stability include:

- Maturity of industry; speed of change; stability of technology and possibility to forecast changes in technology; availability of information for decision making in the industry (Brews and Hunt, 1999:894);
- Frequency of new competitors entering into the market; rules of competition and current competitors either changing or well defined (Porter, 1991:98).

Richter and Schmidt (2005:333) distinguish between two sets of context factors: External environmental factors in terms of uncertainty, complexity, and munificence and internal organisational factors such as administrative

context, decision-making level and power distribution. The latter organisational factors are associated with the influence of the CEO as is discussed in more detail in sub-section 4.3.3.

Some of the key assumptions in traditional strategy analysis and research, as extracted from academic literature by Prahalad and Hamel (1994:10), share a high association with the notion of the environment as influencing or moderating factor:

- *Strategy is about positioning a business in a given industry structure* (Porter, 1980, 1985). This view of strategy, according to Prahalad and Hamel (1994), dominated the academic, consulting and to a lesser extent managerial thinking. This view of strategy is predicated on industry structures that are stable and identifiable.
- *The focus of strategy tools and analysis is existing industries.* A general preoccupation with structural analysis forced concern with existing and stable industries. The broad sweep of academic attention was seldom focused on industries in transition, or emerging industries. Questions that should have been asked, include "...How does one identify drivers of industry transition? How does one develop industry foresight? How does one bet on (and allocate resources to) evolving opportunities such as multimedia? Is the future knowable or just different? Can firms compete to create a new industry? Or create standards that influence the direction of a new industry? (Hariharan, 1990 *in* Prahalad and Hamel,1994:10 ).

As far as traditional strategy design and analysis perspectives are concerned, McGahan and Porter (1997:30) concludes based on their empirical study that it would be misguided to disconnect the influence of

organisation from the industry and competitive contexts in which firm operate. This includes the strategy-making and strategy content that cannot be separated from the environment.

#### ***4.3.1.2 Measuring the specific influence of environment on strategy***

In conducting research to establish whether the industry environment really matters, McGahan and Porter (1997:20) used Analysis of Variance methods to evaluate the influence on the organisation in general. This influence can therefore be extrapolated to the strategy that the organisation develops. Their study provides strong support that industry really matters in the following ways:

- Industry directly accounts for variation in business-specific profits.
- The absolute and relative influence of industry differs substantially across broad economic sectors;
- Industry effects on organisations are more persistent over time, which is consistent with the view that industry structure changes relatively slowly.

Bringing the environmental influence closer the strategy-making, Brews and Hunt (1999:891) decomposed the deliberate strategy construct into specificity of strategic ends (e.g. objectives) and means (e.g. resource allocation). The types of ends and means, the number of ends and means, and how specific they were, measured the level of specificity. The specificity score for ends and means was summed total of the types, number, and level of specificity. They made the important discovery based on analysis of 656 firms that led them to reject the environment as a moderator of the planning/performance relationship. Rather than being amenable to formal rational planning (as has been argued above) stable environments may, according to their study, require less planning. This is because the "routines

to operate” in the stable environment has been refined and planning may not be needed until the environment changes again. Brews and Hunt (1999:905) found the following with regard to stable environments:

- Lower ends and means specificity scores were recorded for firms in stable environments;
- Lower planning flexibility (relating to planning time frame) exhibited by firms operating in stable environments;

This suggested to them that the environment neither moderated the need for formal planning, nor the direction of the planning-performance relationship. But, they noted that the environment did moderate planning capabilities and planning flexibility (which related to time frame of planning). They maintain that by demanding more sophisticated planning, unstable environments may force the development of planning capabilities. The study of Brews and Hunt (1999:906) furthermore found that as environmental stability grows, so does flexibility.

As far as capability to plan is concerned Iaquinto and Fredrickson (1997:63) investigated top management agreement on planning comprehensiveness. They found that this was negatively correlated with industry stability. Better planners (operating in unstable environments) should display closer agreement about comprehensiveness than poor planners (in stable environments).

Kukalis (1991) conducted a study researching the moderating effects of environmental complexity, organisational size and market growth on planning extensiveness. Planning extensiveness can, for the purposes of this study, be related to the comprehensive, rational planning approach. Kukalis (1991:155) found that:

- Plans are reviewed more frequently and strategic plans should have shorter time horizons in complex environments. In other words, a more flexible planning system is likely to be found in companies operating in such environments;
- Corporate planning staff has a higher level of involvement in the planning process when the environment is relatively simple. Conversely, top management assumes more responsibility for strategic planning when the environment is more complex.
- Environmental complexity seems to increase planning extensiveness.

In summary, situations favouring formal planning according to Kukalis (1991:144) include: inefficient markets, large internal and external changes, high uncertainty and high complexity. Kukalis' findings contradict what Bresser and Bishop (1983:588) found that in complex and uncertain environments more intra-organisational contradictions can be caused by rational planning since it tends to suppress creativity and spontaneity and instead encourages rigidity that is often dysfunctional. Kukalis' (1991) research furthermore stands in stark contrast with Fredrickson and Mitchell (1984:420) and Fredrickson (1984) who focused on the environment and planning comprehensiveness in the context of firm performance. They found that planning comprehensiveness was positively related to performance in a stable environment and negatively related to performance in an unstable environment.

Salmador and Bueno (2005:280) found in their research in the banking environment where certain banks are trying to reinvent the industry through the Internet, that they combine the following processes: "action, reflection-on-action, accumulation of actions and reflections-on-action, imagination;

and the use of simple guiding principles”. This emergent process ties in with what Grant (2003:494) calls the process of “planned emergence” in complex environments where the landscape changes frequently and there is constant exploration.

Grant (2003:493) believes that the challenge of strategy-making in “unknowable futures” encouraged rethinking strategy process and the nature of strategy. Attempts to reconcile systematic strategic planning with turbulent, unpredictable business environments included scenario planning, strategic intent, and strategic innovation. *Strategic intent*, according to Grant (2003:493) explains why uncertainty makes organisations turn away from detailed planning and rather focus on obtaining clarity of direction within which short-term flexibility can be reconciled with overall coordination of strategy. Strategic intent (Prahalad and Hamel, 1989) refers to committing to long term direction and strategic goals, not just articulating these through organisational vision and mission. *Innovation* in turn implies that organisations that wish to prosper in new external environments require new strategies and ways of making strategy.

To investigate the influence of environment of the mode of strategy-formation Grant (2003:495) posed the following research questions:

1. What has been the impact of increased volatility and unpredictability of the business environment upon companies’ strategic planning processes?
2. To what extent do companies’ systems of strategic planning correspond to the rational, analytic, formalized, staff-driven processes associated with the ‘design school’ of strategic management, and to

what extent are they consistent with the emergent strategies associated with the 'process school'?

Grant's (2003:509) case study design research conducted in a turbulent environment discovered the following common trends:

- Shortening of strategy-making time horizons;
- A shift from detailed planning to strategic direction (e.g. plans were specified in terms of 'strategic themes');
- These strategies and themes in turn included financial and cost targets;
- Increased emphasis on performance planning with elements such as financial targets, operating targets, safety and environmental objectives, strategic mileposts, and capital expenditure limits;
- Provision of channels and forums for communication and knowledge sharing;
- Use of tools and methodologies for strategic planning (e.g. some widely used tools included 'Porter type analysis', shareholder value analysis, PIMS analysis, game theory, appraisal of competencies and capabilities).

This argument relating to environmental stability can be concluded by Wiltbank *et al's* (2006:983) opinion that organisations that wish to succeed in changing environments should either

*try harder to predict better* (rational strategies advocated by the planning school) or *move faster to adapt better* (adaptive strategies espoused by the learning school). Which prescription a firm is to follow depends upon how confident the firm is in its ability to predict changes in its environment.



In the same way studies of fast decision-making show on the one side that in dynamic situations decision makers actually can arrive at faster decisions by pursuing a strategy-making process with many of the hallmarks of rationality (Bourgeois & Eisenhardt, 1988:820). On the other side it is also seen that fast decision making also allows for quick reactions to changing environments, central to adaptation (related to the emergent approach), while retaining many of the rational strategy-making processes: more alternatives, more information, and more integration.

#### ***4.3.1.3 Conclusion***

It can be seen from the above discussion that there is considerable inconsistencies between views on the influence of the environment on planning. Arguments are sometimes double-barreled in the sense that, like Wiltbank (2006), they argue that unstable environments can influence planning to either way of the continuum. Or as in the case with Brews and Hunt (1999) research did not show a direct influence between strategy-making mode and environment, although it did account for time frame of planning (i.e. flexibility).

#### ***4.3.2 Organisational size as moderating factor***

An important internal consideration in the strategy-making process is the size of the organisation (Harrington, 2006:374). Empirical evidence presented in various studies has reported differing results when organisational size comes into play.

#### ***4.3.2.1 Measuring the specific influence of organisational size on strategy***

Some research points to the coexistence of formal and informal strategic planning processes in large organisations (Grant, 2003:494). Most large companies maintain some form of formal strategic planning (Rigby, 1999 *in* Grant, 2003:494). However, in analysing 1087 decisions by 127 *Fortune 500* companies Sinha (1990:489) concludes that “the overall contributions of formal strategic planning systems are modest”. Strategic decisions appear to be made outside the formal strategic planning system”.

In contrast to the above view that suggests something of the emergent nature of strategy evident alongside rational strategy in large organisations, Idenburg (1993:134) believes that most large companies have formal planning processes which are based on the rational planning view.

#### ***4.3.2.2 The role of complexity***

The above research suggests that organisational size moderates the type of planning, Kukalis (1991:156) found that organisational size has no effect on planning extensiveness (associated with the rational planning approach in this study) and that size differentials among large companies had little effect on the design of their formal planning system. Complexity, however, was found to determine strategy-making approaches. Complexity refers to numbers of divisions, diversity and independence among divisions. Organisations might be complex, even though they are relatively small.

Proponents of strategic management in the small firm have suggested that the type of planning employed will be contingent upon its stage of development and that this activity will evolve and become more formal and over the life cycle of the business (Berry, 1998:456). Complexity of business activities will force organisations to become more pro-active in its approach

to strategy, predicting future outcomes of strategic decisions, says Berry (1998:456). Strategy will therefore lose its emergent character and become more formalised and “sophisticated”, according to Berry. As such planning will move away from simple financial plans and budgets in reaction to market place changes and demands, through to forecast-based, externally-oriented planning of a pro-active and strategic nature. Berry’s (1998:458) research also found that there is a significant correlation between the perceived importance of business strategy formulation (varying during different life cycle stages), accompanying planning formality, and company size (as measured by company turnover, and number of employees) and this is, in her opinion, consistent with the notion that different levels of strategic planning formality can be observed at different stages of growth in the small business.

In large, complex organisations, on the other hand, the strategic process consists of the strategic activities of managers from different levels in the organisation. Most strategic activities in large organisations are induced by the organisation’s current concept of corporate strategy, but also emerging are some autonomous strategic activities, that is, activities that fall outside the scope of the current concept of strategy (Burgelman, 1983:61). Autonomous strategic behaviour, explained by Burgelman (1983:68) to be the major source of strategic renewal, is likely to encounter “nonrational obstacles in its efforts to convince top management that changes in corporate strategy are necessary.”

Kinnunen (1976:8) links organisational size and complexity as a moderator to the involvement of the CEO as strategy-maker. Organisational size in this relationship determines how CEO’s make or ratify strategy. His research also corroborates hypotheses related to how larger organisations moderate CEO

involvement and consequently influence how other levels of management get involved in strategy. This leads to a strategy he describes in a way that is consistent with a more emergent strategy, where organisational direction gets determined on ground level.

#### ***4.3.2.3 Conclusion***

There is (as is the case with environment as moderating factor) some inconsistencies present in the academic consideration of size as moderating factor. Some (Sinha, 1990 and Grant, 2003) believe in the coexistence of both formal and emergent approaches. In support of a specific approach to strategy-making, Idenburg (1993) associates the formal planning approach with large organisations. Another important consideration coupled with organisational size is that of complexity in terms of diversity, number of divisions, hierarchical structure, involvement of CEO as strategy-maker and stage in business life cycle (Berry, 1998 and Kukalis, 1991). Kinnunen (1976) shows how organisational influences the CEO's role as strategy-maker which in turn influences the strategy-making approach.

#### ***4.3.3 The CEO as moderating factor***

Parnell and Lester (2003:291) contend that there is increasing evidence that strategy formulation is linked to the top executive's personal philosophy and personality. Management's self interest, their personalities, interpretations and influences on strategy have been linked to the strategy formulation process and ultimately performance.

#### ***4.3.3.1 Measuring the specific influence of the CEO on strategy***

Westphal and Fredrickson (2001:1113) also add the determining influence of the Board of Directors based on empirical research done on a sample of 406 firms. They especially exert influence in the way the CEO is selected as portraying similar views on strategy-making.

Top-down perspectives on strategy-making according to Andrews (1971), Prahalad and Bettis (1986) and Hamel and Prahalad (1989) focus on how top management influence the strategy of the organisation. Top management is illustrated to shape the organisation's agenda, focus and priorities.

Although the CEO is seen to be playing an important role in setting the organisational agenda and the direction, Christensen *et al* (1987:105) caution against CEO's using only 'intuition' to shape organisational direction (Mintzberg (1990:176) describes 'intuition' as "non-conscious thought"). Christensen *et al* (1987:105) note that:

If [strategy] is implicit in the intuition of a strong leader, the organization is likely to be weak and the demands the strategy makes upon it are likely to remain unmet.

#### ***4.3.3.2 The role of other managers in the strategy-making***

The importance of the role of the CEO is further highlighted but also a new perspective offered on the involvement of other managers in the integrative framework developed by Hart (1992). The framework is based on the contrasting roles top managers and organisational members play in the strategy-making process. This integrative framework illustrates the roles and

describes the interaction among them and is composed of five modes/perspectives of strategy-making processes: command, symbolic, rational, transactive, and generative (Hart, 1992:327). The implication of these perspectives is that strategic decisions are influenced by managers located throughout the organization and that strategy can emerge over time as a consequence of actions taken by these decentralized decision-makers.

Anderson (2004:264) introduces the notion of “decentralized strategic emergence” as “resource-committing decisions made by lower level managers that subsequently can influence the strategic direction of the firm”. Andersen believes that by providing managers with authority to take decisions in key areas when competitive conditions change, firms should become more responsive and reach better outcomes particularly in rapidly changing environments.

Kinnunen (1976:8) proves through case study research that organisational size is a complementary determinant or predictor in the involvement of management levels other than top management in strategy-making. He believes that it is impossible in large, divisionalised organisations to only depend on top management for strategy-making and supports this with case study evidence. He states that larger organisations see CEO’s doing less formulating and more ratification of strategy. The inverse is evident in smaller organisations where CEO’s formulate more and ratify less. Because CEO’s articulate less strategy, other levels of management (executives heading operating units) choose the direction they feel is best for the unit they govern.

In line with this inclusion of lower level management in strategy-making, Hamel (1996:74) blames top management for the rut of organisational routine that is enemy to innovation and industry revolution.

The Bottleneck is at the top of the bottle. In most companies, strategic orthodoxy has some very powerful defenders: senior managers. ...Where are you likely to find people with the least diversity of experience, the largest investment in the past, and the greatest reverence for industrial dogma? At the top. And where will you find people responsible for creating strategy? Again, at the top...Unless the strategy-making process is freed from the tyranny of experience, there is little chance of industry revolution.

Hamel (1996:76) believes that larger organisations in more stable environments where change does not happen frequently tend to a strict top-down approach to strategy. However, Hamel expresses the opinion that to help revolutionary strategies emerge, senior managers must “supplement the hierarchy of experience with the hierarchy of imagination”. This is done by extending the strategy-making “franchise” by introducing traditionally underrepresented constituencies to the process, i.e. young people (more or less age 25), people in an organisation’s geographic periphery, newcomers (people who have not yet been co-opted by an industry’s dogma). In general expanding the influence of employees in the lower levels of the organisational hierarchy will lead to more emergent strategy and will have industry change as consequence.

#### ***4.3.3.3 The specific role of middle management in strategy-making***

Taking the middle-management level into account when explaining how strategy-making takes place, Floyd and Wooldridge (1994:47) explain the role of middle management as the following:

- Middle management champion strategic alternatives by bringing entrepreneurial and innovative proposals to top management's attention, "living in the organizational space between strategy and operations (1994:50). Middle managers often provide the impetus for new initiatives (Floyd & Wooldridge, 1992:153; Burgelman, 1983:61).
- Middle management saturate information brought to top management with meaning through personal evaluation and explicit advice.
- Middle management facilitate change by being a buffer between top and lower level management.
- Middle management play a role in realizing deliberate strategy by implementing top management's intentions (Floyd & Wooldridge, 1994:51).

In this last mentioned role middle management is perceived to translate strategies into action plans and carry these out. However, Floyd and Wooldridge (1994:51) argue that middle management carry out emergent strategy, because strategy is "only partly anticipated in top management plans" and these need to be adjusted by middle management to suit emergent events. Issues at play here are the gap between senior management's perceptions of how to implement strategy and what middle management know to be the best way of implementing the priorities. This is called "strategic consensus" and is linked to middle management's strategic role of implementation. Not having a middle management level could



therefore influence the effectiveness of following an emergent strategy approach.

#### ***4.3.3.4 Decision consistency and performance consensus***

Parnell (2000:49) is of the opinion that if consensus is linked to performance, then one may argue that some competitive strategies lend themselves to greater agreement among managers. For this reason, future studies may consider the perceptions of multiple top and functional managers. For example, consensus may be high among segment controllers where everyone seems to understand the niche being targeted by the business, but be low among first movers where the essence of the strategy is not always well understood (Wooldridge & Floyd, 1992:153). "Strategy coherence" (the consistency of strategic choices across business and functional levels) says Parnell (2000:49), has also been linked to performance.

Research conducted by Richter and Schmidt's (2005:344) refute a hypothesis that decision consistency is positively related to the hierarchical level at which decision are taken. Decision consistency, referring to the extent to which firm behaviour is aligned with the firm's intended course of action, is critical in the perception of performance (or performance consensus). Their data appear to challenge the assumption of superior decision-making power at higher hierarchical levels. Their research shows furthermore that decisions attributed to managers at the operational levels of the hierarchy have a higher likelihood of consistency than decisions made higher up in the hierarchy.

The focus on strategic intent has also had a number of effects, according to Liedtka and Rosenblum (1996:142). First, it has changed the conception of who has a role in formulating strategy – “Strategy is now becoming everybody’s business”. As such there needs to be consistency in strategic decisions and tactics and consensus on the strategic intent of the organisation. Strategic intent has also brought about organisational learning in the decentralized organisational environment where more managers are involved in making strategy of an emergent kind.

Bringing the different layers of management into the strategy-making approach could be a matter of creating the correct organisational (including governance and operational) channels and communication avenues. This can also be seen to improve performance consensus or decision consistency. Ocasio and Joseph (2005:40) propose that strategy emerges from a “pattern of organizational attention embedded in the interacting network of concrete operational and governance channels at both the corporate and business unit level”. These channels might be formal decision-making channels such as board of directors meetings, strategic planning reviews or employee evaluations. They could also include ad hoc channels such as channels for changes in organisational structure or informal interactions. The organisational strategy then originates from the pattern of initiatives that emerges from a network of tightly and loosely coupled decision-making channels. Ocasio and Joseph (2005:49) explain that:

Variations in corporate strategy arise from the fact that decision-making processes and the channels through which they flow may be tightly coupled, but just as often they have only occasional, negligible and indirect effects on one another... Often, directives from top management begin with the exhortation of their benefits but because organizational members are preoccupied with other efforts, they are

quickly forgotten throughout the organization... Sometimes initiatives generated deep inside the organization bubble up and subsequently become meaningful and enduring activity in the firm.

Existing research on top-down planning fails to account for the mechanisms responsible for enforcing some ideas to gain altitude and not others. Likewise, in the case of bottom-up emergent strategy it is not known how top management is enabled to enact on key initiatives and get the organisation moving in more or less the same direction (Ocasio & Joseph, 2005:49). It is believed that linkages between operational and governance channels at different levels of the organisation and between different functions are critical for feedback from operations to enable the accurate identification of strategic issues. Another important issue is the coupling of strategic issues and initiatives, since overlapping issues can result in stronger ties between channels (Ocasio and Joseph, 2005:57).

Since tightly coupled channels share issues, they provide a coherence of priorities from the top to the bottom and across units of a hierarchical structure.

#### ***4.3.3.5 Conclusion***

There is general consensus that the CEO plays an important role in the strategy-making process. This notion formed part of cornerstone thinking associated with the Design School (Ansoff, 1984 and Porter, 1991). The role of other managers lower down in the organisational hierarchy is also emphasized (Hart, 1992 and Anderson, 2004). Some authors relate organisational size and CEO involvement (Kinnunen, 1976). The specific role of middle managers as translating strategies is stressed (Floyd & Wooldridge, 1994). 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 (Parnell, 2000 and Richter & Schmidt, 2005) and is also a result of the organisational channels of communication used (Ocasio & Joseph, 2005).

#### **4.4 CHAPTER SUMMARY**

This chapter commenced with an explanation of advantages and disadvantages associated with each of the two extreme approaches to strategy-making fleshed out in Chapter 3. These disadvantages and advantages hinge on certain conditions influencing the choice of a specific strategy-making mode. Factors moderating this decision were subsequently discussed, including environment as moderator, organisational size as moderator and the role of the CEO as moderator. Chapter 4 concludes the literature review of this study.

Chapter 5 outlines and describes the research methodology to be followed for the empirical part of this research study.



## CHAPTER 5 RESEARCH DESIGN AND METHODOLOGY

### 5.1 Introduction

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### 5.7 Chapter summary

## CHAPTER 5

### RESEARCH DESIGN AND METHODOLOGY

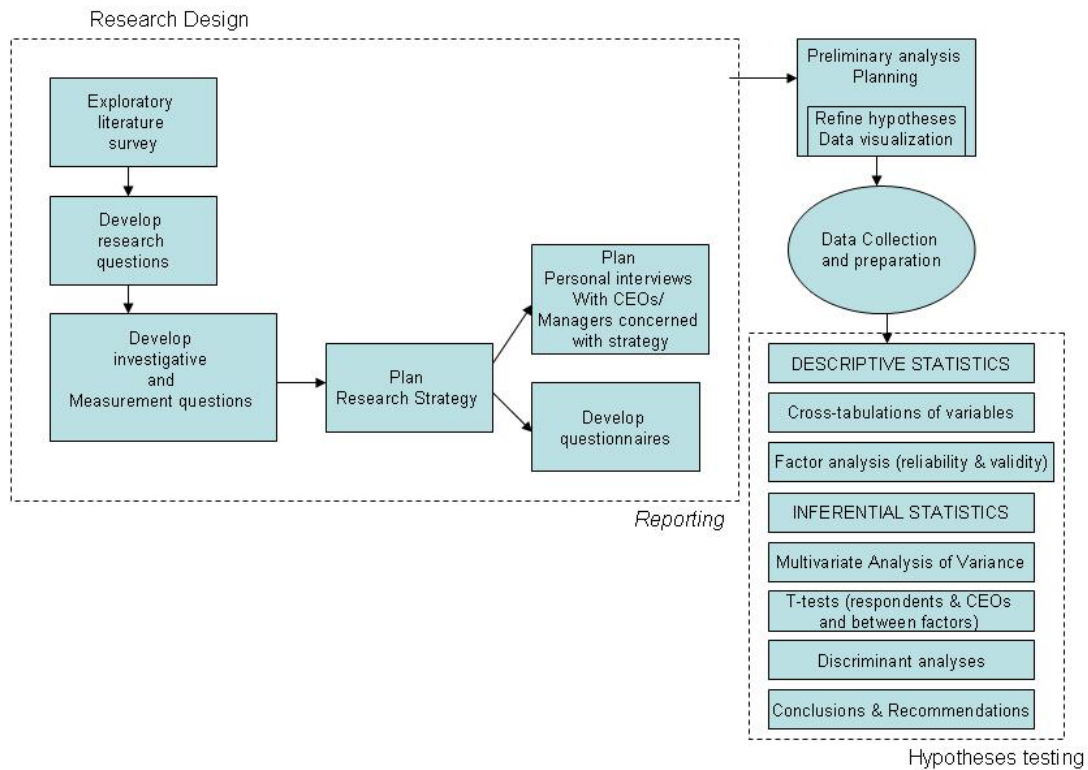
*“Strategic management’s apparent weakness seems to be its strength. Its amorphous boundaries and inherent pluralism act as a common ground for scholars to thrive as a community, without being constrained by a dominant theoretical or methodological strait-jacket...[strategy] act as an intellectual brokering entity, which thrives by enabling the simultaneous pursuit of multiple research orientations by members who hail from a wide variety of disciplinary and philosophical regime. At the same time, however, these diverse community members seem to be linked by a fundamental implicit consensus that helps the field cohere and maintain its identity”*

Nag *et al*, 2007:952.

#### 5.1 INTRODUCTION

In the previous chapters a foundation of academic research was established. Different opinions were presented within the framework of a continuum of strategy-making approaches. Some opinions could be regarded as direct opposites, whereas some were similar despite varying denotations and terminology. Where the gists of opinions were related, the theories and ideas were grouped. These main lines of thought came together in two opposites on a continuum of strategy-making approaches, namely the rational planning and emergent strategy approach. The empirical part of this study set out to classify strategy-making approaches followed in South African organisations somewhere on this scale of modes.

Figure 5.1. depicts the research process followed throughout this study.



**Figure 5.1 Research Design**

(Source: Own compilation)

This chapter aims to provide insight into the practical methods employed in gathering data for the empirical part of this study. This is a formal study which highlights research problems and hypothesis statements, involving precise procedures and data source specifications. In this chapter the problem statement, objectives of the study, hypotheses and data collection and analysis methods are explained and discussed.

## 5.2 PROBLEM STATEMENT

The background of the study sketched a debate about the nature of strategy-making. The articulated arguments for and against certain approaches to strategy-making that emerged from the literature study suggested that strategy-making does not occur in one way only in practice. It therefore suggested that there are many faces to strategy-making in organisations. A continuum of opposite approaches to strategy-making was formulated from differing academic opinions. The research problem shapes around what strategy really looks like in organisations and specifically South African organisations. Is the diversity discovered in literature reflected in the nature of strategy-making in organisations? And in investigating strategy-making in organisations which of the two opposite approaches to strategy-making would be more prominent? Finally, how can we describe the approach to strategy-making in organisations?

The research questions that this study addressed are the following:

- What is the mode of strategy-making followed in South African organisations?
- How specific are the ends developed as part of the strategy-making process?
- How specific are the means developed as part of the strategy-making process?
- How flexible are the planning structures in terms of planning time frame and tolerance for change?
- Is there agreement on strategy performance and strategy-making in organisations?
- What are the factors influencing the degree of agreement among organisational members about strategy-making in their organisation?



- What influences the unconscious or conscious selection of a mode of strategy-making?
- Is there a correlation between strategy-making mode and profitability or organisational performance?
- To what extent do specific moderating factors influence strategy-making in organisations?

### **5.3 RESEARCH OBJECTIVES**

The primary and secondary research objectives of the study are presented below.

#### ***5.3.1 Primary objectives***

The primary objective of the study is to:

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

#### ***5.3.2 Secondary objectives***

The secondary objectives of the study are to:

- Describe internal organisational dynamics (perceptions among managerial levels, training in strategy, age, education) influencing the perceptions on strategy-making.
- Determine if specific factors (as extracted from the literature) influence the advancement of a specific mode of strategy formation in South African organizations.
- Determine the influence of strategy-making approaches on organisational performance and profitability.

- Crystallise a theoretical frame for organising and describing strategy.

#### 5.4 HYPOTHESES

The term “hypothesis” has two different meanings in research literature (Leedy & Ormrod, 2005:270). The meaning denotes a “research hypothesis” on the one hand and a “statistical hypothesis” on the other. A research hypothesis is a consequence of the research problem, and as such can be defined as “a reasonable conjecture, and educated guess”, which provides the researcher with an objective or logical framework that guides the collection and analysis of data (Leedy & Ormrod, 2005:270).

“Testing a hypothesis”, however, refers to a “statistical hypothesis”, usually the *null* hypothesis. The latter postulates that any result observed is the result of chance alone. By convention, explain Diamantopoulos and Schlegelmilch (2000:136), a null hypothesis is always given the benefit of the doubt and is *assumed* to be true unless it is rejected as a result of the testing procedure. In testing hypotheses the aim is to examine whether a particular proposition concerning the population is likely to hold or not. An alternative hypothesis (or research hypothesis) is the complement of the null hypothesis and postulates some difference or inequality. Alternative hypotheses which, in addition to the existence of differences, also indicate the direction of the expected differences are known as *directional hypotheses*. The formulation of directional hypotheses presupposes greater knowledge about the issue at hand based on theoretical work and/or empirical evidence (Diamantopoulos & Schlegelmilch, 2000:136). Directional hypotheses for this study were formulated for hypotheses where the literature review indicated a specific direction, i.e. H4a and H6a.

The following hypotheses were formulated from the research objectives:

Null hypothesis 1(H1o):           The actual mode of strategy-making in SA organisations cannot be clearly identified

Alternative hypothesis 1           The actual mode of strategy-making in SA  
(H1a):                                   organisations can be clearly identified

The following secondary hypotheses are stated for the study:

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

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

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

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

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

Table 5.2 illustrates the linkages between the research objectives, hypotheses and the questions asked in the questionnaire.

*Table 5.2 Research organisation (Research Objectives, Hypotheses and measurement questions)*

RESEARCH OBJECTIVES	HYPOTHESES	SURVEY QUESTIONS (Measurement)
<p style="text-align: center;">1.1</p> <p><i>Investigate and describe the mode of strategy-making followed in South African organisations.</i></p>	<p style="text-align: center;"><i>H<sub>10</sub></i></p> <p>The actual mode of strategy-making in SA organisations cannot be clearly identified</p>	<div style="border: 1px solid black; padding: 10px; width: fit-content; margin: auto;"> <p>B1-5</p> <p>C1-7</p> <p>E1-7</p> </div>
	<p style="text-align: center;"><i>H<sub>1a</sub></i></p> <p>The actual mode of strategy-making in SA organisations is can be clearly identified</p>	
<p style="text-align: center;">2.1</p> <p><i>Describe internal organisational dynamics (perceptions among managerial levels, training in strategy, age and education) influencing the perceptions on strategy-making.</i></p>	<p style="text-align: center;"><i>H<sub>20</sub></i></p> <p>Perceptions on strategy-making mode do not vary across managerial level</p>	<div style="border: 1px solid black; padding: 10px; width: fit-content; margin: auto;"> <p>A4-7</p> </div>
	<p style="text-align: center;"><i>H<sub>2a</sub></i></p> <p>Perceptions on strategy-making mode vary across managerial levels.</p>	
	<p style="text-align: center;"><i>H<sub>30</sub></i></p> <p>There is no correlation between perceptions on strategy-making mode and strategy training of an individual</p>	

	<p><i>H3a</i></p> <p>There is a correlation between perceptions about strategy-making mode and strategy training of an individual</p>	
<p>2.2</p> <p><i>Determine if specific factors (as extracted from the literature) influence the advancement of a specific mode of strategy formation in South African organisations</i></p>	<p><i>H4o</i></p> <p>There is no correlation between the size of an organisation and perception on strategy-making mode</p>	<div style="border: 1px solid black; padding: 10px; width: fit-content; margin: auto;"> <p>A1-3</p> <p>E7</p> </div>
	<p><i>H4a</i></p> <p>The larger an organisation the more likely that the rational planning approach to strategy-making is followed</p>	
	<p><i>H5o</i></p> <p>There is no correlation between stability of industry and the strategy-making approach followed</p>	
	<p><i>H5a</i></p> <p>There is a correlation between stability of industry and the strategy-making approach followed</p>	

	<p><i>H6o</i></p> <p>There is no correlation between the involvement of the CEO in strategy-making and the strategy-making approach followed</p>	
	<p><i>H6a</i></p> <p>Organisations where the CEO determines the strategy are more likely to follow the rational planning approach to strategy</p>	
<p>2.3</p> <p><i>Determine the influence of strategy-making approaches on organisational performance and profitability.</i></p>	<p><i>H7o</i></p> <p>Strategy-making approaches do not influence relative organisational performance or profitability.</p>	<div data-bbox="1696 854 1934 1094" style="border: 1px solid black; padding: 10px; width: fit-content; margin: auto;"> <p>D 33-35</p> </div>
	<p><i>H7a</i></p> <p>Strategy-making approaches influence relative organisational performance or profitability.</p>	
<p>2.4</p> <p><i>Crystallise a theoretical frame for organising and describing strategy</i></p>	<p>Literature review - described in Chapters 2, 3 and 4</p>	

## Hypotheses testing

In this study a combination of deductive and inductive reasoning is used to explain the hypotheses. Deduction is explained as “a form of inference that purports to be conclusive” (Cooper & Schindler, 2003:36), or “the logical process of deriving a conclusion about a specific instance based on a known general premise or something known to be true” (Zikmund, 2003:736). The conclusions must therefore follow from reasons said to imply the conclusion and represent a proof. The data collected was analysed and conclusions deduced to provide proof to either refute or accept hypotheses. Induction occurs where conclusions are drawn from one or more particular fact or piece of evidence (Cooper and Schindler, 2003:37). Inductive reasoning can be defined as “the logical process of establishing a general proposition on the basis of observation of particular facts” (Zikmund, 2003:738). In this study deduction and induction are used in reasoning in a sequential manner, described as “double movement of reflective thought”. Inductive reasoning is used where data analysis suggests relationships and provides proof to deduce certain conclusions about the hypothesis but more explanation is needed about the reasons for a relationship to exist.

The empirical findings are presented in Chapter 6 in order to deduce conclusions about the hypotheses. The hypotheses testing procedure is carried out in Chapter 7 where the null or alternative hypotheses are accepted or rejected and conclusions drawn. According to Zikmund (2003:500) the **significance level** is a critical probability in choosing between the null hypothesis and the alternative hypothesis. The level of significance determines the probability level (0.05 or 0.01) that is to be considered too low to warrant support for the null hypothesis. On the assumption that the null hypothesis being tested is true, if the probability of occurrence of the observed data is smaller than the level of significance, then the data



suggests the null hypothesis should be rejected. In other words, there is evidence to support contradiction of the null hypothesis, which is equivalent to supporting the alternative hypothesis. The probability level can either be called the level of significance (e.g. 5% level of significance) or the level of confidence (e.g. 95% confidence level) or the Greek letter alpha,  $\alpha$  (e.g. 0.05 alpha level) (Zikmund, 2003:501).

In this study three factors were determined through factor analysis (explained in sub-section 5.6.1 and the factors are described in Chapter 6). Since all three factors are weakly correlated (refer to Chapter 6, sub-section 6.2.4) 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.

## **5.5 RESEARCH METHODOLOGY**

The research methodology presented below details the data required and the data collection methods.

### ***5.5.1 Data required***

The following sections outline the sampling method, including the unit of analysis, sample size, sample frame and sample selection.

#### ***5.5.1.1 Unit of analysis***

According to Cooper and Schindler (2001:163) a unit of analysis is a population element. Together units of analysis, variables and values make up the data under investigation (Diamontopoulos & Schlegelmilch, 2000:1). In this study an individual, an employee of a South African organisation, is used as the unit of analysis. These subjects were approached as respondents since they have first-hand knowledge of how the organisation conducts strategy. Their subjective responses to variables (characteristics studied) are recorded as values to be analysed and to provide information on the topic of interest.

#### ***5.5.1.2 Sample frame***

A *non-probability purposive/judgmental* sample has been used (meaning the sample was arbitrarily and subjectively selected (Cooper & Schindler, 2001:166) using judgment to select cases that will best enable the researcher to answer her research questions and meet objectives (Saunders Lewis & Thornhill, 2007:230). Because strategy is regarded as a confidential and sensitive area of research in most organisations, the study was in some instances met with resistance from organisations that were approached to participate in the research (especially where organisations operated in highly competitive environments). Participating organisations and consequently their employees were therefore selected arbitrarily based on the access that the researcher had to either the CEO (through prior established relationships or network contacts) or a strategically positioned manager that directly influenced strategy-making in the organisation.

Although the sample was selected arbitrarily, the sample elements were still selected based on their adherence to certain criteria - making it a purposive

sample. The criteria that were used, related to the organisation where the respondent was employed. The purposive sample was furthermore *heterogeneous* in nature to enable the researcher to collect data to describe and explain the key themes that can be observed. Saunders *et al* (2007:232) note that in a heterogeneous purposive sample any patterns that do emerge are likely to be of a particular interest and value and represent key themes. The sample had to be selected based on diverse characteristics of the South African organisations concerned. In this study the outcome of the research is in the form of a description of strategy-making approaches as concluded from data collected and analysed.

As denoted in the title of the study, the *population* under the research magnifying class is South African organisations. Strategy is not confined to one type of organisation only. As such organisations from different sectors (private, government, parastatal) were included, although most of the organisations were either private organisations or parastatals (i.e. partly state owned).

A critical criterion was that the organisations concerned should have some type of strategy, implying an approach to strategy-making would be evident. Since the literature review showed that not only the more visible rational planning approach but also more emergent approaches are evident in strategy-making, the existence of any type of strategy could not necessarily be ascertained beforehand. This means that in some organisations strategy-making would be articulated and documented while in others strategy could be more implied and less visible. Therefore all organisations should fall within the sample frame as the assumption is that any type of strategy-making approach falls within the study's definition of strategy and not just

formal rational planning. However, since the literature suggests that certain influencing or moderating factors determine the type of strategy-making mode to be followed, such as size of organisation, this was also used as a selection criterion.

The organisations that were approached can all be regarded as successful in their industries. Some of these organisations record billions of Rands turnover per year (\$1 ≈ R7.51), most had positive profit and growth figures for the last book year and most were in business for longer than 5 years. The positive performance factors also influenced their inclusion in the sample, since the possibility of relating strategy and strategy-making approach to performance (although not an explicit research objective) was also born in mind.

#### ***5.5.1.3 Sample selection and sample size***

Interviews were held with seventeen CEO's or managers involved in strategy (of which eleven CEO's, including two directors). Each interviewee was requested to distribute questionnaires evenly between management (top-, middle and lower level management) and non-management level employees in his/her organisation. Ten to twenty questionnaires (depending on the organisational size) were distributed per organisation in order to spread respondents across several organisations and increase research validity. Some questionnaires were also distributed among individual organisations from an organisational database to which the researcher had access. A total of 210 questionnaires (including 17 questionnaires captured after interviews with interviewees) were returned.

The CEO/manager concerned with strategy that was interviewed represents an informant rather than a respondent. An **informant** can be defined as “one asked to provide information about a situation to which he or she has privileged access” (Julian and Ofori-Dankwa, 2008:102). A **respondent** is one asked to express a personal opinion (Julian and Ofori-Dankwa, 2008:102).

### ***5.5.2 Method of data collection***

Cross sectional research was conducted where a particular phenomenon, namely strategy-making approach, was studied at a particular time (Saunders *et al*, 2007:148). Cross sectional studies often employ the survey strategy (Easterby-Smith *et al*, 2002) and seek to describe the incidence of a phenomenon or to explain how factors are related in different organisations.

Mixed model research was used where both quantitative and qualitative data collection techniques and analysis procedures were used and combined (Saunders *et al*, 2007:146). In this study qualitative data obtained through semi-structured personal interviews were “quantitised” (Saunders *et al*, 2007:146) and converted into numerical codes that could be analysed statistically. The outcomes of the interviews were firstly recorded in minutes and important issues captured in an excel spreadsheet and secondly, questionnaires were completed on behalf of the interviewee after the interview. The latter data sets (called the “informants”) were then compared to the first group of respondents.

The research consisted of the following steps in the data collection phase:

1. In depth interviews with CEO's or managers directly involved in strategy-making were held. The discussions were qualitatively analysed in order to get a picture of the important issues that were addressed regarding strategy-making in organisations.
2. Critical aspects about the research question addressed in the interviews were captured in an excel spreadsheet.
3. Questionnaires were completed by the researcher on behalf of the interviewees based on the researcher's perceptions from the interviews.
4. A questionnaire was administered to about 200 respondents from different levels of the organisations concerned. This provided quantitative data which when analysed statistically allowed the comparisons between key variables, determination of correlations etc.

#### ***5.5.2.1 Questionnaires/Surveys***

A survey or questionnaire is usually associated with the deductive approach (Saunders *et al.* 2007:138) and was used in this study as such.

#### **Survey instrument**

A questionnaire was developed to transcribe research questions into measurement questions (A copy of the final instrument is provided in Appendix A).

The questionnaire was in part based on a questionnaire developed by Brews and Hunt (1999). Brews and Hunt set out to specifically test the impact of

the environment on planning and planning capabilities of the organisation. They analysed the planning practices of 656 firms. Their focus was specifically on establishing the moderating impact of environment on the planning performance relationship. This study's focus is different in the sense that it wants to describe the strategy-making approach followed in organisations. However, the relevance of the study by Brews and Hunt lies in their decomposition of planning along a continuum of learning and formal planning into means and ends specificity and flexibility. This is highly relevant because it describes the two opposing ends to strategy-making in terms of outcomes, namely ends and means (as explained in Chapter 3).

Accordingly, five closed-ended *Guttman type scales* measuring ends specificity and four measuring means specificity were developed. Statements ranging in choices from unspecified to very specific were presented and in every scale but one respondents chose *one* statement that best described his/her organisation. Individual scores were summed to obtain the overall means and ends specificity scores. Scale statements were constructed to capture the differing properties of ends and means as characterized by the Synoptic and Incremental models (Brews & Hunt, 1999:893). These models correspond with the rational planning and emergent approach to strategy-making. Organisations with very specific ends would have many, precisely quantified, and formally documented, time-limited ends, ranging from a statement of firm mission to statements of specific market share/sales growth targets and other key result areas. Very specific means would be reflected in plans that set out exact programmes for implementation, describing in detail the actions and steps required for implementation. These means would be formally documented and distributed among organisation members. Conversely, few broad ends that change and evolve as conditions dictate would characterize less specific ends, while unspecified means would

be broad and unstructured, evolving as circumstances warrant and acting as loose guides only.

Guttman (1944:140) defines a scale as the multivariate frequency distribution of a universe of attributes for a given population of objects, given that it is possible to derive from the distribution a quantitative variable with which to characterize the objects such that each attribute is a simple function of that quantitative variable. Such a quantitative variable is called a scale variable. The basic concept of theory of scales is that of the universe of attributes. The universe is the concept whose scalability is being investigated. Another way of describing the universe, says Guttman (1944:141) is to say it consists of all the attributes of interest to the investigation which have a common content, so that they are classified under a single heading which indicates the content. According to Dane (1990:277) Guttman scales may also be used to test theories that involve assumptions about ordered categories. In this study the literature review was organized to present distinct categories of strategy-making approaches and associated measurable and visible outcomes which were then ordered into Guttman scales for measurement.

Guttman scales were developed to test:

- Ends specificity;
- Means specificity;
- Ends flexibility;
- Means flexibility.

Additional four point scales were developed to test perceptions on strategy and firm performance.



The majority of the survey instrument items contained the above-mentioned intact scales used in the Brews and Hunt study. These were supplemented with scales based on the literature study that used the opposing strategy-making approaches as foundation. Scales based on the concept of *semantic differential scales* were developed for this purpose. The semantic differential scale, defined by Dane (1990:277) as designed to measure the psychological meaning of concepts along three different dimensions: evaluation, potency and activity. It is used to measure what someone believes a specific concept to be – in other words, the subjective meaning of a concept. The meaning of the concept being measured is defined by the general dimensions of evaluation, potency and activity. Evaluation refers to the overall positive or negative meaning attached to the concept. Potency refers to the overall strength or importance of the concept. Activity refers to the extent to which the concept is associated with action. In the questionnaire concerned certain characteristics of the different approaches to strategy as extracted from literature were tested in pairs. These adjectival statements were worded in polar opposites (as shown in figure 5.2). Respondents first evaluated the options on both ends of the scale and then indicated the strength of their association with a specific characteristic in relation to what is done in the organisation. Figure 5.2 serves to illustrate one such scale contained in the questionnaire.

Consider how strategy is formed in your organisation and your organisation's approach to strategy. Study the idea carefully and mark your opinion.

Choose the **one** statement that you rather support and then determine the strength by marking **either** a 1 or 2 for the left hand statement **OR** a 3 and 4 for the right hand statement.

<b>Statement</b>	<b>Or</b>				<b>Statement</b>
Low degree of risk taking is preferred	1	2	3	4	Greater degree of risk taking is preferred

*Figure 5.2 Sample semantic differential scale*

The questionnaire (Appendix A) contains the following areas of measurement questions:

Measurement area	Questionnaire section	Variables
Demographic details	Section A	1- 15
Ends specificity	Section B	16-25
Means Specificity	Section C	26-29
Ends and Means Flexibility	Section C	30-32
Organisation performance measures	Section D	33-41
Approach to strategy	Section E	42-48

## Response rate

Within the targeted sample 20 interviews were requested with CEO's or management concerned with strategy, 17 out of these (i.e. 85%) were granted. The CEO's/managers distributed about ten to 20 questionnaires each in their organisations and 12 of these organisations (i.e. 71%) returned the distributed questionnaires. Questionnaires distributed in this way totaled 225 and 155 of these were returned. This constitutes a response rate of 69%. These 155 questionnaires were supplemented with 38 questionnaires from employees from other organisations, whom have been trained by University of Pretoria lecturers from the department of Business Management or were on the department's database and responded to a request to participate. Questionnaires were also completed for the CEO's/managers interviewed. This brings the total of questionnaires to 210.

## Reliability and validity

Underpinning the research endeavours is the question of credibility. The researcher has to ensure that the evidence and the conclusions can be relied on and are valid. The measurement instrument therefore needs to be tested for reliability and validity. The internal validity and reliability of the data collected and the response rate achieved depend, to a large extent, on the design of the questions and the structure of the questionnaire. A *valid* questionnaire will enable accurate data to be collected, and one that is *reliable* will enable data to be collected consistently. *Internal validity* in relation to questionnaires therefore refers to the ability of a questionnaire to measure what the researcher intends it to measure. The literature on research design identifies three ways to ensure validity, namely content validity; construct validity; and criterion validity (Saunders *et al*, 2007:366).

The following steps were taken to ensure content, construct and criterion validity:

1. *Ensuring content validity:* Content validity of a measuring instrument is the extent to which the instrument provides adequate coverage of the concept (Cooper and Schindler, 2001:211). Judgment of what 'adequate coverage' entails can be made through careful definition of the research through literature reviewed (Saunders *et al*, 2007:366). Scrutiny of the literature has been done prior to the development of the questionnaire. Furthermore, the prior use of the questions by Brews and Hunt (1999) indicated its usefulness in testing ends and means specificity and flexibility as well as performance related to strategy-making approaches. The questions were also supplemented after careful consideration of the literature reviewed.
2. *Ensuring construct validity:* Construct validity refers to the extent to which a measurement question actually measures the presence of the constructs that the researcher intended it to measure (Saunders *et al*, 2007:367). According to Cooper and Schindler (2001:214) factor analysis can help determine the construct adequacy of a measuring instrument. A factor analysis was done for this study on the data to describe the large number of variables contained in the questionnaires by means of a smaller set of composite variables (so called 'factors') and to aid in the substantive interpretation of the data (Diamantopoulos and Schlegelmilch 2000:216). A high Cronbach's Alpha coefficient, usually above 0.7 is regarded as indicating construct validity. The result of the factor analysis presented in Chapter 6 proves high construct validity. Factors showed Cronbach's Alpha coefficient's for the factors of 0.80, 0.87 and 0.90. The variance explained by the factors in the questionnaire totaled 56% and also shows a high level of

construct validity. The instrument can therefore be seen to test the concept of strategy-making approach.

3. *Ensuring criterion validity:* Criterion validity, or predictive validity, is concerned with the ability of the measures to make accurate predictions. In assessing criterion validity data from the questionnaire should be compared to specified criteria through statistical analysis such as correlation (Saunders *et al*, 2007:267). In this study, correlation analysis as well as discriminant analysis (detailed in Chapter 6) proved that predictions can be made and that significant relationships do exist.

As far as reliability is concerned, Zikmund (2003:300) states that reliability refers to the degree to which measures are free from error and therefore yield consistent results. One of the most frequently used methods to calculate internal reliability is Cronbach's Alpha coefficient. As mentioned above, the factor analysis yielded high Cronbach's Alpha coefficient. Cronbach's Alpha coefficients were also calculated in an exercise separate from the factor analysis for each section in the questionnaire. Cronbach's Alpha coefficient yielded for that exercise varied between 0.73 (lowest) and 0.89 (highest). These results were merely calculated to ascertain questionnaire reliability and are not recorded in Chapter 6. However, the high Cronbach's Alpha coefficient scores prove that the questionnaire was both valid in terms of accuracy and reliable in terms of consistency.

#### ***5.5.2.2 Semi-structured interviews***

Semi-structured interviews were held with seventeen CEO's or managers concerned with strategy. The researcher had a list of themes and questions to be covered, mostly concerning the type of strategy-making approach

followed in the particular organisation. The questions varied from interview to interview, based on the organisational context in relation to the research topic. In some interviews additional questions were required to explore the research question and objectives within a specific organisation. However, since the interviews were held with so-called “informants” the interviewee’s perceptions guided the conduct of the interview (as explained in Saunders *et al*, 2007:312). The personal interviews varied from 30 minutes to 2 hours (averaging just over one hour).

As mentioned above, the results of the interviews were recorded on an excel spreadsheet as well as a questionnaire (the same as distributed to the respondents) was completed by the researcher based on her perceptions of the interview. The informant data was subsequently analysed and compared with the respondent data.

### **Reliability and validity**

As reliability refers to measures that are free from error and therefore yield consistent results (Zikmund, 2003:300) the following errors (Saunders *et al*, 2007:101) that pose a threat to reliability of interview data were avoided as best as possible:

- *Minimising subject error:* This could occur if subjects for investigation are not representative of the population under study. The CEO’s and managers concerned with strategy were regarded as informants and experts in their organisations and all had a prime role to play in strategy-making and as such fully adhered to the sample requirements.
- *Minimising subject response bias:* There was a likelihood that subjects could perceive the topic as confidential and as such could be careful to

avoid issues of a competitive nature. Although the content of strategy was avoided and as far as possible only the process of strategy-making addressed, the subjects were all perceived as highly approachable and open. There was no antagonism between the interviewee and the respondents. In addition, the researcher committed to not publishing or recording any organisation specific responses and only record responses in general.

- *Minimising observer (interviewer) error:* This could happen when more than one person conducts the interviews. In such instances there is potential for different approaches to elicit responses. In this study only one researcher conducted the interviews throughout. Furthermore the interview results as interpreted by the researcher were captured and questionnaires completed for each informant. Questionnaires for group 1 (respondents) and group 2 (informants) were statistically tested for differences of which none were found.
- *Minimising observer bias:* This could happen where replies are interpreted differently. The semi-structure of the interview as well as the one researcher conducting and interpreting the interview obviated this error from occurring. The results of the interviews were also captured on questionnaires. This data set was compared for statistical differences with the first group to establish whether the interviews were accurately interpreted.

## 5.6 ANALYSIS

Data processing commences with the editing and coding of the data. Editing involves checking the data collection forms for omissions, legibility and consistency in classification (Zikmund, 2003:72). This was followed by data capturing and processing by the Department of Statistics (Unit for Research

Support) at the University of Pretoria. The SPSS statistical package of the SAS software was used to conduct the statistical analyses.

Data analysis usually involves reducing accumulated data to a manageable size, developing summaries, looking for patterns and applying statistical techniques in order to answer research questions. Scale responses to questionnaires often require the analyst to derive various functions, as well as to explore relationships among variables (Cooper & Schindler, 2001:82).

### ***5.6.1 Factor analysis***

It was explained in section 5.5.2.1 that factor analysis was done to test reliability and validity of the measurement instrument. A factor analysis, according to Cooper and Schindler (2001:591) is a general term for several specific computational techniques that have the objective to reduce to a manageable number many variables that belong together and have overlapping measurement characteristics. The purpose of factor analysis is to examine the correlations among a number of variables and identify clusters of highly interrelated variables that reflect underlying themes, or *factors*, within the data (Leedy & Ormrod, 2005:274). Factor analysis brings about a matrix of inter-correlations among severable variables, none of which is viewed as being dependent on each other. The correlations matrix provides the relationships on which a new set of variables is constructed. Variables are transformed through principle component analysis into a new set of composite variables, called factors, which are not correlated with each other. These factors account for the variance in the data as a whole (Cooper & Schindler, 2001:591).



The Cronbach's Alpha coefficients produced as a result of the factor analysis can be viewed as a way to measure of reliability (as mentioned previously). It can estimate the proportion of true score variance that is captured by the items by comparing the sum of the item variances with the variance of the sum scale. It can be computed using the following equation:

$$\alpha = (k / (k - 1)) * [1 - \sum(S_i^2) / S^2_{sum}]$$

If there is no true score but only error in the items (which is esoteric and unique and therefore uncorrelated across subjects), then the variance of the sum will be the same as the sum of variances of the individual items. Therefore, coefficient alpha will be equal to zero. If all items are perfectly reliable and measure the same thing (true score) the coefficient alpha is equal to 1 (Cooper & Schindler, 2001:591).

The key descriptive results obtained from a factor analysis are the eigenvalues and the above-mentioned factor loadings or Cronbach's Alpha coefficients. Eigenvalues, which equals the sum of the squared loadings for the variables on that factor, provide a measure of the percentage of variance in contributing variables that is explained by the factor. The importance of the component or factor is measured by the size of the eigenvalue in relation to the total variance available for distribution. The next step is to find the factor independent of the first factor that will exact most of the remaining available variance.

### ***5.6.2 Descriptive statistics***

Descriptive statistics are those techniques and methods used to describe or summarise the characteristics of a population or a sample (Zikmund, 2003:736). The aim of descriptive statistics is to investigate the distribution

of scores for each variable and to determine whether the scores on different variables are related to each other (Terre Blanche & Durrheim, 2002:105).

### Simple correlation analysis

Data was measured for associations using simple correlation analysis. As part of describing the data in the sample cross tabulations, also known as contingency tables, were used. These allow for the examination the interdependence between variables in a simple correlation analysis. For these simple correlation analyses two-way contingency tables (cross-tabulations) were presented with chi-square ( $x^2$ ) or goodness-of-fit tests performed to find out how likely it is that two variables are associated. The chi-square ( $x^2$ ) allows for the testing of significance in the analysis of frequency distributions. It is based on the comparison of the observed values in the table with what might be expected if the two variables were independent of each other. It can be interpreted as constituting a significant difference between variables. The chi-square test calculates the probability that the data in a table could occur by chance alone (Saunders *et al*, 2007:430; Zikmund, 2003:510). Cross tabulations provide important insight into important data patterns (Cooper and Schindler, 2003:225). Cross tabulations were performed for variables in the data set to show interdependence and are presented in Chapter 6.

Multiple bar charts (also known as compound bar charts) are used to compare variables. Percentage component bar charts and comparative proportional pie charts are used to compare proportions between variables (Saunders *et al*, 2007:429) in Chapter 6.

### ***5.6.3 Inferential statistics***

Inferential statistics is used to make inferences or judgments about the population on the basis of the sample (Zikmund, 2003:738). While descriptive analysis allows the researcher to generalize from the sample to the population, inferential analysis allows the researcher to draw conclusions about the population on the basis of data obtained from samples (Terre Blanche & Durrheim, 2002:105).

The following techniques were used in this study to perform inferential statistics:

- Non-parametric Mann-Whitney test,
- Correlation analysis,
- Multi-way Analysis of Variance (MANOVA),
- linear discriminant analysis,
- logistic regression analysis,
- Regression analysis (MARS).

#### ***5.6.3.1 Mann-Whitney test***

A non-parametric test is designed to be used when data is not normally distributed and is most often used with categorical data (Saunders *et al*, 2007:441). The Mann-Whitney (or ranked-sum) test is a non-parametric test that allows for testing group differences when the populations are not normally distributed or when it cannot be assumed that the samples are from populations that are equal in variability. It is an alternative to the t-test for two independent samples (Zikmund, 2003:543). The Mann-Whitney test is used in this study to examine group differences between the informants and the respondents. This is done to establish whether the perceptions

captured in the data sets between the CEO's (expert opinions) and the respondents correspond with each other. The Mann-Whitney test is also applied in a multivariate analysis between certain approaches to strategy extremes compared to the three factors. This is done to establish whether there are significant differences between each of the factors in terms of the tested variables.

### ***5.6.3.2 Multivariate techniques for the analysis of dependence***

The following techniques were used to simultaneously analyse more than two variables: multivariate ANOVA; discriminant analysis (linear and logistic).

#### **ANOVA (Analysis of variance)**

Multivariate analysis of variance (ANOVA) is a statistical technique that provides a simultaneous significance test of mean differences between groups, made for two or more dependent variables (Zikmund, 2003:584). Multivariate ANOVA was done to test the factors against multiple variables in the data set.

#### **Discriminant analysis**

A discriminant analysis is defined as a statistical technique for predicting the probability that an object will belong in one of two or more mutually exclusive categories (dependent variable) based on several independent variables (Zikmund, 2003:579).

To calculate discriminant scores for a dependent variable, the following linear function is used:

$$Z_i = b_1X_{1i} + b_2X_{2i} + \dots + b_nX_{ni}$$

In the computation of the linear discriminant function, weights are assigned to the variables such that the ratio of the differences between the means of the two groups to the standard deviation within groups is maximized. The standard discriminant coefficients, or weights, provide information about the relative importance of each of these variables in discriminating between two groups. A goal of discriminant analysis is to perform a classification function (Zikmund, 2003:579).

Linear discriminant analysis was performed for organisational profitability and performance using respective factors to predict the likelihood of an organisation to perform in a certain way.

### **Logistic regression analysis**

Regression analysis is a technique that attempts to predict the values of continuous, interval-scaled, ratio-scaled dependent variable from the specific values of the independent variables (Zikmund, 2003:740). Multiple regression is based on arithmetic and therefore requires quantitative data. The goals of multiple regression are (a) to describe and understand relationships, (b) to forecast (predict) a new observation, and (c) to adjust and control a process (Siegel, 1997:488).

Logistic regression analysis was performed for each factor using specific variables to predict the likelihood of an organisation to display specific strategy-making behaviour.

## **Multivariate Adaptive Regression Splines (MARS)**

Multivariate Adaptive Regression Splines (MARS) is an implementation of techniques for solving regression-type problems. MARS is a non-parametric regression procedure that makes no assumption about the underlying functional relationship between the dependent and explanatory variables. Instead, MARS constructs this relation from a set of coefficients and basis functions that are entirely based on the regression data. The method is based on a partitioning strategy, which partitions the input space into regions, each with its own regression equation. This makes MARS particularly suitable for problems with higher input dimensions, i.e. with more than two variables (Hastie, Tibshirani and Friedman, 2001).

MARS was done to determine circumstances (based on certain variable values) which would either improve or decrease relative financial and organisational performance.

## **5.7 CHAPTER SUMMARY**

In this chapter the research design and methodology were explained. The research question, objectives and hypotheses were presented and explained. The methodology followed for the empirical part of the study was also presented with specific description of the sample (size, frame and selection), the measurement instruments used (questionnaires and semi-structured interviews), the descriptive statistics as well as the inferential statistics applied to investigate and describe the research constructs.

Chapter 6 subsequently presents all the findings obtained by applying the research methodology as explained in Chapter 5.



## CHAPTER 6 RESEARCH FINDINGS

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## CHAPTER 6

### RESEARCH FINDINGS

*“I’ve learned that the only surprise a box of cereal holds these days is the price  
Age 46*

*I’ve learned that college isn’t just about preparing for your future career, it is about finding out  
who you are right now.  
Age 23*

*I’ve learned that you cannot hide a piece of broccoli in a glass of milk.  
Age 8”*

(Brown 1997)

### 6.1 INTRODUCTION

The systematic exploration of literature on strategy and strategy-making enabled the development of a questionnaire as measuring instrument to investigate the research questions. The questionnaire was supplemented and enhanced by personal interviews with top management (including CEO’s and managers concerned with strategy) who also helped distribute questionnaires to respondents on different managerial levels in their organisations. The results of the empirical study are reported in this chapter.

The following sections describe the body of the data. The following descriptive statistics are presented in this chapter:

- Univariate and multivariate correlation analysis: describing the population
- A factor analysis: to establish relationships between variables contained in the data set.

The following inferential statistics are presented in this chapter:

- Non-parametric statistics for tests of differences: to test differences between groups of respondents and informants as well as between factors as measured against certain variables.
- Significance of relationships or differences: through the application of a multi-way analysis of variance (ANOVA) to test the spread of the data.
- The prediction value of independent variables were tested: through the application of linear discriminant analysis, logistic regression analysis and the Multivariate Adaptive Regression Splines (MARS) model.

## 6.2 EMPIRICAL FINDINGS: DESCRIPTIVE STATISTICS

The results of the empirical study will be presented as a description of the sample in terms of: demographic information, univariate correlation analysis, multivariate correlation analysis and factor analysis.

### *6.2.1 Sample and response rate*

Twenty interviews were requested with CEO's or management concerned with strategy, 17 out of these (i.e. 85%) were granted. The CEO's/managers distributed about 10 questionnaires each in their organisations and 12 of these organisations (i.e. 71%) returned the distributed questionnaires. Questionnaires distributed in this way totaled 225 and 155 of these were returned. This constitutes a response rate of 69%. These 155 questionnaires were supplemented with 38 questionnaires from employees from other organisations, whom have been trained by University of Pretoria lecturers

from the department of Business Management or were on the department's database. Questionnaires were also completed for the CEO/managers interviewed and used in the Mann Whitney T-test detailed in sub-section 6.3.2. This brings the total of questionnaires to 210.

### *6.2.2 Demographics*

The demographic results are presented in the tables below.

*Table 6.1 Organisational size as indicated by respondents*

ORGANISATIONAL SIZE	Frequency (n)	Percentage (%)
Small	49	25
Large	144	75
<i>TOTAL</i>	<i>n=193</i>	<i>100</i>

With an average of 75% it is clear that the majority of respondents come from large organisations. Organisations are classified as large when they have 100 or more employees. Small organisations represent a grouped frequency distribution where, due to the low frequency, very small, small and medium organisations were grouped together.

*Table 6.2 Type of business as indicated by respondents*

TYPE OF BUSINESS	Frequency (n)	Percentage (%)
Private	167	87
Government and parastatal (and other)	26	13
<i>TOTAL</i>	<i>193</i>	<i>100</i>

Private organisations represent 87% of the respondents, and only 13% come from Government, parastatal and other. The latter category, namely “other” makes up 7.25% of the 13% and could include NGO’s and also a few small entrepreneurial organisations that participated (as part of the Department of Business Management database consulted). The respondents were requested to specify, but unfortunately none did.

**Table 6.3 Industry classification based on industry as indicated by respondents**

Stable industries			Unstable industries		
	Frequency	%		Frequency	%
Publications and Media	13	7	IT	21	11
Health	12	6	Telecommunications	15	8
Banking (including Finance)	34	18	Automotive	20	11
Insurance	19	10	Transport (air travel)	9	5
Petrochemical	20	11	Consulting	3	2
FMCG	2	1	Advertising and Marketing	3	2
Construction	3	2	<i>TOTAL</i>	<i>71</i>	<i>39</i>
Investment	7	4			
Other	8	4			
<i>TOTAL</i>	<i>118</i>	<i>63</i>			

Missing = 4

In total 24 industries were represented in the sample. Industries were grouped and divided into stable and unstable industries to enable testing of industry as a moderating factor when selecting a mode of strategy-making. In line with Brews and Hunt (1999) and Porter (1991) the following indicators of industry stability were used to group industries: Maturity of industry; speed of change; stability of technology and possibility to forecast changes in technology; availability of information for decision making in the

industry; frequency of new competitors entering into the market; rules of competition and current competitors either changing or well defined; influence of macro environment.

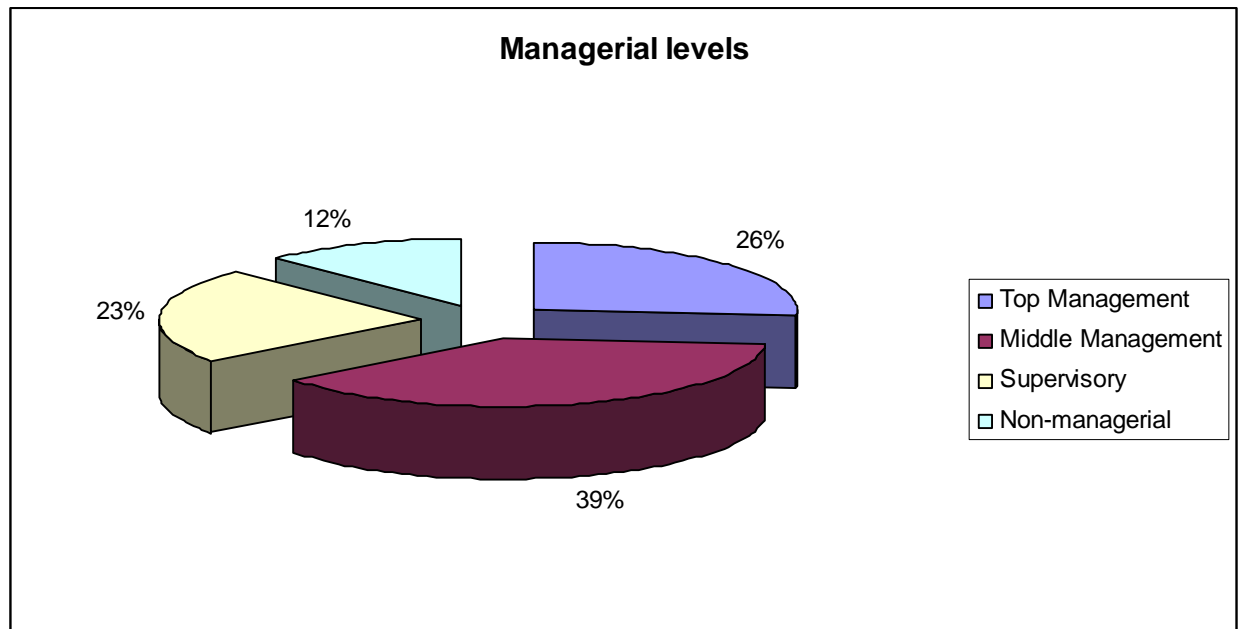
The grouping was also done with due consideration of the specific organisations included in the sample, for example Publication and Media includes a mature academic media publisher which would be considered a stable type of business.

*Table 6.4 Management level of respondents*

MANAGEMENT LEVEL	Frequency (n)	Percentage (%)
Top Management	51	26.42
Middle Management	74	38.34
Supervisory	44	22.80
Non-managerial	24	12.44
<i>TOTAL</i>	<i>193</i>	<i>100</i>

Top Management represents 26% of the sample, 38% are middle management, 23% lower level supervisory management and 12% non-managerial. The CEO's/managers that were interviewed and who distributed questionnaires in their organisations were requested to distribute questionnaires evenly among the different levels of management, but to employees that have some involvement in strategy-making on management or ground level. This could explain the higher percentage of management, especially middle management, who is typically responsible for making and

implementing strategy in organisations. Figure 6.1 below graphically depicts this distribution.



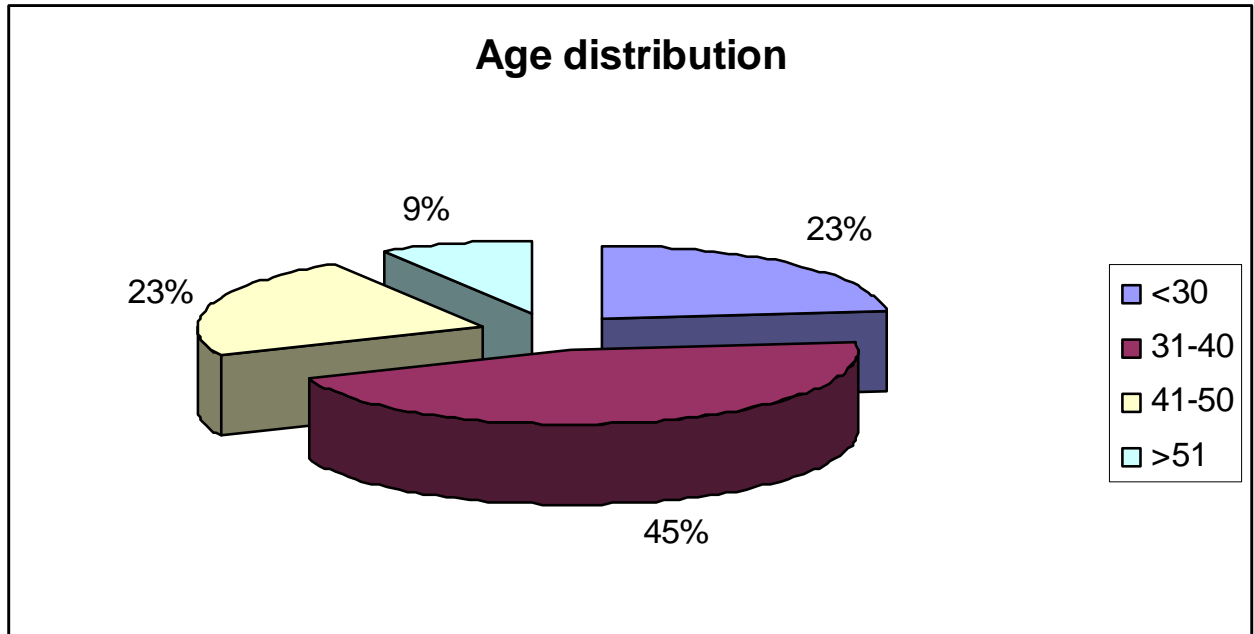
*Figure 6.1 Managerial levels of respondents*

*Table 6.5 Age distribution of respondents*

AGE (in years)	Frequency (n)	Percentage (%)
<30	43	23.37
31-40	83	45.11
41-50	42	22.82
>51	16	8.7
<i>TOTAL</i>	<i>184</i>	<i>100</i>

Missing = 9

Table 6.5 represents a grouped frequency distribution of age. The majority of respondents fall between the ages of 31 and 40 years. Figure 6.2 below graphically depicts this distribution.



*Figure 6.2 Age distribution of respondents*



*Table 6.6 Cross-tabulation with age and managerial level of respondents*

MANAGEMENT LEVEL AGE	20-30	31-40	41-50	>51	Chi-square <sup>1</sup> (X <sup>2</sup> )	P-value <sup>2</sup>	Cramer's V <sup>3</sup>
Top Management	11%	39%	35%	15%	32.98	0.0001	0.244
Middle Management	14%	56%	22.54%	7%			
Supervisory Management	33%	40%	21%	7%			
Non-managerial	58%	33%	4%	4%			
<b>TOTAL</b>	<b>23%</b>	<b>45%</b>	<b>23%</b>	<b>9%</b>			

A chi-square ( $\chi^2$ ) value of 32.98 and probability value of 0.0001 at 1% significance level indicate significant differences between the managerial levels compared to age.

Since the Chi-square statistic can only establish whether two variables are independent or not and does not show the strength of the association, the Cramer's V statistic is also presented above. While on its own, chi-square can only test independence, it can be modified so that (a) it is not influenced by sample size, and (b) its values fall in a range from 0 to 1 (where 0 indicates no association and 1 perfect association). Cramer's V represents

<sup>1</sup> Tests independence and association between variables (Diamantopoulos & Schlegelmilch, 2000:200)

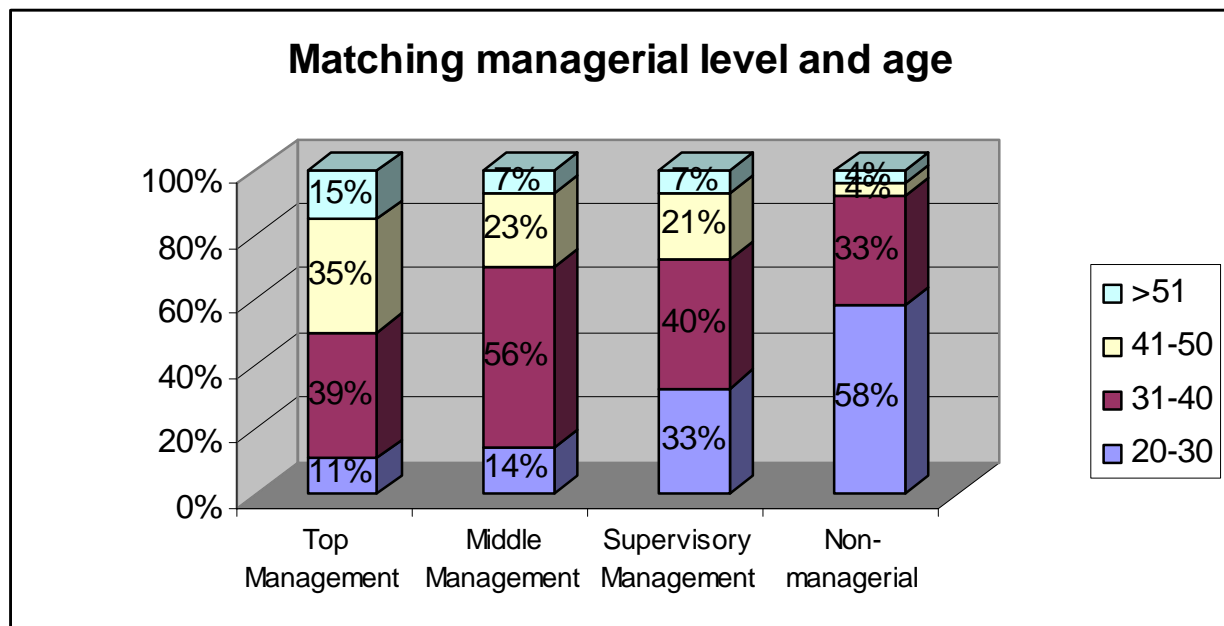
<sup>2</sup> Probability- provides information on the significant region of the results (Diamantopoulos & Schlegelmilch, 2000:146)

<sup>3</sup> Measures relative strength of association between different pairs of matched variables (Saunders *et al*, 2007:445)

such a chi-square adjustment. It can be interpreted as reflecting relationships of different magnitudes (Diamantopoulos & Schlegelmilch, 2000:200).

The Cramer's V value of 0.244 measures a low relative strength of association between different pairs of matched age and management level.

The majority of top management can be seen to be between the two age groups 31-40 and 41-50 (It must be noted that the majority of respondents were between the ages of 31-40, see figure 6.2). The majority of the middle management and supervisory level respondents fall between the ages of 31 and 40 (56% and 40% respectively). Non-managerial respondents are predominantly younger with 58% in the age group 20-30. Figure 6.3 below serves to illustrate the above table more graphically.



*Figure 6.3 Matching managerial level and age of respondents*

*Table 6.7 Highest level of education of respondents*

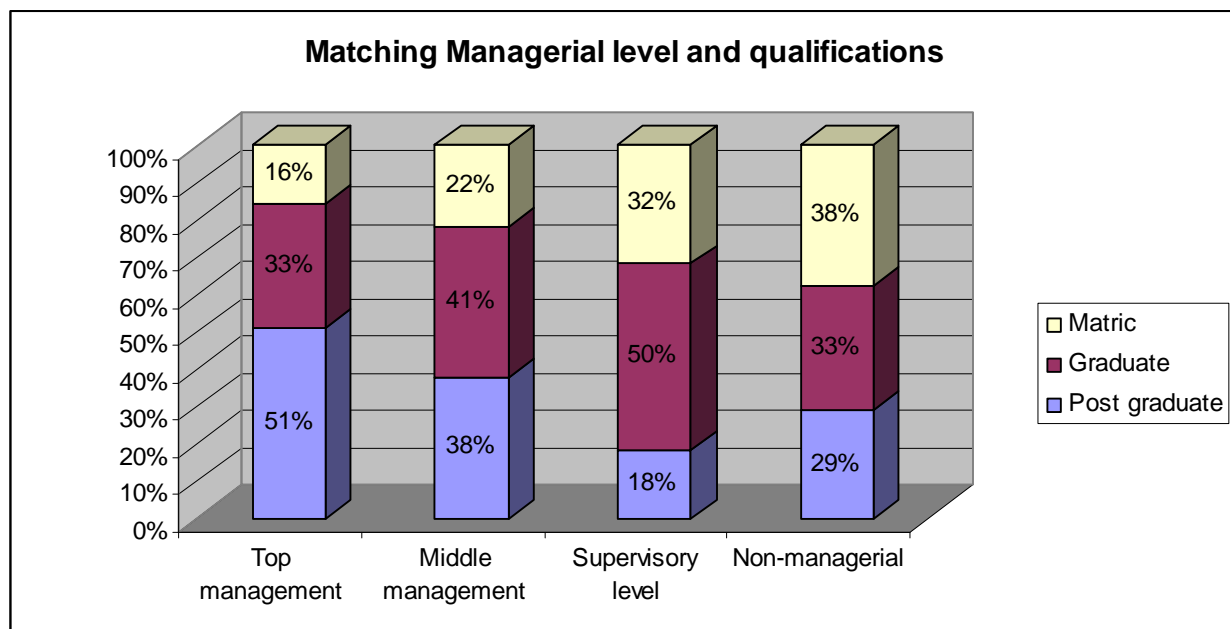
HIGHEST LEVEL OF EDUCATION	Frequency (n)	Percentage (%)
Post graduate level	69	35.75
National diploma/ degree	77	39.9
≤ Matric	47	24.35
<i>TOTAL</i>	<i>193</i>	<i>100</i>

The level of education among respondents are evenly distributed, with almost 36% of respondents qualified at post-graduate level, almost 40% with a three year degree or national diploma and 24% qualified on matric level or lower.

*Table 6.8 Cross-tabulation with education and managerial level of respondents*

QUALIFICATIONS MANAGEMENT LEVEL	Post graduate	Graduate	Matric	$\chi^2$	P-value	Cramer's V
Top management	51%	33%	16%	13.94	0.03	0.19
Middle management	38%	41%	22%			
Supervisory level	18%	50%	32%			
Non-managerial	29%	33%	38%			

A chi-square ( $\chi^2$ ) value of 13.94 and probability value of 0.03 at 5% significance level indicate significant differences between the managerial levels compared to education. The Cramer's V value of 0.19 measures a low relative strength of association between different pairs of matched qualifications and management level. The majority of top management can be seen to have post graduate qualifications, with only 16% on matric or lower. Middle management have slightly more (41%) graduate level qualifications than post graduate level qualifications (38%) and only 22% with matric or less. 50% of supervisory level employees have degrees and only 18% are qualified on a post graduate level. More non-managerial employees than supervisory level employees have post graduate qualifications (i.e. 29%). At this level the level of qualifications is more or less equally distributed. Figure 6.4 below serves to illustrate the above table more graphically.



*Figure 6.4 Matching managerial level and qualifications of respondents*

*Table 6.9 Formal training in strategy*

FORMAL TRAINING IN STRATEGY	Frequency (n)	Percentage (%)
Formal training in strategy	89	46
No formal training in strategy	104	54
<i>TOTAL</i>	<i>193</i>	<i>100</i>

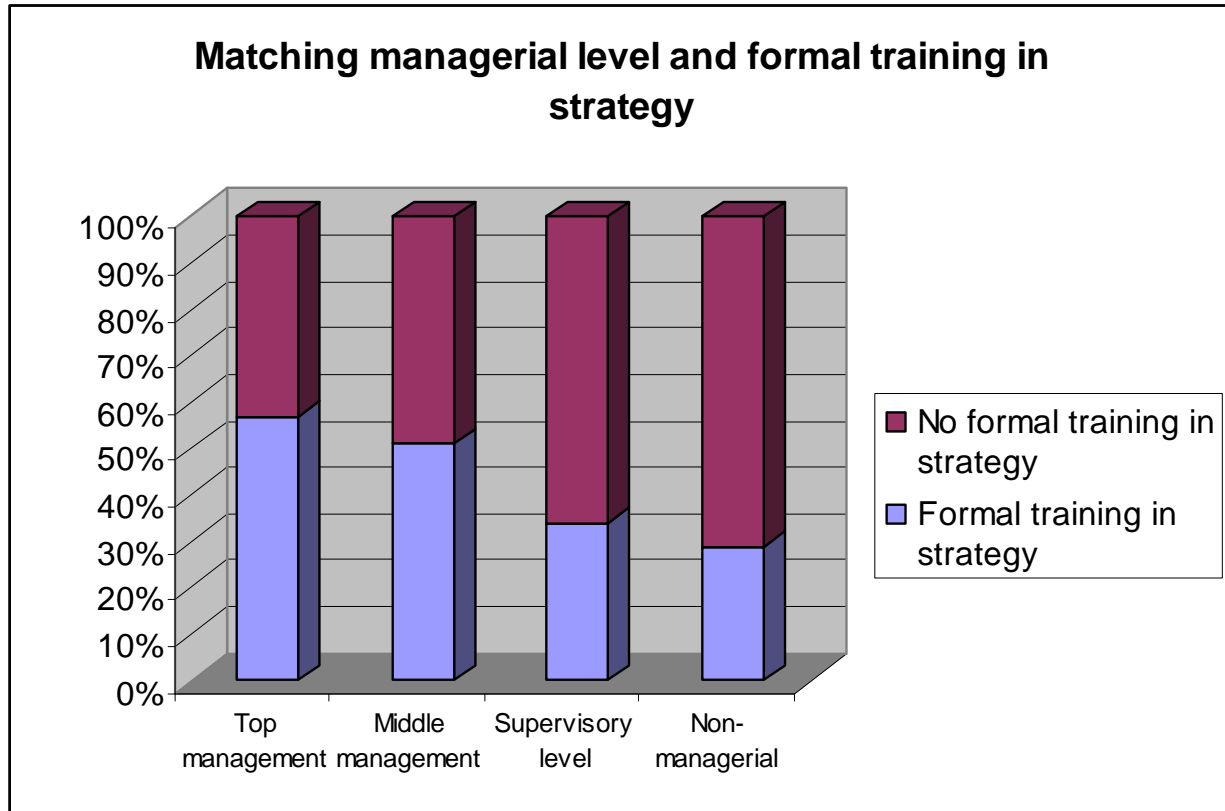
Almost 54% of respondents indicated that they were never formally trained in strategy.

Training options that respondents could choose from included: training as part of a degree or post graduate degree, part of a diploma or certificate and in-house training (see table 6.11).

*Table 6.10 Cross-tabulation with Managerial Level and Formal Training in Strategy*

MANAGEMENT LEVEL AND FORMAL STRATEGY TRAINING	Formal training in strategy	No formal training in strategy	$\chi^2$	P-value	Cramer's V
Top management	57%	43%	8.52	0.04	0.21
Middle management	51%	49%			
Supervisory level	34%	66%			
Non-managerial	29%	71%			

A chi-square ( $\chi^2$ ) value of 8.52 and probability value of 0.04 at 5% significance level indicate significant differences between the managerial levels compared to formal training in strategy. The Cramer's V value of 0.21 measures a low relative strength of association between different pairs of matched qualifications and management level. It can be seen that top management and middle management display more or less the same percentages of training versus no training in strategy, whereas supervisory and non managerial level employees display similar training percentages. The majority of top and middle management had formal training in strategy (57% and 51% respectively) where as the inverse is true for supervisory and non-managerial level employees (34% and 29% trained in strategy respectively). Figure 6.5 below serves to illustrate the above table more graphically.



*Figure 6.5 Matching managerial level and formal training in strategy of respondents*

*Table 6.11 Types of strategy training*

TYPES OF TRAINING	Frequency (n)	Percentage (%)
Part of degree/post degree	57	47
Part of diploma/ certificate	21	17
In-house training/ on the job training	43	36
<i>TOTAL</i>	<i>121</i>	<i>100</i>

Only respondents that indicated that they had any formal training in strategy were requested to complete the training options. Table 6.11 depicts options selected by respondents indicating that they had formal training in strategy.

The tabulated frequencies (table 6.11) represent grouped frequency distributions, which were grouped as follows:

Part of a degree/post degree:	A full subject as part of a degree programme
	A full subject as part of a post graduate degree programme
	A sub-unit of a subject as part of a degree programme
	A sub-unit of a subject as part of a post graduate programme
Part of diploma or certificate:	As part of a diploma or certificate programme
In-house training/on the job training:	In-house training at my organisation
	On the job training

Respondents who received training as part of a degree or post degree represent 47% of the sample. 36% of respondents indicated that they received in-house training or on the job training.



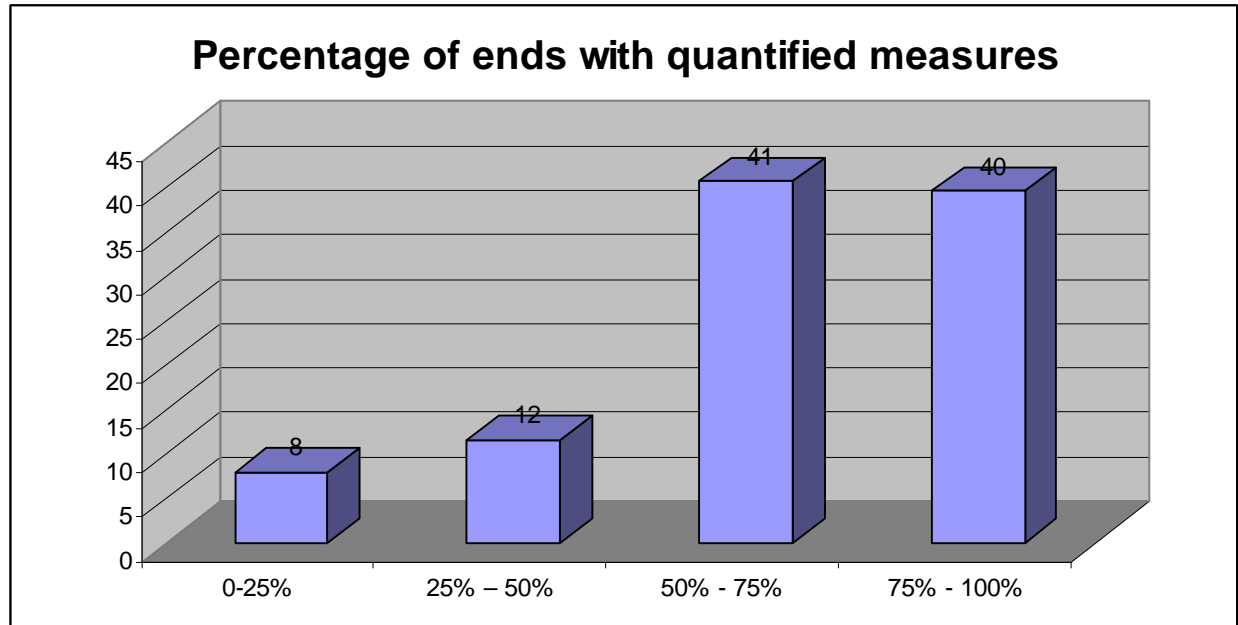
### ***6.2.3 Additional descriptive statistics***

The following findings relate to variables that did not form part of the factor analysis (presented in sub-section 6.2.4) due to either low factor loadings or because more than one option could be selected for the specific question, rendering the results in a number of variables.

***Table 6.12 Percentage of ends with quantified measures***

<b>PERCENTAGE OF <i>organisational ends</i> WITH QUANTIFIED MEASURES</b>	<b>Frequency</b>	<b>Percentage (%)</b>
0-25%	15	8
25% - 50%	22	12
50% - 75%	77	41
75% - 100%	75	40
<i>TOTAL</i>	<i>189</i>	<i>100</i>

Table 6.12 above shows that the large majority of respondents indicated 50% or more ends with quantified measures. Figure 6.6 depicts this more graphically.

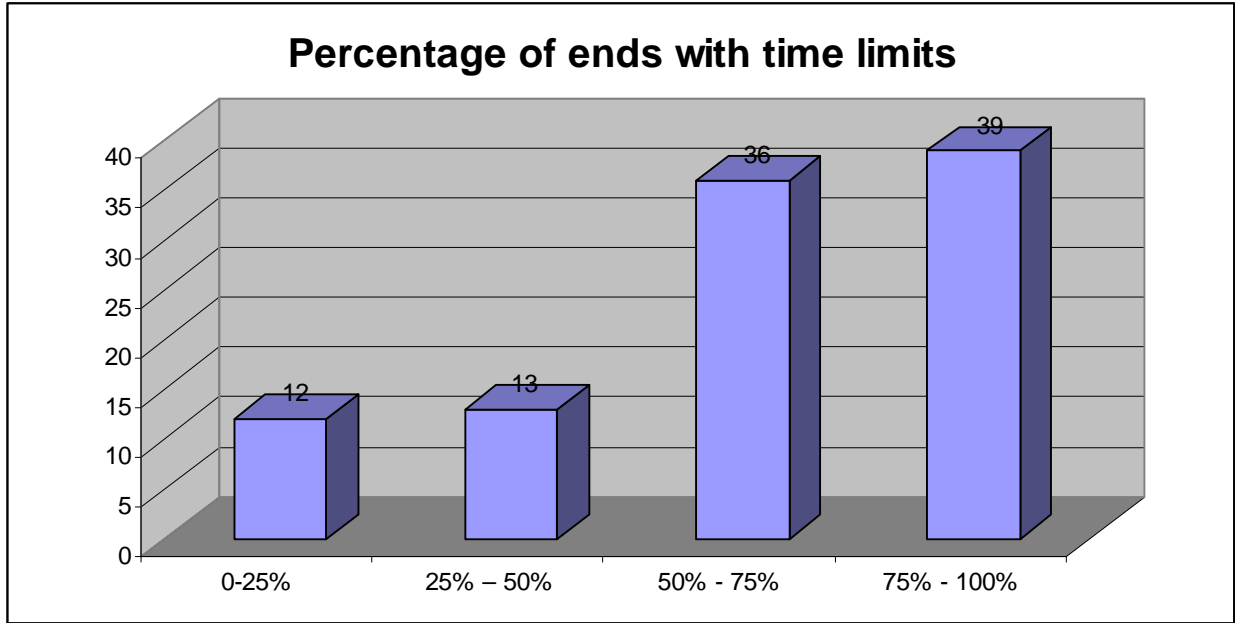


*Figure 6.6 Percentage of organisational ends with quantified measures*

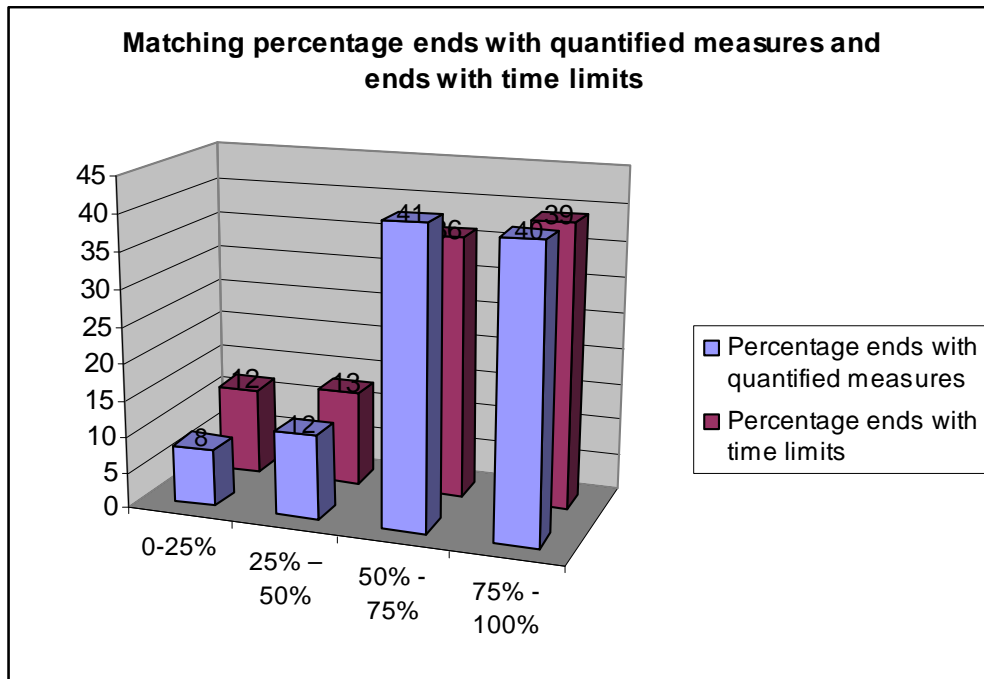
*Table 6.13 Percentage of ends with time limits*

PERCENTAGE OF <i>organisational ends</i> WITH TIME LIMITS	Frequency	Percentage (%)
0-25%	23	12
25% - 50%	25	13
50% - 75%	68	36
75% - 100%	73	39
<i>TOTAL</i>	<i>189</i>	<i>100</i>

Table 6.13 above shows that the large majority of respondents indicated 50% or more ends with time limits. Figure 6.7 depicts this more graphically.



*Figure 6.7 Percentage of organisational ends with time limits*



*Figure 6.8 Matching percentage ends with quantified measures and time limits*

*Table 6.14: Types of organisational ends*

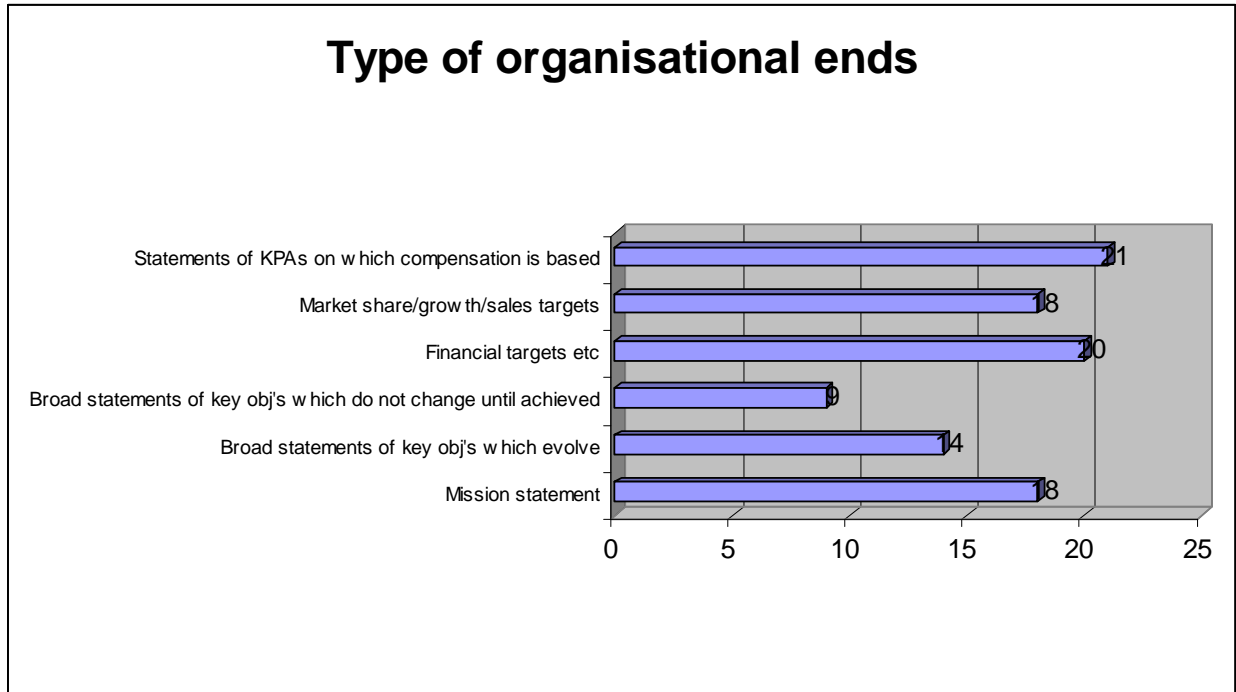
TYPES OF ENDS WHICH USUALLY ARE INCLUDED IN YOUR ORGANISATION'S STRATEGIC PLAN, OR USUALLY EMERGE FROM YOUR ORGANISATION'S STRATEGY FORMATION PROCESS		Frequency	Percentage (%)
1	A statement of your organisation's mission or fundamental purpose	88	18
2	Broad statements of key strategic objectives for the organisation, which tend to change/ evolve as circumstances warrant	70	14
3	Broad, enduring statements of key strategic objectives for the organisation over the foreseeable future, which emerge fully developed from the planning process, and tend not to change until achieved	44	9
4	Statements of specific financial targets to be achieved either annually, or over the foreseeable future, for example ROI targets, profitability targets, or other targets of financial performance	95	20
5	Statements of specific market share/sales growth targets for the organisation	87	18
6	Statements of specific key result areas/objectives for many/all functions/operations of the organisation, providing key measurements of vital organisational activities. Achievement of these key results/objectives is considered important, and part of employee compensation is based on such achievement organisation and formally documented in the strategy formation process, including a statement of firm mission/purpose, and specification of strategic objectives/goals for different areas of the organisation.	103	21
<i>TOTAL</i>		<i>n=487</i>	<i>100</i>

Table 6.14 above illustrates the types of ends usually included in the organisation's strategic plan or that usually emerge from the organisation's strategy-making process. More than one statement could be selected. Figure

6.9 shows the percentage of each indicated type of end. (See also Question B5: Appendix A).

The number of options selected for Question B5 is also presented as additional information in table 6.15 below. Option 2, which clearly supports an emergent approach to strategy-making, was selected as only option in 26% of the total 14% (as indicated in table 6.14) of responses. Seventy four percent of the total of 14% of responses represents option 2 in combination with other options.

Option 3, which clearly supports a rational approach to strategy-making, was selected as only option in 11% of the total of 9% (as indicated in table 6.14) of responses. Eighty nine percent of the total of 9% of responses represents option 3 in combination with other options.



*Figure 6.9 Types of organisational ends indicated*

*Table 6.15 Number of options selected for Question B5*

NUMBER OF OPTIONS SELECTED FOR QUESTION B5 (VARIABLES 20-25)	Frequency	Percentage (%)
One option selected	64	33.33
Two options selected	47	24.48
Three options selected	36	18.75
Four options selected	11	5.73
Five options selected	27	14.06
All options selected	7	3.65
<i>TOTAL</i>	<i>n=192</i>	<i>100</i>

Missing = 1

Table 6.15 above is related to question B5 of which the frequencies are given in table 6.14. Respondents could select more than one option. Since the number of options selected can indicate specificity of planning, the results of the number of options selected are presented in table 6.15 above. The selection of specific options relating to either the emergent or rational planning approach to strategy-making was discussed with the presentation of table 6.14.

#### ***6.2.4 Factor Analysis***

A factor analysis was done on the data to reduce the large number of variables contained in the questionnaires by means of a smaller set of composite variables (so called 'factors') and to aid in the substantive interpretation of the data (Diamantopoulos and Schlegelmilch 2005:216).

The factor analysis was performed on the 177 complete questionnaires (out of the 193 questionnaires returned) to test the homogeneity of underlying constructs. The factor analysis was done to ascertain if a resolute set of factors existed and to group the variables into meaningful composite constructs/factors/themes.

The original questionnaire scale items were regrouped and adjusted to four point scales to ease correlation and factor analysis. The initial factor analysis resulted in four factors, with one factor containing only two items which double loaded in another factor. According to Okpara and Wynn (2007:28) and Hair, Anderson, Tatham and Black (1998:111) an item must have at least a 0.50 factor loading to be included in a factor. For the purposes of the factor analysis the two items that double loaded or items that did not have a

Cronbach's Alpha coefficient of at least 0.50 were excluded. These items are reported on separately in section 6.2.3 above as part of the demographic description of the sample. The factor analysis finally resulted in the identification of three meaningful factors based on the Cronbach's Alpha coefficient scores (see table 6.15).

The factors emerging from the factor analysis are the following:

<b>Factor 1:</b>	Performance consensus
<b>Factor 2:</b>	Ends and means specificity
<b>Factor 3:</b>	Ends and means flexibility

**Factor 1** includes the same items as the original construct of "performance measures". "Performance consensus" seems an appropriate title as agreement among managers on effectiveness of the organisational strategies as well as organisational performance is more a matter of consensus than measurement. Parnell (2000:49) argues that if consensus is linked to performance then one may argue that some competitive strategies lend themselves to greater agreement among managers. For this reason, he suggests that future studies should consider the perceptions of multiple top and functional managers. For example, consensus may be high among segment controllers where everyone seems to understand the niche being targeted by the business, but be low among first movers where the essence of the strategy is not always well understood (Wooldridge & Floyd, 1990).

"Performance consensus" therefore aptly denotes the perceptions of respondents tested with the related items.



**Factor 2** includes items relating to ends *and* means specificity (and does not separate ends and means as in the original planned constructs). One item relating to specificity of ends loaded a Cronbach's Alpha coefficient of 0.27 for factor 1. However, as this constitutes a relatively low Cronbach's Alpha coefficient compared to the 0.51 Cronbach's Alpha coefficient computed for this item in factor 2, the item was included in the latter factor (see table 6.16). As mentioned in chapter 5 scale statements were constructed to capture differing properties of ends and means as characterized by the rational and emergent approaches to strategy-making. Brews and Hunt (1999:893) explained that:

Organisations with very specific ends would possess many, precisely quantified, formally documented, time-limited ends, ranging from a statement of firm mission to statements of specific market share/sales targets and other key result areas. Very specific means would be reflected in plans that set out exact plans and/or programs for implementation, describing in detail the actions and steps required for implementation. These specific means would be used to direct firm action and behavior and measure timely performance against plan. These would also be formally documented and distributed among firm members. Conversely, few broad ends that change and evolve as conditions dictate would characterize less specific ends, while unspecific means would be broad and unstructured, evolving as circumstances warrant and acting as loose guides only. Such unspecific ends and means would rarely be announced, and if so, in broad terms.

The fact that this factor includes items related to ends and means could show that respondents regard these as similar and do not distinguish between higher strategic objectives and more operational objectives. Specificity of ends could also imply specificity of means due to the approach to strategy-making followed.

**Factor 3** includes three scales testing the time frame of setting or adjusting ends and means, including mission and other fundamental statements, ends and means. The factor is called “ends and means flexibility”. Flexibility measures the flexibility of planning structures, tolerance for change and flexibility of planning time frame and stands in contrast with organisational rigidity.

Factor scores for the subsequent analyses were interpreted as follows:

- *Factor 1 (Performance Consensus):* 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):* 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):* 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)).

*Table 6.16 Rotated factor loadings and Cronbach's Alpha coefficient*

		Performance consensus	Ends and Means specificity	Ends and means flexibility
Variable number	Description of Variable	Factor 1	Factor 2	Factor 3
V41	Degree to which your organisation's 'means' provide effective competitive strategies to influence/direct the organisation's behaviour, and enable the organisation to effectively and successfully compete	0.78	0.00	0.00
V36	Overall effectiveness of your strategy formation and strategic planning processes	0.76	0.00	0.00
V39	Positive effects of your organisation's 'ends' and 'means' on overall firm competitiveness	0.75	0.00	0.00
V37	Degree of satisfaction among top management with your organisation's strategy formation/strategic planning processes	0.75	0.00	0.00
V40	Degree to which your organisation's 'ends' provide goals to effectively guide and stimulate the organisation's actions and behaviours	0.74	0.00	0.00
V38	Degree of satisfaction among all the organisation's members with your organisation's strategy formation/ strategic planning processes	0.73	0.00	0.00
V33	Overall profitability or financial performance compared to competitors	0.61	0.00	0.00
V35	Overall organisational performance/success compared to competitors	0.61	0.00	0.00
V26	Scale items measuring how organisations conduct strategic planning (including formulation and implementation)	0.00	0.86	0.00

V27	Scale items indicating what the strategic plan looks like	0.00	0.84	0.00
V29	Scale items measuring specificity of means (very unspecified; generally unspecified; generally specific; very specific)	0.00	0.70	0.00
V16	Scale items measuring how many ends and how formally they have been developed	0.00	0.64	0.00
V28	Scale items measuring how means are communicated to organisation members	0.00	0.63	0.00
V19	Scale items measuring specificity of ends (very unspecified; generally unspecified; generally specific; very specific)	0.27	0.51	0.00
V31	Scale items measuring how often the organisation's ends are changed or altered	0.00	0.00	0.91
V32	Scale items measuring how often the organisation's means are changed or altered	0.00	0.00	0.68
V30	Scale items measuring how often the organisation's mission/ fundamental business purpose is changed or altered	0.00	0.00	0.63

(Factor loadings less than 0.250 reported as 0.000)

The factor loadings were rearranged so that for each successive factor, loadings below 0.50 were replaced by 0.00 (except in the case of the factor that double loaded with 2.7 explained above).

*Table 6.17 Univariate statistics for Factor analysis*

	Performance consensus (Factor 1)	Ends and Means specificity (Factor 2)	Ends and means flexibility (Factor 3)
Number of items	8	6	3
Mean <sup>4</sup>	2.95	2.96	2.53
Median <sup>5</sup>	3	3	2.66
Mode <sup>6</sup>	3	3.5	2
Standard Deviation	0.58	0.69	0.93
Variance	0.33	0.48	0.87
Variance explained ( <i>total = 56%</i> )	31%	17%	8%
Cronbach's Alpha coefficient ( <i>All = 0.87</i> )	0.90	0.87	0.80
Eigen value	5.75	3.33	1.83
Squared multiple correlation	0.36	0.55	0.67
Canonical correlation	0.97	0.95	0.92

N=193

The overall Cronbach's Alpha coefficient value of 0.87 was obtained. Performance Consensus yielded a Cronbach's Alpha coefficient value of 0.90, Ends and Means Specificity 0.87 and Ends and Means Flexibility 0.80. Fifty

<sup>4</sup> A measure of central tendency; the arithmetic average (Zikmund, 2005:738)

<sup>5</sup> A measure of central tendency that is the midpoint; the value below which half the values in a sample fall (Zikmund, 2005:738)

<sup>6</sup> A measure of central tendency; the value that occurs most often (Zikmund, 2005:738)

six percent of the total variance has been explained by the factors. The means and modes for each of the factors have been shaded for ease of reference.

*Table 6.18 Factor Correlations for rotated factors*

	Performance consensus	Ends and Means specificity	Ends and means flexibility
Performance consensus	1.000		
Ends and Means specificity	0.186	1.000	
Ends and means flexibility	0.146	0.235	1.000

All three factors are weakly correlated and the factor structure was stable. As noted in table 6.17 these three factors explain 56% of the total variance.

### 6.3 EMPIRICAL FINDINGS: INFERENTIAL STATISTICS

The results of the empirical study are presented as inferences or judgments about the population based on the sample in terms of: non-parametric statistics for tests of differences, variance analysis, linear discriminant analysis, Multivariate Adaptive Regression Splines (MARS) and logistic regression analysis.

### 6.3.1 Multi-way Analysis of Variance (ANOVA)

Multi-way analysis of variance was performed to gain insight into the relationship between the various factors and the independent variables.

The ANOVA presented below relates to the big group of respondents who completed the questionnaires (called group 1; n=193) – group 1. The factor loadings have been transformed to adhere to the requirements of ANOVA. The results are tabulated below.

**Table 6.19 Multi-way ANOVA for Performance Consensus**

PERFORMANCE CONSENSUS (FACTOR 1)					
Independent Variables	Degrees of Freedom <sup>7</sup>	Sum of Squares	Mean Square	F Value <sup>8</sup>	Pr > F
Size of business	1	0.17	0.17	0.19	0.6622
Management Level	3	7.90	2.63	2.90	0.0369
Age	3	2.42	0.81	0.89	0.4487
Level of education	2	7.62	3.81	4.19	0.0168
Formal training in strategy	1	0.01	0.01	0.01	0.9301
Industry	1	2.99	2.99	3.28	0.0718

Shaded rows: Probability value < 0.05

Table 6.19 shows that Performance Consensus (factor 1) is influenced significantly by managerial level ( $p < 0.05$ ) and level of education ( $p < 0.05$ ). (See also tables 6.22 and 6.23 for exploration of the differences).

<sup>7</sup> The number of constraints or assumptions needed to calculate a statistical term (Zikmund, 2005:507).

<sup>8</sup> Represents differences between groups of data by comparing means (Saunders *et al*, 2007:448).

*Table 6.20 Multi-way ANOVA for Ends and Means Specificity*

ENDS AND MEANS SPECIFICITY (FACTOR 2)					
Independent Variables	Degrees of Freedom	Sum of Squares	Mean Square	F Value	Pr > F
Size of business	1	0.91	0.91	1.05	0.3069
Management Level	3	8.17	2.72	3.14	0.0268
Age	3	3.28	1.09	1.26	0.2891
Level of education	2	5.83	2.92	3.37	0.0368
Formal training in strategy	1	8.71	8.71	10.05	0.0018
Industry	1	0.27	0.27	0.32	0.5744

Shaded rows: Probability value < 0.05

Table 6.20 shows that Ends and Means Specificity (factor 2) is influenced significantly by managerial level ( $p < 0.05$ ), level of education ( $p < 0.05$ ) and formal training in strategy ( $p < 0.01$ ). (See also tables 6.24, 6.25 and 6.26 for exploration of the differences).



*Table 6.21 Multi-way ANOVA for Ends and Means Flexibility*

ENDS AND MEANS FLEXIBILITY (FACTOR 3)					
Independent Variables	Degrees of Freedom	Sum of Squares	Mean Square	F Value	Pr > F
Size of business	1	7.28	7.28	7.55	0.0066
Management Level	3	2.68	0.89	0.93	0.4287
Age	3	2.34	0.78	0.81	0.4902
Level of education	2	0.63	0.32	0.33	0.7212
Formal training in strategy	1	0.45	0.45	0.47	0.4947
Industry	1	0.63	0.63	0.65	0.4198

Shaded row: Probability value < 0.05

Table 6.19 shows that Ends and Means Flexibility (Factor 3) is influenced significantly by size of business ( $p < 0.01$ ). (See also tables 6.27 for exploration of the differences).

Variables that have a significant ( $p < 0.05$ /  $P < 0.01$ ) influence on the various factors were investigated further. These are presented in the tables below.

*Table 6.22 Performance Consensus (factor 1) as influenced by managerial level*

	PERFORMANCE CONSENSUS (FACTOR 1)	
MANAGERIAL LEVEL	Mean	Standard deviation
Top management	3.11 a	0.57
Middle management	2.91 ab	0.62
Supervisory level management	2.83 b	0.42
Non-managerial	3.07 a	0.62

All means with different alphabetic indicators differ significantly at  $p < 0.05$ .

Table 6.22 shows that for Performance Consensus (factor 1) supervisory level management scored significantly lower ( $p < 0.05$ ) than top management and non-managerial level employees.

*Table 6.23 Performance Consensus (factor 1) as influenced by level of education*

PERFORMANCE CONSENSUS (FACTOR 1)		
HIGHEST LEVEL OF EDUCATION	Mean	Standard deviation
Post graduate level	2.82 a	0.60
National diploma/ degree	3.02 b	0.55
≤ Matric	3.08 b	0.52

All means with different alphabetic indicators differ significantly at  $p < 0.05$ .

Table 6.23 shows that for Performance Consensus (factor 1) respondents with post graduate degrees scored significantly lower ( $p < 0.05$ ) than those without.

*Table 6.24 Ends and Means Specificity (Factor 2) as influenced by managerial level*

ENDS AND MEANS SPECIFICITY (FACTOR 2)		
MANAGERIAL LEVEL	Mean	Standard deviation
Top management	2.70 a	0.57
Middle management	3.10 b	0.62
Supervisory level management	2.98 ab	0.42
Non-managerial	3.13 b	0.62

All means with different alphabetic indicators differ significantly at  $p < 0.05$ .

Table 6.24 shows that for Ends and Means Specificity (factor 2) top management scored significantly lower ( $p < 0.05$ ) than middle management and non-managerial employees.

*Table 6.25 Ends and Means Specificity (Factor 2) as influenced by level of education*

ENDS AND MEANS SPECIFICITY (FACTOR 2)		
HIGHEST LEVEL OF EDUCATION	Mean	Standard deviation
Post graduate level	2.84a	0.67
National diploma/ degree	3.06b	0.70
≤ Matric	3.03b	0.67

All means with different alphabetic indicators differ significantly at  $p < 0.05$ .

Table 6.25 shows that for Ends and Means Specificity (factor 2) respondents with post graduate qualifications scored significantly lower ( $p < 0.05$ ) than those without.

***Table 6.26 Ends and Means Specificity (Factor 2) as influenced by formal training in strategy***

ENDS AND MEANS SPECIFICITY (FACTOR 2)		
FORMAL TRAINING IN STRATEGY	Mean	Standard deviation
YES	3.10	0.69
NO	2.87	0.67

All means differ significantly at  $p < 0.01$ .

Table 6.26 shows that for Ends and Means Specificity (factor 2) respondents with formal training in strategy scored significantly higher ( $p < 0.01$ ) than those without.

***Table 6.27 Ends and Means Flexibility (Factor 3) as influenced by organisational size***

ENDS AND MEANS FLEXIBILITY (FACTOR 3)		
SIZE OF ORGANISATION	Mean	Standard deviation
Large	2.83	0.94
Small	2.47	0.91

All means differ significantly at  $p < 0.01$ .

Table 6.27 shows that for Ends and Means Flexibility (factor 3) respondents from large organisations (more than 100 employees) scored significantly ( $p < 0.01$ ) higher than those from small organisations.

### ***6.3.2 Comparison between group 1 and group 2***

The following tables present a comparison between the two groups of respondents.

**Group 1:** Respondents to questionnaires (n=193). *Respondents* were defined in Chapter 5 as “those asked to express a personal opinion”.

**Group 2:** Interviewees (CEO’s and managers concerned with strategy) whose interviews have been translated and captured on questionnaires (n=17). Interviewees are regarded as *informants* and were defined in Chapter 5 as those asked to provide information about a situation to which they have privileged access.

The main set of data used in analyses is that of group 1, i.e. the respondents. Data from group 2, i.e. the informants, was only used to corroborate data from group 1.

A non-parametric Mann Whitney test has been applied to test ordinal data that are not normally distributed (as in the case of the smaller group 2).

*Table 6.28 Performance Consensus (factor 1) comparisons between Group 1 (respondents) and Group 2 (informants)*

PERFORMANCE CONSENSUS (FACTOR 1)	Respondents	Informants
	<i>Group 1</i>	<i>Group 2</i>
Mean	2.94	3.2
Standard deviation	0.57	0.56
Sample size	193	17
Mann-Whitney P Value	P = 0.11 (not significant)	

*Table 6.29 Ends and Means (factor 2) comparisons between Group 1 (respondents) and Group 2 (informants).*

ENDS AND MEANS SPECIFICITY (FACTOR 2)	Respondents	Informants
	<i>Group 1</i>	<i>Group 2</i>
Mean	2.96	2.71
Standard deviation	0.69	0.98
Sample size	193	17
Mann-Whitney P Value	P = 0.39 (not significant)	

***Table 6.30 Ends and Means Flexibility (factor 3) comparisons between Group 1 (respondents) and Group 2 (informants).***

ENDS AND MEANS FLEXIBILITY (FACTOR 3)	Respondents	Informants
	<i>Group 1</i>	<i>Group 2</i>
Mean	2.53	2.57
Standard deviation	0.93	0.87
Sample size	193	17
Mann-Whitney P Value	P = 0.97 (not significant)	

Table 6.28, table 6.29 and table 6.30 show that there is no difference between the scores of group 1 (respondents) or group 2 (informants) on any of the three factors. The distribution statistics of the two groups show that the informants corroborate the statistical findings related to the respondents.

### ***6.3.3 Multivariate statistics: Judging approach to strategy-making***

The following tables present comparisons between two extreme approach positions related to each factor.



*Table 6.31 The influence of term focus of the factors (group 1 – respondents)*

TERM FOCUS	Rather <i>long</i> term focus	Rather <i>short</i> term focus
<b>Performance Consensus</b>		
Mean	3.04	2.80
Standard Deviation	0.56	0.57
Number of responses	115	72
Test statistics		
Levene F for variability	0.88	
Pooled T (p value)	0.0061 (p<0.01)	
Mann-Whitney (P value)	0.0076 (p<0.01)	
<b>Ends and Means Specificity</b>	Rather <i>long</i> term focus	Rather <i>short</i> term focus
Mean	3.10	2.70
Standard Deviation	0.63	0.71
Number of responses	115	72
Test statistics		
Levene F for variability	1.96	
Pooled T (p value)	0.0001 (p<0.01)	
Mann-Whitney (P value)	0.01 (p<0.01)	

Ends and Means Flexibility	Rather <i>long</i> term focus	Rather <i>short</i> term focus
Mean	2.68	2.22
Standard Deviation	0.91	0.91
Number of responses	115	72
Test statistics		
Levene F for variability	0.00	
Pooled T (p value)	0.0009 (p<0.01)	
Mann-Whitney (P value)	0.0009 (p<0.01)	

Table 6.31 above shows that for group 1 (respondents) there is a significant difference ( $p < 0.01$ ) between long term focus and short term focus for all three factors.

Group 2 (informants) (not tabulated) showed significant differences ( $p < 0.01$ ) for Ends and Means specificity as well as for Ends and Means Flexibility when related to term focus. However, group two did not record a difference for Performance Consensus, with means of 3.2 and 3.06 for long term and short term focus respectively.

**Table 6.32 The influence of degree of risk taking on the factors (group 1 – respondents)**

<b>DEGREE OF RISK TAKING PREFERRED</b>	<i>Low</i> degree of risk taking preferred	<i>High</i> degree of risk taking preferred
<b>Performance Consensus</b>		
Mean	2.85	3.08
Standard Deviation	0.59	0.52
Number of responses	95	92
<b>Test statistics</b>		
Levene F for variability	1	
Pooled T (p value)	0.0059 (p<0.01)	
Mann-Whitney (P value)	0.0044 (p<0.01)	
<b>Ends and Means Specificity</b>	<i>Low</i> degree of risk taking preferred	<i>High</i> degree of risk taking preferred
Mean	2.97	2.92
Standard Deviation	0.68	0.71
Number of responses	95	92
<b>Test statistics</b>		
Levene F for variability	0.59	
Pooled T (p value)	0.6441 not significant	
Mann-Whitney (P value)	0.6954 not significant	

Ends and Means Flexibility	<i>Low</i> degree of risk taking preferred	<i>High</i> degree of risk taking preferred
Mean	2.58	2.43
Standard Deviation	1.01	0.86
Number of responses	95	92
Test statistics		
Levene F for variability	3.40	
Pooled T (p value)	0.2722 not significant	
Mann-Whitney (P value)	0.2759 not significant	

Table 6.32 above shows that for group 1 (respondents) there is a significant difference ( $p < 0.01$ ) between low versus high degree of risk taking preferred for only one factor, namely Performance Consensus. There is no difference between degrees of risk taking preferred (high versus low) for Ends and Means Specificity or Ends and Means flexibility.

Group 2 (informants) (not tabulated) did not show any differences for any of the three factors when related to degree of risk taking preferred.

**Table 6.33 The influence of comfort with predictability on the factors (group 1 – respondents)**

PREDICTABILITY	Comfort with <i>stability and predictability</i>	Comfort with <i>ambiguity and unpredictability</i>
<b>Performance Consensus</b>		
Mean	2.96	2.94
Standard Deviation	0.55	0.60
Number of responses	118	68
Test statistics		
Levene F for variability	2.05	
Pooled T (p value)	0.7975 not significant	
Mann-Whitney (P value)	0.9255 not significant	
<b>Ends and Means Specificity</b>	Comfort with <i>stability and predictability</i>	Comfort with <i>ambiguity and unpredictability</i>
Mean	3.07	2.72
Standard Deviation	0.66	0.70
Number of responses	118	68
Test statistics		
Levene F for variability	0.43	
Pooled T (p value)	0.0009 (p<0.01)	
Mann-Whitney (P value)	0.0011 (p<0.01)	

Ends and Means Flexibility	Comfort with <i>stability and predictability</i>	Comfort with <i>ambiguity and unpredictability</i>
Mean	2.68	2.20
Standard Deviation	0.96	0.82
Number of responses	118	68
Test statistics		
Levene F for variability	3.97	
Pooled T (p value)	0.0006 (p<0.01)	
Mann-Whitney (P value)	0.0010 (p<0.01)	

Table 6.33 above shows that for Group 1 (respondents) there are significant differences ( $p < 0.01$ ) between comfort with predictability versus unpredictability for Ends and Means Specificity and Ends and Means Flexibility. However, there is no difference recorded for Performance Consensus.

Group 2 (informants) (not tabulated) showed the same significant differences ( $p < 0.01$ ) for Ends and Means specificity as well as for Ends and Means Flexibility when related to comfort with predictability versus unpredictability. Like the results of group 1, no difference for Performance Consensus was recorded.

*Table 6.34 The influence of autonomous/cooperative behaviour on the factors (group 1 – respondents)*

<b>AUTONOMOUS, INDIVIDUAL BEHAVIOUR VERSUS COOPERATIVE, INTERDEPENDENT BEHAVIOUR</b>	<b>Primarily <i>autonomous or individual</i> behaviour preferred</b>	<b>Primarily <i>cooperative, interdependent</i> behaviour preferred</b>
<b>Performance Consensus</b>		
Mean	2.94	2.97
Standard Deviation	0.68	0.50
Number of responses	64	121
Test statistics		
Levene F for variability	11.68	
Pooled T (p value)	0.7070 not significant	
Mann-Whitney (P value)	0.9654 not significant	
<b>Ends and Means Specificity</b>	<b>Primarily <i>autonomous or individual</i> behaviour preferred</b>	<b>Primarily <i>cooperative, interdependent</i> behaviour preferred</b>
Mean	2.71	3.07
Standard Deviation	0.65	0.69
Number of responses	64	121
Test statistics		
Levene F for variability	0.00	
Pooled T (p value)	0.0007 (p<0.01)	

Mann-Whitney (P value)	0.0004 (p<0.01)	
<b>Ends and Means Flexibility</b>	<b>Primarily <i>autonomous</i> or <i>individual</i> behaviour preferred</b>	<b>Primarily <i>cooperative, interdependent</i> behaviour preferred</b>
Mean	2.39	2.56
Standard Deviation	0.99	0.95
Number of responses	64	121
Test statistics		
Levene F for variability	0.64	
Pooled T (p value)	0.2257 not significant	
Mann-Whitney (P value)	0.2217 not significant	

Table 6.34 above shows that for Group 1 (respondents) there is a significant difference (p<0.01) between primarily autonomous versus primarily cooperative behaviour for Ends and Means Specificity. No differences were recorded for Performance Consensus and Ends and Means Flexibility.

Group 2 (informants) (not tabulated) showed a significant difference (p<0.01) for Performance Consensus. However, group 2 did not record a difference for Ends and Means Specificity or Ends and Means Flexibility.



**Table 6.35 The influence of the CEO determining strategy/cooperation on the factors (group 1 – respondents)**

<b>ROLE OF CEO VERSUS EMPOWERMENT AND PARTICIPATION</b>	<b>The <i>CEO</i> determines strategy</b>	<b>High degree of <i>participation and empowerment</i></b>
<b>Performance Consensus</b>		
Mean	2.91	3.01
Standard Deviation	0.58	0.55
Number of responses	95	89
<b>Test statistics</b>		
Levene F for variability	1.62	
Pooled T (p value)	0.2498 not significant	
Mann-Whitney (P value)	0.2715 not significant	
<b>Ends and Means Specificity</b>	<b>The <i>CEO</i> determines strategy</b>	<b>High degree of <i>participation and empowerment</i></b>
Mean	2.75	3.15
Standard Deviation	0.68	0.65
Number of responses	95	89
<b>Test statistics</b>		
Levene F for variability	0.33	
Pooled T (p value)	0.0001 (p<0.01)	
Mann-Whitney (P value)	0.0001 (p<0.01)	

Ends and Means Flexibility	The <i>CEO</i> determines strategy	High degree of <i>participation and empowerment</i>
Mean	2.34	2.66
Standard Deviation	0.96	0.90
Number of responses	95	89
Test statistics		
Levene F for variability	0.42	
Pooled T (p value)	0.0228 (p<0.05)	
Mann-Whitney (P value)	0.0249 (p<0.05)	

Table 6.35 above shows that for Group 1 (respondents) there is a significant difference ( $p < 0.05$ ) for Ends and Means Specificity and Ends and Means Flexibility. No difference is recorded for Performance Consensus.

Group 2 (informants) (not tabulated) showed no differences for any of the factors.

#### ***6.3.4 Predicting dependent variables***

Discriminant analysis and logistic regression analysis were performed to determine how well the determined factors could predict certain variables.

#### ***6.3.4.1 Linear discriminant analysis***

Linear discriminant analysis was performed to determine how well the factors can predict the following:

- Overall profitability or financial performance as compared to current competitors (thus relative profitability based on individual perception)
- Overall organisational performance or success as compared to current competitors (thus relative organisational performance based on individual perception)

The following proviso's were applicable:

Low profitability = in the bottom 50% of the industry

High profitability = in the top 50% of the industry

Low organisational performance = in the bottom 50% of the industry

High organisational performance = in the top 50% of the industry

Performance Consensus (factor 1), Ends and means specificity (Factor 2), Ends and Means Flexibility (factor 3) were loaded as predictor variables (independent variables).

**Table 6.36 Classification matrix for relative profitability**

		Number of cases classified correctly		Actual number
	Percentage correctly predicted	Low profitability	High profitability	<i>Total</i>
Low profitability	79.5%	31	8	<i>39</i>
High profitability	85.9%	21	128	<i>149</i>
				<i>188</i>

Five observations were deleted due to missing values for the explanatory variables

Table 6.36 indicates that the model predicted 80% of low profitability correctly and 86% of high profitability. Performance Consensus (factor 1) and Ends and Means Specificity (factor 2) were used in the predictions. Ends and Means Flexibility (factor 3) proved inconclusive in its prediction value.

The following discriminant function was determined for relative profitability:

Low Profitability	=	10.05 X Factor 1 + 4.5 X Factor 2 - 18.12
High Profitability	=	15.28 X Factor 1 + 3.59 X Factor 2 - 28.84

**Table 6.37 Classification matrix for relative organisational performance**

		Number of cases classified correctly		Actual number
	Percentage correctly predicted	Low performance	High performance	<i>Total</i>
Low performance	88.9%	32	4	<i>36</i>
High performance	89.3	16	134	<i>150</i>
				<i>186</i>

Seven observations were deleted due to missing values for the explanatory variables

Table 6.37 indicates that the model predicted 89% of low organisational performance correctly and 89% of high organisational performance. Performance Consensus (factor 1) and Ends and Means Specificity (factor 2) were used in the predictions. Ends and Means Flexibility (factor 3) proved inconclusive in its prediction value.

The following discriminant function was determined for relative organisational performance:

Low Performance	=	9.65 X Factor 1 + 4.48 X Factor 2 – 17.66
High Profitability	=	15.96 X Factor 1 + 2.78 X Factor 2 – 28.56

#### **6.3.4.2 Multivariate Adaptive Regression Splines (MARS)**

The linear discriminant analysis above showed that certain factors have the ability to predict relative organisational performance and profitability. The Multivariate Adaptive Regression Splines (MARS) was consequently done to

determine circumstances (based on certain variable values) which would either improve or decrease relative financial and organisational performance. The variables that were used included:

- Organisational size;
- CEO involvement in strategy-making
- All three factors were also used as independent variables (i.e. Performance Consensus; Ends and Means Specificity and Ends and Means Flexibility).

The variables, Organisational Size and CEO involvement in strategy-making, were included in the MARS analysis to determine their influence on relative profitability, performance and overall performance in line with literature on moderating factors (Chapter 4). However, Industry was not included as an independent variable, due to the subjective categorization of industries (see table 6.3).

*Table 6.38 MARS regression results for relative Profitability*

MARS regression results					
RELATIVE PROFITABILITY	Degrees of Freedom	Sum of Squares	Mean Square	F Value	Pr > F
Model	8	102.41	12.8	48.87	<.0001
Error	173	45.31	0.26		
Corrected total	181	147.72			
Dependent Mean	3.17				
R-square <sup>9</sup>	0.6932				
Coefficient of variation	16.14				

Table 6.38 presents the MARS model descriptive statistics. The following findings are based on the MARS analysis for organisational profitability as compared to competitors (NOTE: the value given refers to the mean of the factor based on a four point scale):

1. A *decrease* in relative profitability is associated with Performance Consensus (factor 1) scores smaller than 3.375<sup>10</sup>
2. An *increase* in relative profitability is associated with Ends and Means Specificity (factor 2) scores greater than 3.33; but
3. A *greater increase* in relative profitability (than point 2 above) is associated with Ends and Means Specificity (factor 2) scores smaller than 3.33.

<sup>9</sup> Coefficient of determination

<sup>10</sup> The factor mean calculated for a four point scale.

4. An *even greater increase* in relative profitability (than point 2 and 3 above) is associated with Ends and Means Specificity (factor 2) smaller than 2.
5. A *still greater increase* in relative profitability (than point 2, 3 and 4 above) is associated with Ends and Means Specificity (factor 2) scores between 3.33 and 2.
6. A *decrease* in relative profitability is associated with Performance Consensus (factor 1) scores smaller than 3.375 AND Ends and Means Flexibility (factor 3) scores smaller than 2.33.
7. A *decrease* in relative profitability is associated with Ends and Means Specificity (factor 2) scores smaller than 3.33 AND Performance Consensus (factor 1) scores greater than 2.375.
8. An *increase* in relative profitability is associated with parastatals.

#### Summary of critical findings:

Relative 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.

Relative profitability seems to be sensitive to *performance consensus*. As such if performance consensus is not relatively high (3.375 or above) relative 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 relatively 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 relative profitability is at stake.

**Table 6.39 MARS regression results for Relative Organisational Performance**

MARS regression results					
RELATIVE ORGANISATIONAL PERFORMANCE	Degrees of Freedom	Sum of Squares	Mean Square	F Value	Pr > F
Model	7	89.44	12.78	44.74	<.0001
Error	171	48.84	0.29		
Corrected total	178	138.28			
Dependent Mean	3.18				
R-square <sup>11</sup>	0.6468				
Coefficient of variation	16.81				

Table 6.39 represents the MARS model descriptive statistics. The following findings are based on the MARS analysis for organisational performance as compared to competitors (NOTE: the value given refers to the mean of the factor based on a four point scale):

<sup>11</sup> Coefficient of determination

1. A *decrease* in relative performance is associated with Ends and Means Specificity (factor 2) scores greater than 2.
2. An *increase* in relative performance is associated with Ends and Means Specificity (factor 2) scores smaller than 2.
3. An *increase* in relative performance is associated with Performance Consensus (factor 1) scores greater than 3.375 AND Ends and Means Specificity (factor 2) scores greater than 2.17.
4. A *decrease* in relative performance is associated with Performance Consensus (factor 1) scores between 3.375 and 2.625.
5. A *decrease* (although less than point 4 above) is associated with Performance Consensus (factor 1) scores above or below 3.375.
6. A *decrease* in relative performance is associated with small organisations.

**Summary of critical findings:**

Relative 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).

Relative 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 relative performance, although not on relative profitability.

The finding relating to organisational size makes sense when it is interpreted with the MARS results for relative overall organisational performance discussed below (table 6.40) when it is linked to Performance Consensus scores (see discussion of critical findings below).

*Table 6.40 MARS analysis of variance for Relative Overall Organisational Performance*

MARS regression results					
COMBINATION: PROFITABILITY & PERFORMANCE	Degrees of Freedom	Sum of Squares	Mean Square	F Value	Pr > F
Model	7	377.34	53.91	63.07	<.0001
Error	174	148.77	0.86		
Corrected total	181	526.07			
Dependent Mean	6.36				
R-square <sup>12</sup>	0.7173				
Coefficient of variation	14.531				

Table 6.40 presents the MARS model descriptive statistics. The following findings are based on the MARS analysis for a combination of organisational profitability and profitability as compared to competitors (NOTE: the value given refers to the mean of the factor based on a four point scale):

1. A *decrease* in overall performance is associated with Performance Consensus (factor 1) scores smaller than 3.375<sup>13</sup>.

<sup>12</sup> Coefficient of determination

2. An *increase* in overall performance is associated with Ends and Means Specificity (factor 2) scores greater than 3.33; but
3. A higher *increase* (than point 2 above) in overall performance is associated with Ends and Means Specificity (factor 2) scores smaller than 3.33.
4. A *decrease* in overall performance is associated with Ends and Means Specificity (factor 2) scores smaller than 3.33 AND Performance Consensus (factor 1) scores greater or smaller than 2.5.
5. A *decrease* in overall performance is associated with Performance Consensus (factor 1) scores smaller than 3.375 in combinations with a small organisation.
6. An *increase* in overall performance is associated with Ends and Means Specificity (factor 2) scores between than 3.33 and 2.5.

#### Summary of critical findings:

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 relatively high (3.375) in small

<sup>13</sup> The factor mean calculated for a four point scale.

organisations, overall performance decreases. Furthermore, if ends and means specificity is not relatively high (below 3.33) the combination with performance consensus below or above 2.5 decreases overall performance.

#### ***6.3.4.3 Logistic regression analysis***

Logistic regression analysis with the binary LOGIT model was performed to determine how well the following variables could predict performance on each of the factors (used as dependent variables):

- Organisational size
- Industry
- CEO involvement in strategy-making

The above three variables are used on the basis of literature indicating these as moderating factors (Chapter 4).

**Table 6.41 Logistic regression analysis**

ENDS AND MEANS FLEXIBILITY (factor 2) AND ORGANISTIONAL SIZE		Number of cases classified correctly		Actual number
	Percentage correctly predicted	High Flexibility	Low Flexibility	<i>Total</i>
High Flexibility	27.16%	22	59	<i>81</i>
Low Flexibility	79.46%	23	89	<i>112</i>
				<i>193</i>

Table 6.41 presents the prediction model based on the logistic regression analysis. Analysis of maximum likelihood estimates proved that only one variable showed a prediction value in terms of only one factor, this is: Organisational size had an impact on Ends and Means Flexibility (factor 3). The model showed that none of the other variables or factors had relationships worth reporting. Organisational size showed a Chi-square statistic of 0.0129 at the 5% level of significance. Only 27% of high flexibility cases were correctly predicted and 80% of low flexibility cases correctly predicted by organisational size.

The following estimated LOGIT regression function was determined for Ends and Means Flexibility (factor 3):

$$\ln(\text{odds to be in group 1-2}) = -0.5834 - 0.4938 \times VV1_{1-3} + 0.0547 \times VV3_{\text{stable}} + 0.0949 \times VV48_1$$

The above equation shows the regression function where VV1 refers to variable 1 (organisational size); VV3 (industry) and VV48 (CEO involvement

in strategy-making). Only organisational size is seen to contribute toward the prediction of Ends and Means Flexibility (factor 3). Industry and CEO involvement did not contribute towards the prediction of factor 2.

## **6.4 INTERVIEWS WITH INFORMANTS**

As described in chapter 5, seventeen interviews with Top management of various companies were held. Of these 17 top managers, nine were CEO's or MD's of their organisations, two were directors of their organisations and six were managers that were concerned with company strategy, for example one manager was responsible for the entire operational strategy, one was top manager concerned with one of the business units in the organisation, etc. The interviews were conducted in such a way that an open discussion was stimulated. The questionnaire was used by the interviewer to focus the discussion on issues critical to this study. Interview duration averaged an hour and a half of in depth and comprehensive discourse.

### ***6.4.1 Summary description of interviews***

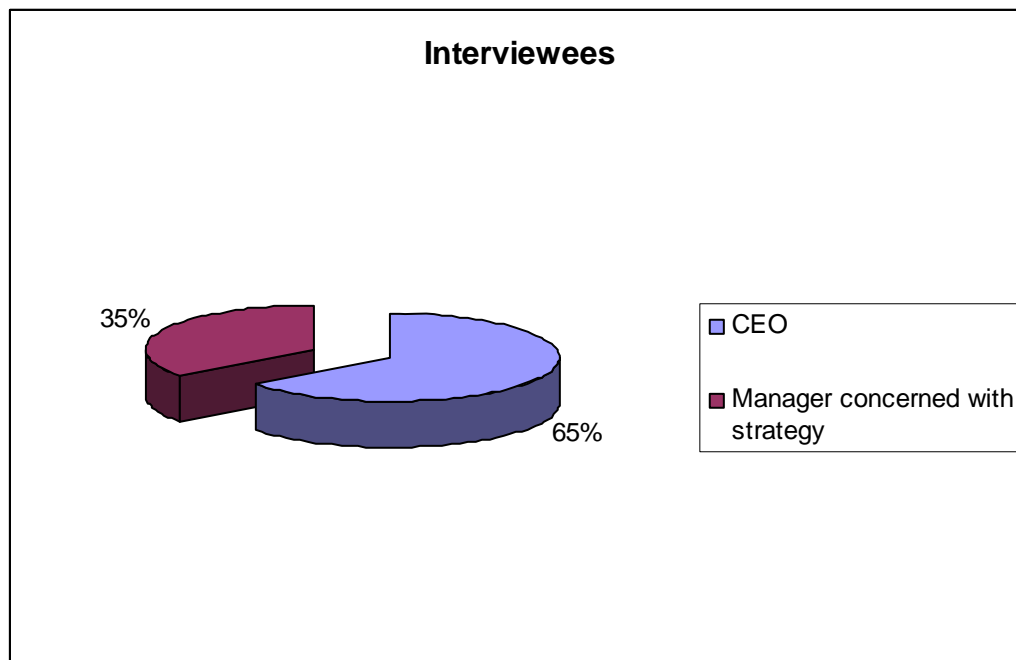
Table 6.42 summarises some of the salient issues that crystallized. The tabulated findings are also presented in pie charts following below to highlight the findings content.

Table 6.42 Results of interviews with CEO's/ managers concerned with strategy

Interviews	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	Average
Duration of interview (minutes)	60	60	45	45	40	90	60	120	60	60	90	45	120	30	60	45	30	62.4min
CEO (1 = YES; 0 = NO)	1	1	0	1	0	1	1	0	1	1	0	0	1	0	1	1	1	64.7%
Manager concerned with strategy	0	0	1	0	1	0	0	1	0	0	1	1	0	1	0	0	0	35.3%
Ideas/guidelines as ends	1	1	0	0	0	1	0	0	1	1	0	0	0	0	1	1	1	47.1%
Formal ends	0	0	1	1	1	0	1	1	0	0	1	1	1	1	0	0	0	52.9%
Formal means	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	94.1%
Emergent strategy	1	1	0	0	0	1	1	0	1	1	1	1	0	1	1	1	1	70.6%
Rational strategy	0	0	1	1	1	0	1	1	0	0	1	0	1	1	0	0	0	47.1%
Emergent Strategy approach intentional/ not haphazard	1	1	-	-	-	0	1	-	0	1	1	0	-	1	1	1	0	66.7%
Operations focus	1	0	1	0	1	0	1	1	0	0	1	0	1	1	1	1	0	58.8%
Product innovation focus	1	1	1	0	0	0	0	0	0	0	0	0	0	0	1	0	0	23.5%
Marketing and sales focus	1	1	0	1	0	1	1	0	1	1	0	1	0	0	0	0	1	52.9%
Large organisation	0	1	1	0	1	1	1	1	0	1	1	0	1	1	0	1	0	64.7%
Small organisation	1	0	0	1	0	0	0	0	1	0	0	1	0	0	1	0	1	35.3%
Growth	1	1	1	0	1	0	1	0	1	1	1	1	1	1	1	1	1	82.4%
Profit	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	94.1%
CEO academic knowledge about strategy	0	1	1	0	1	0	1	1	0	0	1	0	1	1	0	1	0	52.9%
Use of strategy-making and analysis tools	1	1	1	1	1	0	1	1	0	1	1	0	1	1	0	0	0	64.7%
Strategy based on financial targets	1	0	0	1	1	1	0	0	1	1	0	1	0	0	0	0	1	47.1%
Consultants used for strategy-making	0	0	0	0	1	0	1	1	0	1	1	0	0	0	0	0	0	29.4%

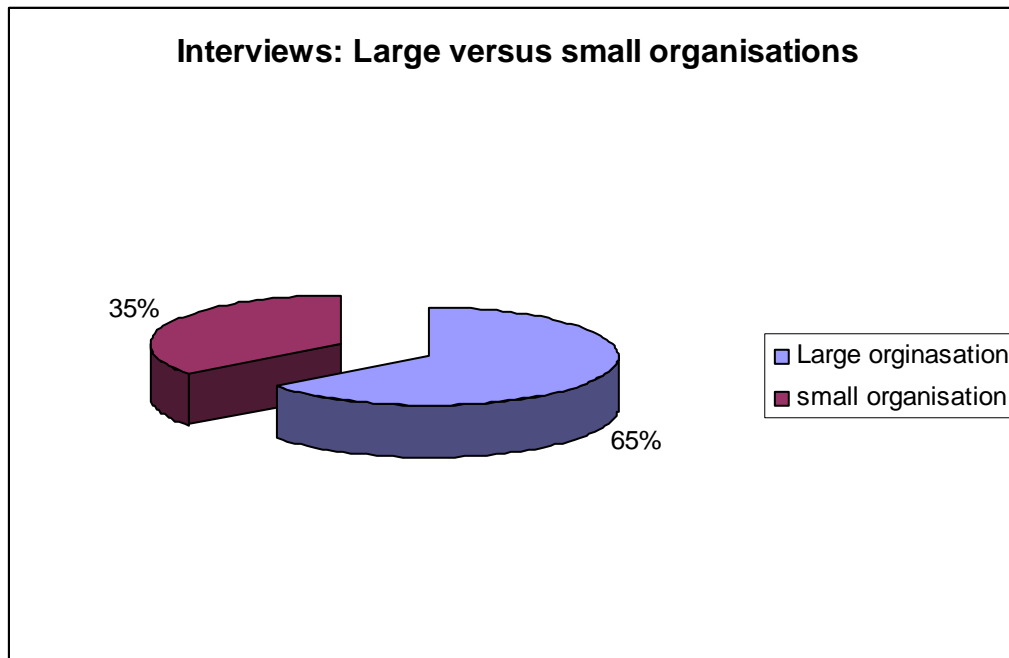


Figure 6.10 below shows the profile of the interviewees, of which 65% were CEO's of the respective organisations. The others were managers concerned with strategy who were strategically positioned in the organisation, such as head of a product segment, strategy advisor to the business unit top manager, head of strategy etc.



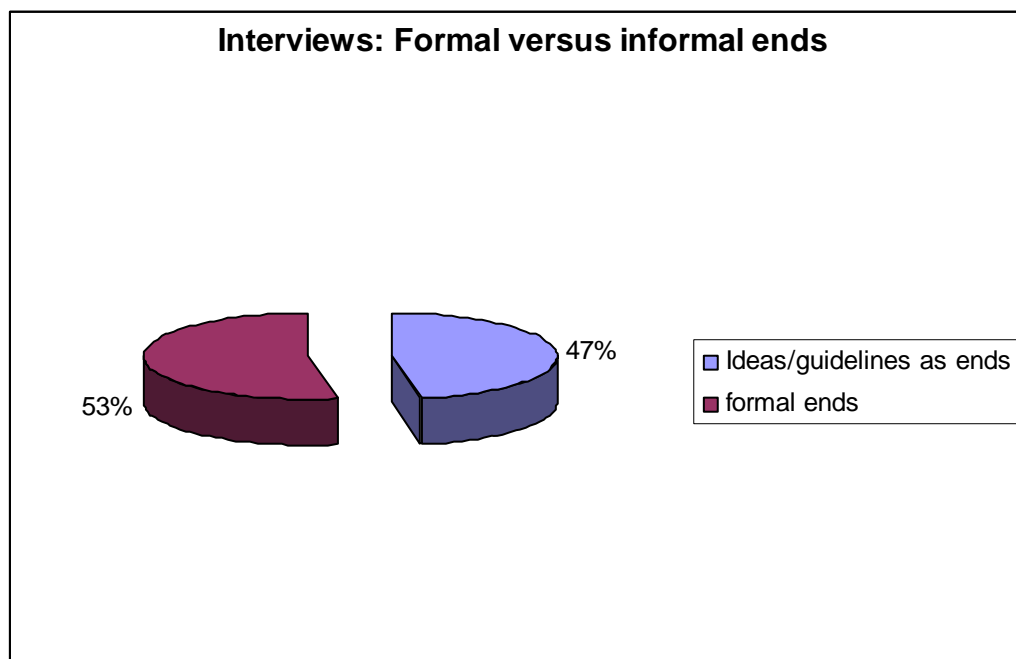
*Figure 6.10 Interviewee profile*

Figure 6.11 below shows that organisational size of the organisations concerned varied between organisations with fewer than 10 employees to organisations exceeding 30000 employees. 65% of the organisations concerned are classified as large organisations, in other words organisations with more than 100 employees.



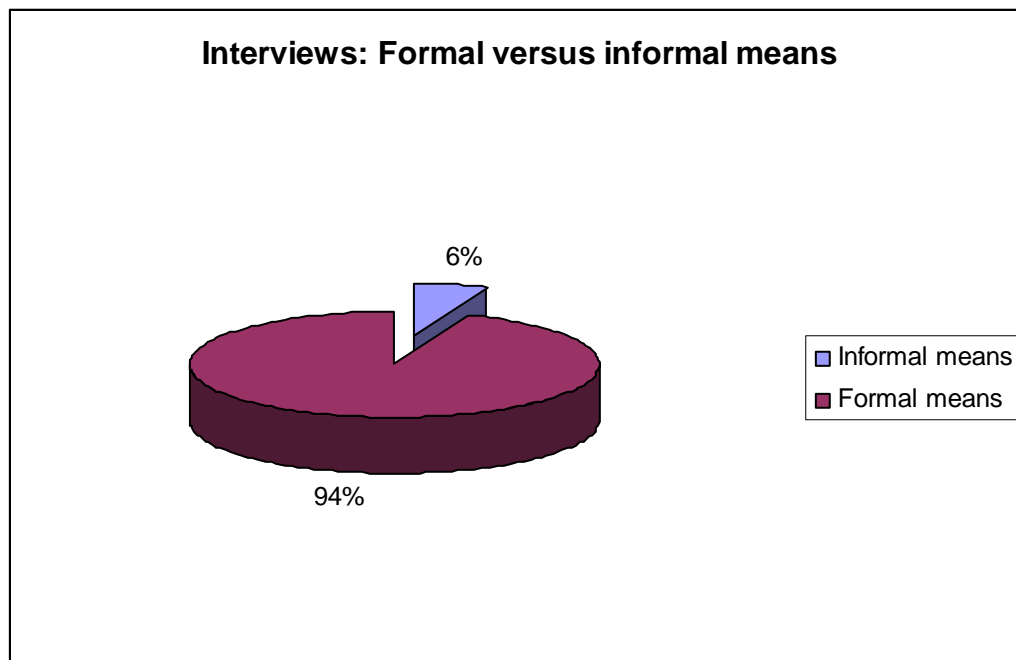
*Figure 6.11 Size of the organisations of the interviewees*

Figure 6.12 below shows that 53% of interviewees indicated that their organisations make use of formal ends, such as quantified objectives, mission and vision statements and articulated and formalized organisational priorities. The interviewees that indicated the use of ideas or guidelines, explained that certain 'pillars', values or strategic thrusts were used to focus organisational activities and effort. However, these were not quantified and although well explained to employees, left room for flexibility and interpretation.



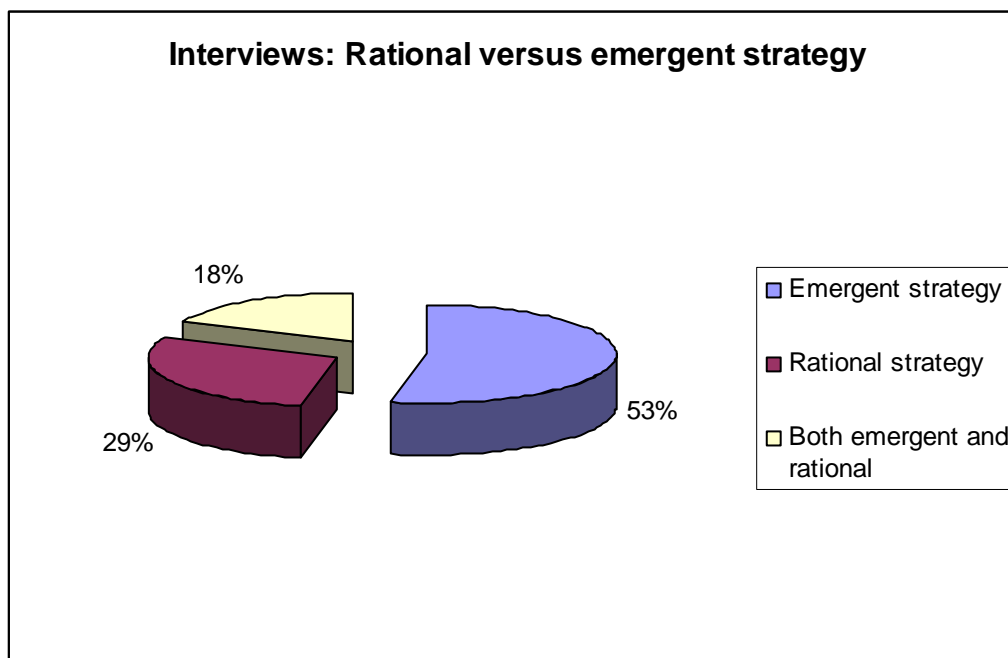
*Figure 6.12 Formal versus informal ends used*

Figure 6.13 below shows the majority of interviewees mentioned that their organisations make use of quantified means to achieve explicit (formalized and communicated) or implicit organisational objectives. Formal means included in all instances budgets and financial targets and in some cases financial ratio's, as well as performance management appraisals.



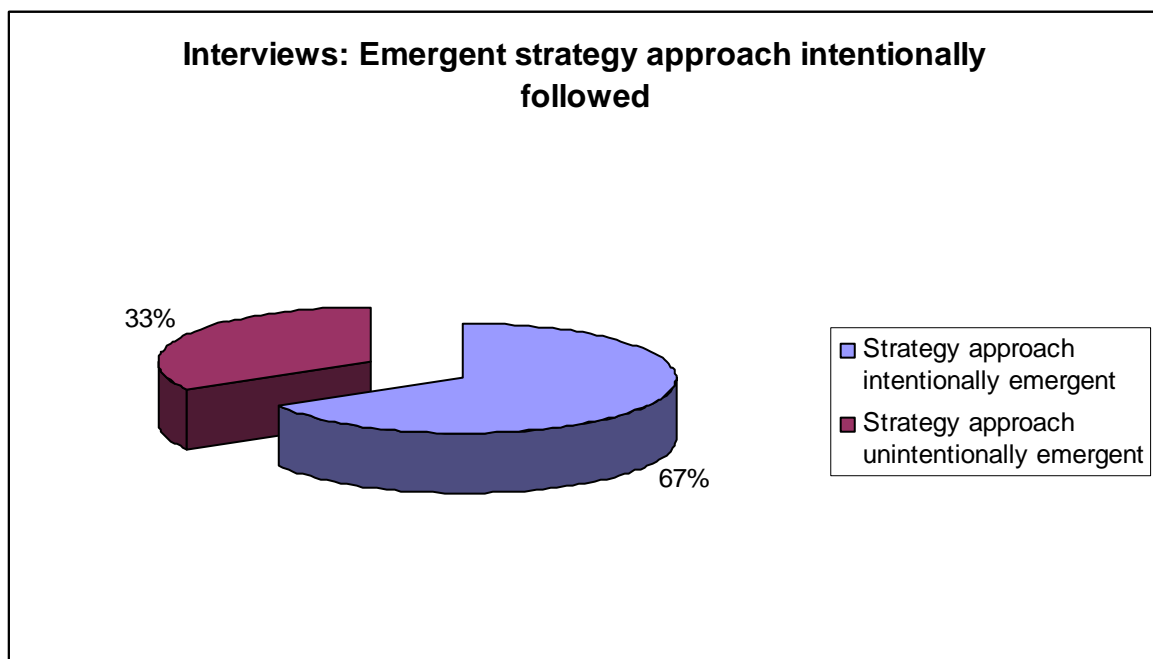
*Figure 6.13: Formal versus informal means used*

Figure 6.14 below illustrates the interviewees perception on the strategy approach followed in their organisations. Although the terms were briefly explained at the onset of the discussions, the interviewees did not explicitly categorised their strategy approaches as either emergent or rational. The classification was done by the interviewer who concluded from in depth discussion which approach was applicable. It can be seen from figure 6.14 below that 53% of the organisations concerned followed an exclusively emergent approach where the emphasis is on strategy that evolves from either implicit or explicit strategic direction. 29% of organisations concerned followed an exclusively rational approach to strategy-making and 18% followed both an emergent and rational approach to strategy-making. The last category contains organisations that use a formalized rational approach as the foundation for strategy, but allow for and even encourage changes to strategy in the course of operations.



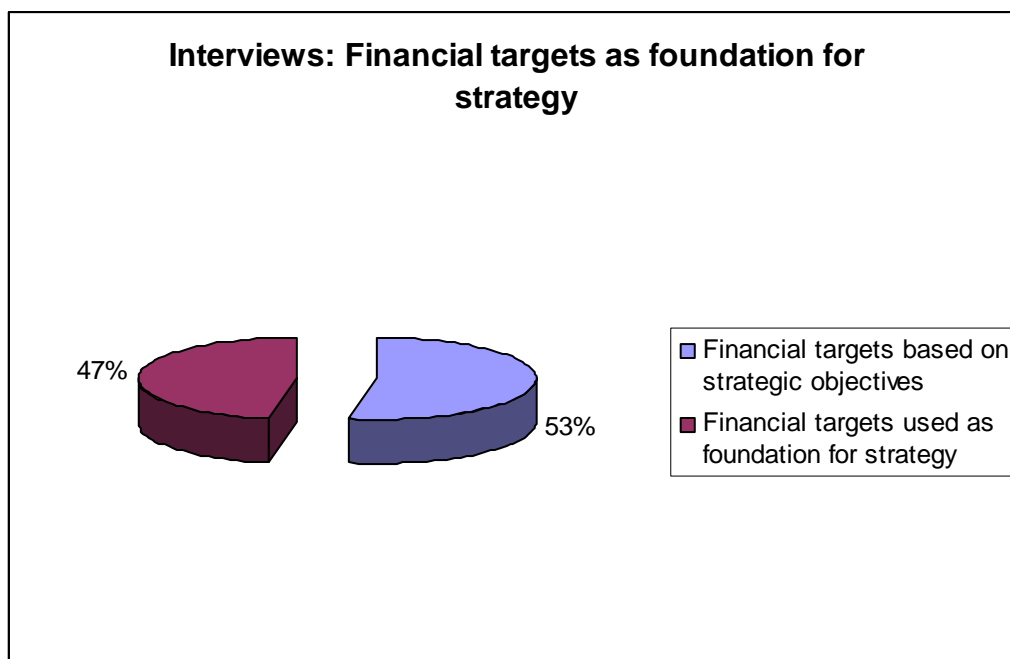
*Figure 6.14 Rational versus emergent strategy approach to strategy-making*

Figure 6.15 below depicts organisations that follow an emergent approach to strategy-making intentionally. In other words 67% of organisations concerned consciously decided to let strategy evolve in stead of following a rational approach. Discipline is typically built into strategy-making through deliberate means. Instances where the interviewer's perception was that interviewees did not consciously consider or thought through the strategy-making approach, but just let strategies emerge, account for 33% of the organisations concerned.



*Figure 6.15 Emergent strategy approach followed intentionally*

Figure 6.16 below depicts the distribution of interviewees that indicated that financial targets are the basis of their strategies. In the interviews it surfaced that 47% of the organisations concerned used means such as budget or financial targets as the basis for their strategies. 53% of interviewees start with their strategic objectives and base their financials and budgets on the established objectives or guidelines.



*Figure 6.16 Financial targets as foundation for strategy*

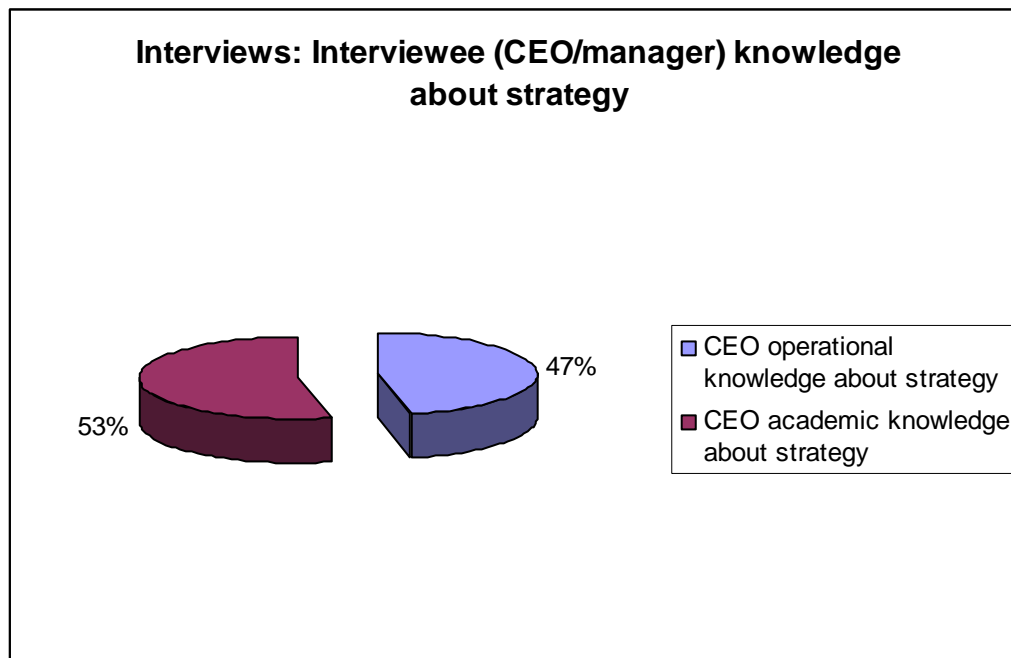
Figure 6.17 below shows that 29% of the organisations concerned made use of external strategy consultants to develop the organisational strategies. 71% of organisations develop strategies in-house through dedicated project teams, strategy departments of top management consensus.



*Figure 6.17 External consultants used for strategy-making*



Figure 6.18 below shows that 53% of the interviewees had academic knowledge on strategy-making. The other 47% had knowledge about how to manage their organisations, but not any prior education or academic knowledge on strategy.



*Figure 6.18 Interviewee academic knowledge about strategy*

#### **6.4.2 Other critical issues addressed in the interviews**

The above tables and graphs summarised some of the main issues that were addressed as part of the semi-structured interviews. There were, however, also issues addressed and mentioned that did not fall within the parameters of the structured questions since each interviewee explained his/her organisation's strategy in unique terms and examples. Other critical issues that emerged are the following:

- Strategy content varied from focus on establishing Black Economic Empowerment relations or networks to growing the organisation in terms of turnover, market share or profits.
- Financial targets formed the foundation of 47% of the organisations' strategy. This is opposed to situations where a strategic direction and objectives are set and financial targets established to ensure attainment of the strategic goals. In these instances (47%) the organisations only consider financial targets and not overarching strategic objectives and then work to achieve the financial targets on an annual basis. One informant (a CEO) mentioned that his employees "must make the budget, no matter what".
- In some instances communication of strategy was mentioned a barrier to strategy implementing. Where the emphasis was on confidentiality of strategy, it was mentioned that strategy was sometimes not operationalised as intended. Conversely, some organisations emphasized openness around their strategy - even to competition. One informant (a manager concerned with strategy) noted that the organisation sometimes "bargain" with competitors about their competitive position in areas where they have strong strategic intentions. Another interviewee (a manager concerned with strategy) indicated that the organisation prefers to be open about strategy in stead of strategy becoming a secret to the tune that organisational strategic intent vanished.
- In organisations that follow the emergent approach to strategy-making or a combination of emergent and rational approaches, specific means and ends are still in place to ensure implementation of strategy. The emergent approach was in most instances planned and well disciplined. As such, organisations follow strategic directives but consciously plan for emergence of strategies.

## 6.5 CHAPTER SUMMARY

In this chapter findings of the empirical study were presented in tabular format. Findings were organized in terms of the descriptive statistics (including the demographics and simple correlation analyses as well as the factor analysis). The factors that emerged from the factor analysis were used in the inferential statistical analyses, including ANOVA, discriminant analysis, logistic regression analysis as well as MARS regression analysis. Important statistical findings were presented highlighting significant relationships, and other critical statistical values such as means etc. The statistical analysis proved both existence and direction of relationships.

In the final chapter the most critical findings are used as basis for conclusions, recommendations and suggestions for further research. The limitations of this study are also addressed.



## CHAPTER 7 RESEARCH CONCLUSION

### 7.1 Introduction

### 7.2 Overview of the literature study

### 7.3 Research objectives and hypotheses revisited

#### 7.3.1 Primary research objective

#### 7.3.2 Secondary research objectives

#### 7.4.1.1 Factors within the construct of strategy-making

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

#### 7.4.1.3 Describing internal organisational dynamics and strategy-making approaches

#### 7.4.1.4 Determining the influence of moderating factors

#### 7.4.1.5 Strategy-making approach and overall organisational performance

### 7.4 Conclusion

#### 7.4.1 Summary of main conclusions

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#### 7.4.3 Contribution of the study

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## 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:

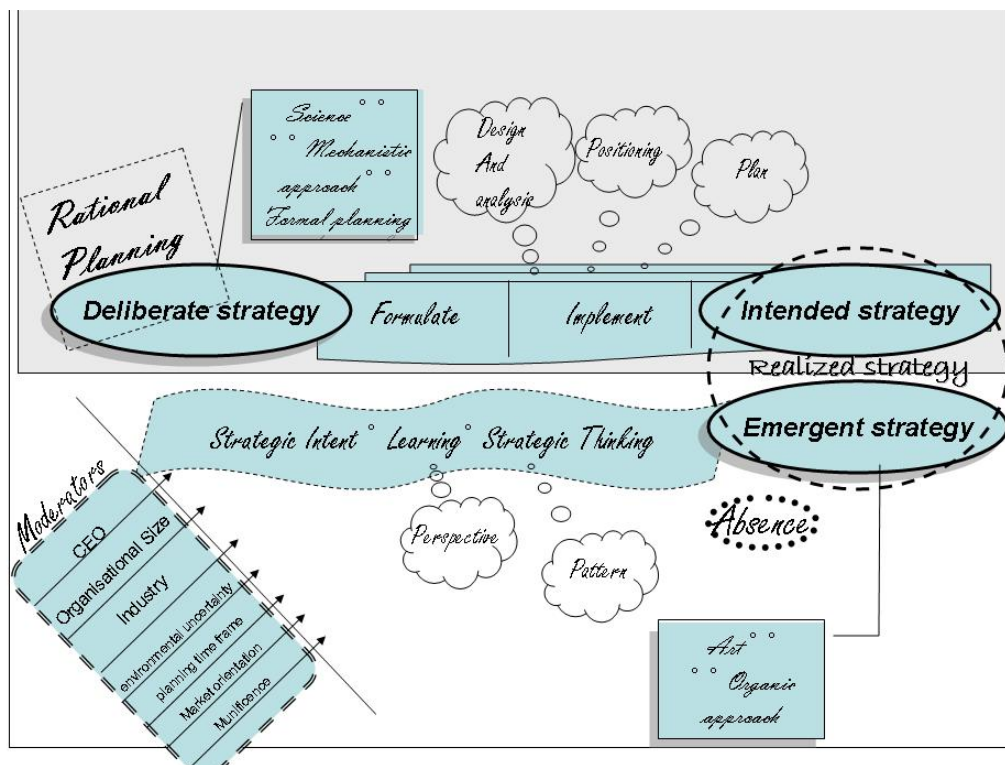
- Strategy creation should not necessarily be separated from implementation, but formulation and implementation can be seen as two integrated phases and on the whole an inseparable process. Contrasting views on this issue were outlined. From this followed the ***conceptual definition***<sup>14</sup> 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:

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<sup>14</sup> 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*<sup>15</sup> 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.

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<sup>15</sup> 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.*

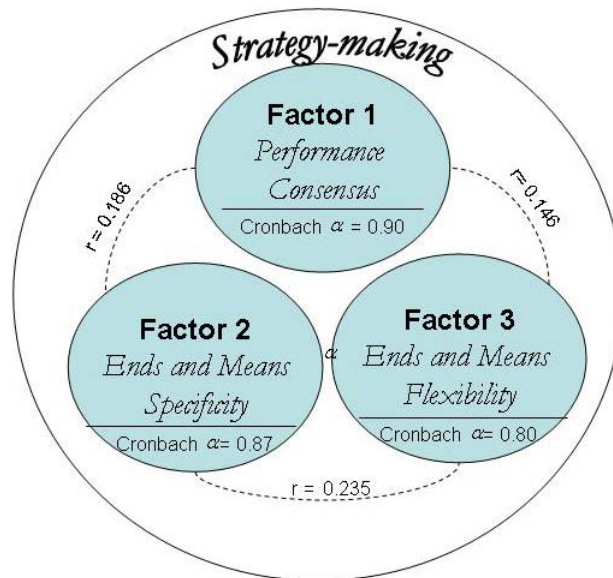
Various conclusions can be drawn from the results of the empirical study specifically relating to the approaches to strategy-making followed in South African organisations.

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<sub>(factor 1)</sub>:  $F = 2.90, p < 0.05$

H2o<sub>(factor 2)</sub>:  $F = 3.14, p < 0.05$

H2o<sub>(factor 3)</sub>:  $F = 0.93, p = NS$

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<sub>(factor 1)</sub>:  $F = 0.01$ ,  $p = NS$

H3o<sub>(factor 2)</sub>:  $F = 10.05$ ,  $p < 0.01$

H3o<sub>(factor 3)</sub>:  $F = 0.47$ ,  $p = NS$

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<sub>(factor 1)</sub>:  $F = 0.19$ ,  $p = \text{NS}$

H4o<sub>(factor 2)</sub>:  $F = 1.05$ ,  $p = \text{NS}$

H4o<sub>(factor 3)</sub>:  $F = 7.55$ ,  $p < 0.05$

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<sub>(factor 1)</sub>:  $F = 1.62$ ,  $p = NS$

H6o<sub>(factor 2)</sub>:  $F = 0.33$ ,  $p < 0.01$

H6o<sub>(factor 3)</sub>:  $F = 0.42$ ,  $p < 0.05$

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.

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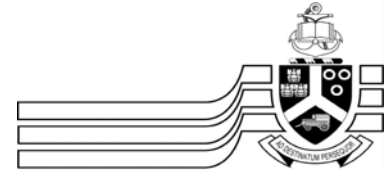
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## ANNEXURE 1: QUESTIONNAIRE AND COVER LETTER



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*An investigation into the nature of strategy as practiced in South African organisations and as taught at South African universities*

Dear respondent,

The following questionnaire is part of an extensive research study undertaken to investigate *how strategy is formed/ created in South African organisations*.

Participation is voluntary and you may withdraw from participation in the study at any time and without negative consequences. By completing this survey,

- I hereby consent to take part in the research study (as mentioned above);
- I understand that the data gathering will be confidential; and
- That the respondents will have access to the data results thereof.

There are no right or wrong answers but it is important to indicate your **personal view** irrespective of what you may believe others will think. It will be highly appreciated if you would complete the questionnaire as thoroughly as possible. All information and responses will be treated as confidential and will not be linked to your organisation or to you as respondent in any way.

Thank you for spending 20 minutes of your valuable time to complete this questionnaire. Without your response this research will not be possible.

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### Instructions for completion:

1. Please answer all questions as objectively as possible.
2. Indicate your answer with a cross  in the space opposite the alternative you choose or in the space where the alternative is provided.
3. Don't ponder too long on a question - your first thoughts are important.



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## SECTION A: BUSINESS AND DEMOGRAPHIC DETAILS

1. What is the size of the organisation where you are employed?

Office use only

Very Small (1-20 employees)	1
Small (20-50 employees)	2
Medium (50-100 employees)	3
Large (>100 employees)	4

V1

2. To which business sector does your organisation belong?

Private sector	1
Parastatal	2
Government/ public sector	3
Other (Specify)	4

V2

3. In which industry does your organisation operate? (e.g. *Health, education, telecommunications, banking, etc.*)

V3

4. Please indicate your position/ level in your organisation

Top management	1
Middle management	2
Lower level management	3
Non-managerial	4

V4

5. How old are you? ..... years

V5

6. What is your highest level of education?

Doctor's degree	1
Master degree (not MBA/MBL)	2
MBA/ MBL	3
Honours degree	4
Degree (=> 3 years)	5
National diploma (3 years)	6
Matric (Grade 12)	7
Less than matric	8

V6



7. Have you had any formal training in strategy?

Yes  No

V7	
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If yes, what type of training? *More than one option is possible.*

A full subject as part of a degree programme	1
A full subject as part of a post graduate degree programme	2
A sub-unit of a subject as part of a degree programme	3
A sub-unit of a subject as part of a post graduate programme	4
As part of a diploma or certificate programme	5
In-house training at my organisation	6
On the job training	7
Other (specify)	8

V8	
V9	
V10	
V11	
V12	
V13	
V14	
V15	

## SECTION B: STRATEGIC ENDS SPECIFICITY

### Definitions:

**Ends:** are 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 organisation concerned. Ends relate to **what** an organisation intends to achieve.

**Means:** are the patterns of action which allocate organisational resources into postures that, once implemented, increase the probability of attaining organisational ends. Means relate to **how** an organisation intends achieving ends. E.g. means include **strategies of policies, alternatives, programmes, action plans or initiatives.** (Brews & Hunt, 1999)

1. Please indicate what *mostly* describes your organisation:

No ends have been developed for our organisation in the strategy formation process	1
A few (less than 5) ends have been developed for our organisation in the strategy formation process, but they remain undocumented and informal	2
A few (less than 5) ends have been developed for our organisation and formally documented in the strategy formation process	3
A number (greater than 5) of ends have been developed for our organisation in the strategy formation process, but they remain undocumented and informal	4
A number (greater than 5) of ends have been developed for our organisation and formally documented in the strategy formation process.	5
Many ends have been developed for our organisation and formally documented in the strategy formation process, including a statement of firm mission/purpose, and specification of strategic objectives/goals for different areas of the organisation.	6

V16	
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2. Please indicate the approximate percentage of ends for your firm that have quantified measures included in their terms, allowing you to tell *fairly exactly* or to *determine with confidence* whether or not they have been achieved:

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1	2	3	4
0 – 25%	25% – 50%	50% - 75%	75% - 100%

V17

3. Please indicate the approximate percentage of firm ends that have time limits included in their terms, stating an *exact time* by which they must be achieved:

1	2	3	4
0 – 25%	25% – 50%	50% - 75%	75% - 100%

V18

4. Indicate *in general* the specificity of your organisation's ends.

*For example, very specific ends would be those which identify exact objectives (achieving sales growth of 10% per annum, or achieving a return on investment of 15% per annum) such that little need for interpretation or further explanation exists. A broad, unspecified end could be "to become the best electronics retailer in the world" or "the purpose of this firm is to develop competitive electronics products in its chosen market niche."*

Please indicate the *one* statement which best describes your organisation's ends.

1	2	3	4
Very unspecified	Generally unspecified	Generally specific	Very specific

V19

5. Please indicate the types of ends which usually are included in your organisation's strategic plan, or usually emerge from your organisation's strategy formation process. *You may indicate more than one statement.*

A statement of your organisation's mission or fundamental purpose	1
Broad statements of key strategic objectives for the organisation, which tend to change/ evolve as circumstances warrant	2
Broad, enduring statements of key strategic objectives for the organisation over the foreseeable future, which emerge fully developed from the planning process, and tend not to change until achieved	3
Statements of specific financial targets to be achieved either annually, or over the foreseeable future, for example ROI targets, profitability targets, or other targets of financial performance	4
Statements of specific market share/sales growth targets for the organisation	5
Statements of specific key result areas/objectives for many/all functions/operations of the organisation, providing key measurements of vital organisational activities. Achievement of these key results/objectives is considered important, and part of employee compensation is based on such achievement	6

V20

V21

V22

V23

V24

V25



## SECTION C: STRATEGIC MEANS SPECIFICITY

1. Please indicate which **one** statement best describes your firm. Note that the last two statements differ only in the underlined sentences.

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V26

No specific strategic plans or policies have been developed to guide the organisation. The organisation's strategic direction is determined based mainly on the intuition of the organisation's founder(s)/owner(s)/senior managers. This direction evolves as circumstances warrant, as the organisation succeeds or fails in its activities. Organisational strategies have tended to emerge as the organisation learns from its experiences.	1
The organisation has a broad strategic plan in place, but this plan is considered a loose guide and is not strictly adhered to, and tends to change as the organisation succeeds or fail in its activities. This plan contains no specific, detailed action plans or programmes that the organisation is expected to implement. Strategies have tended to develop and emerge over time.	2
The organisation has developed a strategic plan, which includes specifically developed means, but this plan is considered a loose guide, which is either ignored, or loosely followed. The plan contains no specific, detailed action plans or programmes that the organisation is expected to implement.	3
The organisation has a carefully developed strategic plan, detailing on a step-by-step basis a number of specific actions and programmes the organisation is implementing, or will implement in order to achieve its objectives, and thus accomplish its ends. This plan, developed after careful deliberation, it typically fully formed and complete once the planning cycle is finished, <u>The organisation is currently implementing this plan, but expects (and allows for) non-material changes as implementation proceeds.</u>	4
The organisation has a carefully developed, comprehensive strategic plan, detailing on a step-by-step basis a number of specific actions and programmes the organisation is implementing, or will implement in order to achieve its objectives, and thus accomplish its ends. This plan, developed after careful deliberation, is typically fully formed and complete once the planning cycle is finished. <u>The organisation is currently implementing this plan, as outlined.</u>	5



2. Please indicate the **one** statement which **best describes** your organisation's strategic plan:

current

Office use only

V27

No specifically developed strategic plans of any substance	1
A broad, general statement of organisational plan and policies, with no detailed action plans or programmes that can be or are used to direct organisational activities or monitor organisational performance. Plans are not considered complete once the planning cycle is finished, but tend to evolve as circumstances warrant.	2
Mostly a broad, general statement of organisational plans and policies, but with some action plans or programmes which are not detailed enough to direct organisational activities or monitor organisational performance	3
A statement of organisational plan and policies, with some detailed action plans or programmes which are considered fully formed and complete at the end of the planning cycle, and are used to direct organisational activities and/or monitor organisational performance	4
A comprehensive, written, detailed, complete statement of organisational plans and policies, containing specific action plans and programmes which are continually referred to to direct organisational activities and monitor/measure organisational performance. Plans and programmes are linked to strategic goals and objectives, and compensation is partly based on performance against plan.	5

3. Please indicate how your organisation's means are communicated to organisation members. Please select the **one** statement that **best describes** your organisation:

V28

No specific effort is made to communicate organisational means to organisation members. Only those directly responsible for developing the means need to know of their contents.	1
Through informal discussion/word of mouth, in a broad, general fashion	2
Through formal meetings, where organisational means are communicated verbally	3
Through the distribution of documents explicitly containing firm means	4
Through the distribution <u>and</u> informal discussion of documents explicitly containing organisational means	5
Through the distribution <u>and</u> formal discussion of documents explicitly containing organisational means	6



4. Indicate *in general* the specificity of your organisation's 'means'.

*For example, very specific means would describe exact plans or programmes the firm must implement, and set out on a detailed basis the steps required to achieve implementation. Typically, management's major task (once the means are suitably developed and articulated) would be to measure performance against plan. Very unspecified means would be broad, general statements of an organisation's strategic intention, with little detail or steps intended to guide specific organisational action.*

Please indicate the **one** statement which best describes your organisation's means.

1	2	3	4
Very unspecified	Generally unspecified	Generally specific	Very specific

V29	
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### Strategic ends and means flexibility

5. Please select the **one** statement that indicates how often your organisation's *mission/fundamental business purpose* are changed or altered:

Almost continuously, as conditions and circumstances warrant.	1
Often, say every six months or so.	2
Quite often, say every 1-5 years	3
On a specific planning time cycle, for example annually, or every two years	4
Occasionally, say every 5-10 years	5
Seldom, say every 10-20 years or so	6
Never. The organisation's <i>mission/fundamental purpose</i> have remained the same since the organisation's inception	7

V30	
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6. Please select the **one** statement that indicates how often your organisation's *ends* are changed or altered:

Almost continuously, as conditions and circumstances warrant.	1
Often, say every six months or so.	2
Quite often, say every 1-5 years	3
On a specific planning time cycle, for example annually, or every two years	4
Occasionally, say every 5-10 years	5
Seldom, say every 10-20 years or so	6
Never. The organisation's ends have remained the same since the organisation's inception	7

V31	
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7. Please select the **one** statement that indicates how often your organisation's *means* are changed or altered:

Almost continuously, as conditions and circumstances warrant.	1
Often, say every six months or so.	2
Quite often, say every 1-5 years	3
On a specific planning time cycle, for example annually, or every two years	4
Occasionally, say every 5-10 years	5
Seldom, say every 10-20 years or so	6
Never. The organisation's <i>means</i> have remained the same since the organisation's inception	7

V32	
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## SECTION D: ORGANISATION PERFORMANCE MEASURES

1. Please select the **one** choice in each line which you feel **best** indicates how *your* organisation currently compares to competitors in your organisation's primary industry – according to percentage quartiles. If not applicable, select the choice included for this purpose. Please be as accurate and objective as possible.

Characteristic	Not applicable	(Bottom) Quartile 1 0-25%	Quartile 2 25-50%	Quartile 3 50-75%	(Top) Quartile 4 75-100%
	0	1	2	4	5
Overall profitability or financial performance	0	1	2	4	5
Share price performance	0	1	2	4	5
Overall organisational performance/success	0	1	2	4	5

V33	
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V34	
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V35	
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2. Please rate your organisation's performance according to the factors listed in 1-6 below, applying the following scale:

		Low	Moderate	High	Very High	
1	Overall effectiveness of your strategy formation and strategic planning processes	1	2	3	4	V36 <input type="text"/>
2	Degree of satisfaction among top management with your organisation's strategy formation/strategic planning processes	1	2	3	4	V37 <input type="text"/>
3	Degree of satisfaction among all the organisation's members with your organisation's strategy formation/strategic planning processes	1	2	3	4	V38 <input type="text"/>
4	Positive effects of your organisation's 'ends' and 'means' on overall firm competitiveness	1	2	3	4	V39 <input type="text"/>
5	Degree to which your organisation's 'ends' provide goals to effectively guide and stimulate the organisation's actions and behaviours	1	2	3	4	V40 <input type="text"/>
6	Degree to which your organisation's 'means' provide effective competitive strategies to influence/direct the organisation's behaviour, and enable the organisation to effectively and successfully compete	1	2	3	4	V41 <input type="text"/>





## SECTION E: APPROACH TO STRATEGY

Consider how strategy is formed in your organisation and your organisation's approach to strategy. Study the idea carefully and mark your opinion.

Choose the **one** statement that you rather support and then determine the strength by marking **either** a 1 or 2 for the left hand statement **OR** a 3 and 4 for the right hand statement.

*For example:*

	Agreement strength				
	Strong	Weak	Weak	Strong	
<i>Statement 1</i>	1	2	3	<del>4</del>	<i>Statement 2</i>

	<b>Or</b>		
<i>Statement</i>		<i>Statement</i>	
Rather long term focus		Rather short term focus	V42
1	2	3	4

	<b>Or</b>		
<i>Statement</i>		<i>Statement</i>	
Predictability and consistency is most important in strategy		Flexibility and creativity is most important in strategy	V43
1	2	3	4

	<b>Or</b>		
<i>Statement</i>		<i>Statement</i>	
Low degree of risk taking is preferred		Greater degree of risk taking is preferred	V44
1	2	3	4

	<b>Or</b>		
<i>Statement</i>		<i>Statement</i>	
High degree of comfort with stability is preferred		Ambiguity and unpredictability is acceptable	V45
1	2	3	4

	<b>Or</b>		
<i>Statement</i>		<i>Statement</i>	
Primarily autonomous or individual behaviour is preferred		High level of cooperative, interdependent behaviour is preferred	V46
1	2	3	4



	<i>Statement</i>		<b>Or</b>		<i>Statement</i>			
	Top-down approach to strategy is typical	1	2	3	4	Bottom-up approach to strategy is typical	V47	

	<i>Statement</i>		<b>Or</b>		<i>Statement</i>			
	The CEO determines the strategy	1	2	3	4	High degree of participation and empowerment is prevalent	V48	

V49	
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