

COVER PAGE

Strategy-making modes: considerations for responsible leaders in South Africa

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The data used in this study forms part of data that was collected in the course of a doctoral thesis completed in 2008 and as such has been approved through stringent University of Pretoria processes verifying that the data and collection methods were ethical.

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Abstract

This article explores strategy-making modes within organisations. The implications of certain strategy-making approaches for the responsible leader as an architect or change agent are highlighted. The study on which this article is based, showed that the use of emergent strategy-making is as prevalent as the use of deliberate strategy-making in South African organisations. This article reports on the thinking of organisational leaders, managers and non-managers regarding strategy-making processes and records empirical findings from mixed method research. It was found that emergent strategy-making is associated with quick response and adaptation to environmental changes, more autonomous decisions and actions, less control and higher intangibility whereas the deliberate strategy are known for its clear objectives, articulated vision and direction and specific ends and means. It is recommended that organisational leaders should take cognisance of the growing use of emergent strategy-making as well as its characteristics in facilitating effective governance. A knowledge and understanding of these characteristics of strategy-making modes should be sought to serve as guideline for organisational leaders who want to be responsive and responsible in all their actions areas for future research.

Key words

Responsible leadership

Corporate governance

Strategy-making modes

Deliberate strategy

Emergent strategy

Context

Figure 1. Research context



Why strategy-making research is important for the responsible leader

In South Africa very limited research is found on the subject of strategy-making. The contribution of this article lies in what this research reveals about the practice of strategy and not merely on the level of academic conversation. It answers to the appeal to uncover managerial agendas and explores the implications of the practice of strategy (Whittington, 2004). As such, a plea is made for responsible leadership in an organisational environment where the mode of strategy-making has evolved from a well defined process associated with improved governance to an emergent approach posing increased governance challenges.

This article highlights the relevance of strategy-making research for the responsible leader. Balogun, Huff and Johnson (2003) implore researchers to consider the inter-relatedness of depth, breadth, diversity and relevance in research on strategy-making. Particular relevance is sought within the cadre of responsible leadership when the authors delve into the characteristics of strategy-making approaches and highlight the considerations for the responsible leader. The article finds that the emergent approach to strategy-making is as prevalent in South African organisations as the traditional deliberate approach to strategy-making. This in turn emphasises the need for responsible, ethical leadership in South African organisations (King 2009).

Researchers are furthermore urged to rethink the way they conduct research on strategy-making as traditional research approaches through mostly case studies and ethnography cannot on its own generate the data needed (Balogun et al, 2003). Traditional research is as such rarely multi-organisational and therefore limited in its generalisability as well as relevance. This article addresses methodological shortcomings outlined by Balogun et al (2003) in that data was collected on multiple organisational levels, willing commitment was elicited from informants who were instrumental in facilitating data gathering and who were in turn provided with personally useful insights about their organisations as well as provided varied amounts of evidence. The research furthermore involved engagement with lower levels of management (Wooldridge and Floyd, 1994) and not just top management. It furthermore attempts with mixed method research to address issues of insufficient methodology of strategy research in general and strategy-making research in particular, where it has been noted that “little quantitative research has been undertaken to verify the existence of complementary processes of strategic emergence and planning” (Andersen and Nielsen, 2009, p.94). This in turn confirms what is

really happening in practice with regard to strategy-making and strengthens the call for effective governance which cannot be ignored by the responsible leader as actors of strategy who want to lead for long term sustainable success.

Literature overview

In recent years the demand on leaders to lead in a way that is responsible towards the environment, society, the business organisation and a variety of stakeholders has increased greatly. Responsible leadership calls for leaders to act in a business environment that has lost legitimacy and trust due to unethical misconduct in various shapes and forms (IoD, 2009; Maak and Pless, 2006). This heightened awareness of the necessity for responsible leadership has brought effective corporate governance to the fore. Reasons for the increased need to improve governance include amongst others, the global corporate scandals and collapses, financial crisis as well as several cases of poor management and unethical behaviour (IoD, 2009; IoD, 2002; Rossouw and Van Vuuren, 2007). Responsible leaders are challenged to govern their organisations more effectively with an increased focus on amongst others, the practice of strategy-making.

Corporate governance

The term corporate governance is often defined as the way in which organisations are directed and controlled (Cadbury, 1992; Rossouw and van Vuuren, 2007). The board of directors should act as the custodian of corporate governance and should exercise leadership when providing effective strategic direction and control to ensure sustainable business success (IoD, 2009, p. 20& 29). However, performance needs to be balanced with conformance. Where conformance

refers to the compliance dimension of corporate governance and the responsibilities of various oversight mechanisms within organisations, the performance dimension focuses on strategy and value creation (IFAC, 2004 p.4). The focus is on assisting the board to make strategic decisions, understand its appetite for risk, its key drivers of performance and its key-points of decision-making.

In South Africa, the third King Report on Corporate Governance (*hereafter referred to as King III*) specifically highlights the pro-active role that the board of directors should play in the strategy-development processes of the organisation taking into account the dynamics of the changing external environment and changing market conditions whilst balancing the need for conformance and performance (IoD, 2009, p. 29). It is noted that the tendency of strategies to develop incrementally is associated with periodic transformational change (IFAC, 2004, p.4). However, there is the danger that the incremental change of strategy does not match the pace of the change of the environment. Organisational leaders are faced with increased risks associated with these times of transformational change and should show responsible leadership in guiding the strategy-setting initiatives of the organisation.

King III furthermore emphasises the role of the responsible leader in directing strategy (IoD, 2009, p. 19). It is noted that the board should appreciate that strategy, risk, performance and sustainability is inseparable. The Board and management, as responsible organisational leaders, should therefore ensure that the strategy is aligned with the purpose of the company, the value drivers of its business and the legitimate interests and expectations of its stakeholders. King III calls attention to the fact that strategy should not be encumbered by risks that have not been

thoroughly examined by management and should ensure that the strategy will result in sustainable outcomes (IoD, 2009, p.22).

It is clear that the responsible leader has to understand and oversee not only the implementation of strategy, but especially the making of strategy. This is where risks, expectations and alignment between goals and actions are examined and contemplated by the responsible leader.

The roles of the responsible leader

Various roles of responsible leaders are identified by Maak and Pless (2006). The role of the responsible leader as architect and change agent is especially important for this article. The responsible leader is regarded as an *architect* who has to design processes and systems which are integrated with the shared organisational vision and objectives. If this design happens consistently it increases alignment of all organisational systems and processes with the strategic objectives. It follows then that strategy-making as a creative process of designing strategies is a critical consideration for the responsible leader.

The second important role of the responsible leader is that of *change agent*. Leaders find themselves in a complex and uncertain global business environment. It is inevitable that they should portray a guiding vision to guide them through this dynamic environment, which Maak and Pless (2006, p.99) refer to as “uneven and sometimes murky waters”. The responsible leader has to maintain follower commitment to the organisational purpose and has to assist in sense-making activities to reduce environmental complexities. The importance of this role is emphasised when the need for emergent strategies are highlighted and explained below.

The above discussion on corporate governance and responsible leadership tend to return to the role of strategy as a means to govern the organisation and guide responsible leadership.

Consensus definition of strategy

According to Nag, Hambrick and Chen (2007), 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) 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.

Nag *et al.* (2007) came up with an academic definition of strategy which they believe encompasses all the relevant elements of the construct based on exhaustive research in major management journals. Their consensual definition can be stated as (Nag *et al*, 2007 p.944):

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

The above definition is especially important to this research for the reference to “intended and emergent” initiatives.

Divergent views of strategy-making modes

The research presented herein highlights some of the opposing views on strategy-making, where a continuum crystallises with on the one extreme a more formal rational approach to strategy-making and on the other an approach where strategy is the result of an adaptive process and strategies evolve as circumstances warrant and certain organisational patterns become clear.

Volberda (2004, p. 35) notes that strategy displays a break with the traditional notion that strategy is only regarded as a prescriptive process of top-down control, formal planning, and industry analysis. As such adaptive approaches to strategy-making are suggested as the alternative to a more formal, rational approach to strategy-making (Burgelman, 1983, 1988, 1996; Mintzberg, 1994).

Two approaches are positioned as alternative approaches. These are descriptive of opposing views on strategy-making but are not mutually exclusive. Harrington, Lemak, Reed and Kendall (2004, p.17) propose that the deliberate view and emergent view 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 p.17).

Organisations tend to follow a specific approach or a combination of the two (this will be substantiated by a discussion of the findings later in the article).

The result of the strategy-making approach is in the form of three broad outcomes

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, Ahlstrand and Lampel, 1998 p.9).

Strategy traditionally represented all that was rational, well thought through and essentially provided a sound direction and basis for organisational activities. This would typically translate in governance terms into sound discipline, transparency of decision-making and coordinated operational efforts which can be controlled and monitored effectively. Knights and Mueller (2003 p.58) argue that the discipline derived from strategy would have a further 'side-effect' of securing the support of fund managers and organisational shareholders. Furthermore the demonstration of purpose through strategy to regulators, interest groups and stakeholders would typically have a positive effect on public relations. This emphasises the role that strategy plays in responsible leadership, where all stakeholders have to be considered and their needs appreciated (Maak and Pless, 2006; Pless, 2007).

This distinction between the two opposing views becomes critical for governance when it is considered that the deliberate mode of strategy-making is regarded as a rational analytical approach to assess environmental conditions, coordinate organisational actions, and set a strategic direction (Ansoff, 1965,1991; Schendel and Hofer, 1979; Andrews, 1981). This rational mode of strategy-making presents a strategy that provides a unified purpose and direction to the

responsible leader. The responsible leader becomes the architect of a well defined and integrated strategy aligning all systems and processes within the organisation. The deliberate process of strategy-making is typically associated with increased control, which could facilitate improved governance.

Conversely, the adaptive strategy-making mode or strategy emergence has been explained as organisational contexts where lower level managers sometimes take actions and make decisions of strategic importance even without the awareness or approval of top management (Mintzberg, 1994; Burgelman, 1996; Andersen and Nielsen, 2009). As such decisions are made within a decentralized structure and these subsequent actions then become part of the organisation's strategy (Burgelman, 1983, 1988; Andersen and Nielsen, 2009). Although this could assist organisations in dynamic environments to react and adjust timely to changes in the environment (Huber, 1990; Andersen and Nielsen, 2009), it could also have some adverse effects on corporate governance. The lack of coordination of actions and the freedom to make autonomous decisions, make control all the more difficult. This could also increase risk of unethical behaviour where accountability for actions is not clearly identified. The role of the responsible leader as change agent is clearly seen in the emergence of strategies since strategies are adaptive in nature and evolve as a response to environmental changes and complexities.

Another important distinction in view of corporate governance between the deliberate and emergent mode is the separation or integration between formulation and implementation. The deliberate approach to strategy-making is associated with a well defined process of formulation, implementation and evaluation (Idenburg, 1993). This clear demarcation implies that the

monitoring of strategy implementation can take place after careful analysis and design of strategy have been done. This implies a strategy-making process where leaders have more control over designing a well-defined strategy which aligns all processes and systems with an articulated vision. This could ultimately satisfy principles of good corporate governance and ensure that the strategy is not encumbered by risks that have not been thoroughly examined by management and that expectations of stakeholders have been taken into account (IoD, 2009, p.22).

On the other hand, some authors argue that a sequential process which separates formulation and implementation cannot be justified, since strategy formulation and implementation cannot always be separated. This is especially true within the explanation of emergent strategies. Emergent strategies are typically implemented “on the go” and not according to a previously formulated strategy process (Mintzberg, 1987; 1990; 1994; Mintzberg, Quinn and Goshal, 1995; Heracleous, 1998; Inkpen and Choudhury, 1995; Janczak, 2005). Mintzberg et al (1995, p.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. Emergent strategies are therefore implemented and formulated simultaneously and not per pre-defined process. On the one hand, this makes controlling the strategy and decisions of strategic nature very difficult. On the other strategies can respond to changes in the organisational environment when the need arises. Emergent strategies assist the responsible leader in his/her role as change agent – even when this means taking more and frequent risks in the course of strategising.

The rational approach with its long period of thinking (strategy formulation) followed by a long period of acting (strategy implementation) (Wilson and Jarzabkowski, 2004 p.15) could now make place for a more intricate and intertwined mode of strategy-making where thinking and acting collide. Responsible leadership as a critical dimension of corporate governance has at heart the intention of facilitating long term survival and sustainable performance of the organisation. Academic debate argues that the deliberate strategy mode with its emphasis on the long term is the appropriate option for sustainability (Steiner, 1979; Ansoff, 1991). However, the counter argument is that quick response to environmental changes and stakeholder needs as embedded in the emergent strategy-making mode is the answer to long term sustainability (Boyd, 1991, Hamel, 1996, Mintzberg et al, 1998).

The use of ends and means to describe the opposing strategy-making modes

Many early strategy authors include the concept of means and ends in their definition of strategy (Andrews, 1971; Chandler, 1962; Hofer and Schendel, 1978 *in* Brews and Hunt, 1999 p.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 and Hunt, 1999, p.891):

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;

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

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

The ends and means resulting from the emergent strategy-making mode are either specified simultaneously, or are intertwined (Fredrickson and 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.

In the deliberate strategy-making mode ends and means are well defined and detailed. This means that organisational risk can be identified in advance and where implementation does not happen according to detailed plans, corrective action can be suggested and taken. In the emergent strategy-making mode ends and means remain vague which makes it more difficult to identify discrepancies in implementation of strategies and consequently increase the risk of non-compliance and failure.

The difference between the deliberate and emergent strategy-making modes is that the vision, mission and objectives are clearly defined in the former approach. However, the notion of “strategic intent” is associated with the emergent strategy-making mode (Prahalad and Hamel 1990). Boisot (1995, p.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.

Although strategic intent is less well defined and more elusive, it still acts as guiding purpose to all organisational members. It is only more difficult to track and measure the implementation of strategy which makes governance more difficult. However, strategy, whether emergent or deliberate, still facilitates responsible leadership as it provides purpose and vision in the form of well articulated visions or strategic intent.

Synthesis of strategy-making modes

Andersen (2000) notes 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 Andersen, 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, p.184):

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

Table 1: Linking strategy-making mode characteristics with considerations for responsible leadership

Strategy-making modes	Characteristics	Consideration for Responsible Leader
Deliberate strategy	<ul style="list-style-type: none"> • Rational and Comprehensive • Prescriptive process of top-down control, formal planning, and industry analysis • Implementation and creation of strategy are separated • Ends and means are announced and recorded in a formal planning document. Means emerge from the planning process fully formed and ready for implementation. 	<ul style="list-style-type: none"> • Sound discipline, transparency of decision-making and coordinated operational efforts which can be controlled and monitored effectively • Discipline leads to securing the support of fund managers and organisational shareholders • Vision is articulated (clarifies organisational direction to all stakeholders) • The responsible leader becomes the architect of a well-defined and integrated strategy aligning all systems and processes within the organisation
Emergent strategy	<ul style="list-style-type: none"> • Trial and error • Adaptive in nature • Emergent strategies are typically implemented “on the go” and not according to a previously formulated strategy. Implementation and formulation occur simultaneously and not per pre-defined process. 	<ul style="list-style-type: none"> • Purpose is inherent and also clearly imbedded in organisational intent • Controlling the strategy and decisions of strategic nature is very difficult • Strategies can respond to changes in the organisational environment when the need arises

	<ul style="list-style-type: none"> • Incremental process (focus on learning) • Ends and means are either specified simultaneously, or are intertwined and are rarely announced or recorded in a formal planning document, and when they are announced, they remain broad, general, and non-quantified. 	<ul style="list-style-type: none"> • Emergent strategies assist the responsible leader in his/her role as change agent – even when this means taking more and frequent risks in the course of strategising.
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Research methodology

Research problem

What is the mode of strategy-making followed in South African organisations? What does this mean for governance and responsible leadership in organisations?

Sample frame

A *non-probability purposive/judgmental* sample has been used (Cooper and Schindler, 2001 p.166). Because strategy is regarded as a confidential and sensitive area of research in most organisations, the research 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 to either the Chief Executive Officer (CEO) (through prior established relationships or network contacts) or a strategically positioned manager that directly influenced strategy-making in the organisation.

Sample selection and sample size

In depth interviews, with a flexible protocol, were held with seventeen CEOs 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. The CEO/manager concerned with strategy that was interviewed represented 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, p.102). A **respondent** is one asked to express a personal opinion (Julian and Ofori-Dankwa, 2008, p.102). 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. A total of 210 questionnaires (including 17 questionnaires captured after interviews with interviewees) were returned. As the focus of the research was to establish the range of strategy-making modes and not on comparing different organisations, the differences between organisations are not reported in this study. The statistical analysis occurred on an individual perception basis, where respondent's perceptions (opinions) were compared with each other and also respondents as a group with the informed opinions of the CEO's as informants.

Method of data collection

Cross sectional research was conducted where a particular phenomenon, namely strategy-making approach, was studied at a particular time (Saunders, Lewis and Thornhill, 2007 p.148). Mixed method research was used where both quantitative and qualitative data collection techniques and analysis procedures were used and combined (Saunders *et al*, 2007, p.146). In this research qualitative data obtained through semi-structured personal interviews were “quantitised”

(Saunders *et al*, 2007, p.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.

Survey instrument

A questionnaire was developed to transcribe research questions into measurement questions. The questionnaire was in part based on a questionnaire developed by Brews and Hunt (1999). Brews and Hunt decomposed planning along a continuum of learning and formal planning into means and ends specificity and flexibility. This describes the two opposing ends to strategy-making in terms of outcomes, namely ends and means.

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 and Hunt, 1999, p.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.

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, p.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. 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

Reliability and validity

A factor analysis was conducted which yielded high Cronbach's Alpha coefficients. 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 and Ormrod, 2005, p.274). These themes of strategy-making could clearly be identified in the research and proved to be reliable considering the Cronbach's Alphas that were 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). The high Cronbach's Alpha coefficient scores prove that the questionnaire was both valid in terms of accuracy and reliable in terms of consistency.

Findings

The findings of this article are discussed within the following framework:

- First, the result of a factor analysis is presented to outline *distinct themes in strategy-making*. The relationship between the factors, responsible leadership, and governance will at the same time be highlighted.
- Second the *prevalent mode of strategy-making in South African organisations* is described by means of the factors. The strategy-making approach will also be described in terms of certain opposing characteristics preferred by respondents.
- Lastly, the *considerations of the mode of strategy-making in South African organisations for responsible leaders* are discussed.

Distinct themes in strategy-making and their relation to governance

An exploratory factor analysis was executed, which indicated the critical constructs or themes emanating from the questionnaire based on the responses. These three factors (refer to figure 2) are very weakly correlated, which shows that each represents a critical theme in strategy-making and combined describes the construct of strategy-making (56% of variance is explained by the factors). The factors each shows high Cronbach Alpha's and thus can be regarded as valid and reliable. See also Figure 2 for the factors.

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.

Parnell (2000, p. 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 example, consensus may be high among higher level managers where everyone seems to understand the market being targeted by the business, but may be low among lower level managers where the essence of the strategy is not always well understood (Wooldridge and Floyd, 1990). Performance consensus is not exclusively linked to either the deliberate strategy-making mode or the emergent strategy-making mode. It rather describes the important facet of strategy, namely that organisational members should agree about their strategy as this will improve understanding of the purpose of the organisation as well as lead to implicit agreement of what the strategy should achieve.

This factor emphasises the high regard that organisational members have for the unifying effect of strategy. This shows that the purpose and direction that the responsible leader portrays in all his/her actions serves to motivate followers in achieving what the strategy sets out to achieve. Agreeing on the performance of a strategy, also means that the responsible leader does achieve the aim of sense-making within the organisation.

Factor 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 the rational planning approach (scale value 4)).

The more specific higher level objectives (ends) and lower level objectives (means) are, the greater the ease of corporate governance. Specific, well defined objectives imply that discipline is built into the process and that management can control outcomes of these ends and means. In this regard the deliberate strategy will enhance corporate governance. Risks can also be identified from the onset and when it becomes clear that certain objectives will not be met the risks can be assessed and appropriate responses implemented. The emergent approach, on the other hand, will be characterised by non-specific ends and means (although strategic intent may

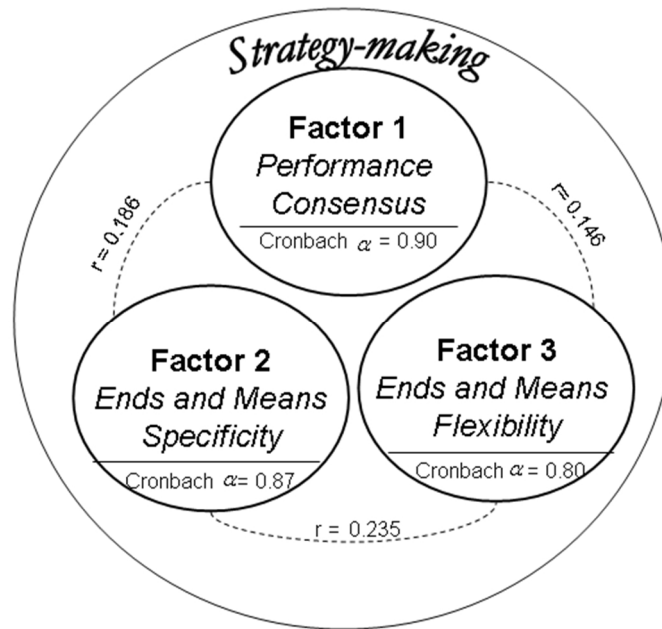
be present) and will be more difficult to manage. Measurement will be difficult and appropriate corrective action may not be suggested in time.

The responsible leader as architect can carefully design a deliberate strategy aligning all elements of the organisational structure with the organisational objectives. However, in the case of the emergent mode of strategy-making, strategies evolve from unforeseen places in the organisation without necessarily the input or knowledge of the responsible leader.

Factor 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)).

Flexibility of planning structures means that quick responses to environmental changes can be tolerated. Lower level managers are typically empowered to make decisions and take autonomous actions. This enables the responsible leader to be a change agent and react timely to dynamic demands of all stakeholders. However, the associated decentralised decision-making increases organisational risk.

Figure 2. Distinct themes (factors) within construct of strategy-making



Prevalent mode of strategy-making in South African organisations

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 - thus equal frequencies for 3 and 4) 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 **mode of strategy-making** in South African organisations 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**. The Mann-Whitney test is 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, p.441). The Mann-Whitney test was 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.

These approach characteristics are the following:

- *Degree of risk taking tolerance*: 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. This means that where organisational members agree on the effectiveness of their strategy, they tend to make bolder strategic decisions involving increased risk taking. Responsible leaders should therefore be aware of the influence that performance consensus can have on risk taking behaviour within their organisations.

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). This finding corroborates what has been said about the emergent approach to strategy-making, namely that where the planning structures are fluid and there is tolerance for change the organisation is geared to address ambiguity and instability. The emergent approach with associated ends and means flexibility allows organisations to not only address changes in their environments but also do not shy away from instable and ambiguous environments. As such responsible leaders can play the role of change agent in leading a more flexible approach to making strategy in an ambiguous and more instable environment.

- *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 means that individuals (as is typical in the emergent approach) can make decentralised decisions that result in action that later form part of the organisation’s strategy. This is again in support of what has been said about more autonomous decision-making as part of the emergent approach to strategy-making. Where high ends and means specificity is prevalent (in other word the deliberate strategy-making mode) organisational members also favour more cooperative and interdependent behaviour as opposed to more autonomous decision-making. .

It was seen from the above findings that South African organisations make use of a combination of deliberate and emergent strategy-making approaches. The deliberate approach is used in as far as the specificity of ends and means are concerned, whereas the emergent approach is used as far as flexibility of planning structures and tolerance for change are concerned. Performance consensus (the neutral part of strategy-making) is also seen to be high in South African organisations leading to higher tolerance for risk-taking.

Since little is known about emergent strategies and literature and training traditionally focussed on the deliberate mode of strategy-making, it is important to take note of risks associated with the emergent mode of strategy-making. The following areas of concern for the responsible leader

when governance is considered can be summarised from the above discussion of empirical findings:

Emergent strategy is more responsive to environmental changes.

On the positive side emergent strategies enable the responsible leader to become a change agent and adapt strategies to dynamic environments. This mode is associated with increased comfort with ambiguity and instability. Leaders need to know that less predictable environments lead to strategic outcomes that cannot be forecasted. This makes control and governance more difficult.

Autonomous decision-making

Emergent strategies evolve and realise from more autonomous decisions and actions of lower level managers. Although decentralised decision-making leads to quicker response, it should be managed carefully. The responsible leader should take cognisance of the governance difficulties involved in autonomy especially ensuring clear communication of the strategic intent and its consequences.

Intangibility

When ends and means are less articulated, less specific, less detailed and less measurable, risks of non-compliance increase. This is the case with emergent strategies. Although strategic intent provides a unified direction, it is still not as tangible as a documented vision and objectives, hence, less governable. In this case strong leadership is required to guide organisational intent and purpose. Agreement of strategy (performance consensus) is in this case also critical. The responsible leader should provide direction with clear communication and transparency as opposed to the discipline inherent in detailed objectives.

Potential for unethical behaviour

Maak (2007, p. 450) argues that a responsible leader should make “principled decisions using values as a moral compass”. King III also highlights the importance of effective leadership based on an ethical foundation (IoD, 2009, p.20). Where ends and means are less specific and planning structures are more fluid, control is weakened and with it the potential for unethical behaviour is increased. This is where the responsible leader should be aware of these risks and put risk response strategies in place to address these potential challenges.

Conclusion and Implications

This article explored strategy-making modes within South African organisations and the considerations for responsible leaders. The choice of strategy-making mode has a potentially critical impact on corporate governance and is a critical consideration for the responsible leader who aims to lead for sustainable success. Governance is made easier when strategy-making takes place through a deliberate and rational process. The characteristics of certain strategy-making approaches for the responsible leader as an architect and change agent are highlighted. This article reports on the thinking of organisational leaders, managers and non-managers regarding strategy-making processes and records empirical findings from mixed method research.

It was found that the deliberate strategy as a rational process is more prescriptive in nature with top-down control. Ends and means are announced and recorded in a formal planning document which aids in corporate governance. This approach is associated with sound discipline, transparency of decision-making and coordinated operational efforts which can be controlled and monitored effectively. The responsible leader becomes the architect of a well-defined and integrated strategy aligning all systems and processes within the organisation

On the other hand, the emergent strategy-making is associated with quick response and adaptation to environmental changes, more autonomous decisions and actions, decentralised decision-making, less control as well as higher intangibility and elusiveness. Emergent strategy-making is necessitated by demands in a dynamic external environment and the increased involvement of lower level managers in the process of strategy-making. This has a potentially critical impact on the role of the responsible leader as a change agent in the strategy-setting as direct control over decision making is diluted and therefore risk may be increased.

It is recommended that the mode of strategy-making and approach characteristics associated with the emergent mode of strategy-making should be brought under the attention of organisational leaders who want to be responsive and responsible in all their actions. However, a detailed discussion on the management of these risks and specifically risk responses fall beyond the scope of this article and is an area for future research.

Limitations and future research

1. The area of risk is critical to the responsible leader. As the emergent mode of strategy-making is more difficult to manage and therefore could hamper corporate governance, there are inherent risks associated with this mode. This is regarded as an area for future research.
2. *Sample selection:* Strategy research is often hampered by the sensitive and typically confidential nature of the research topic. Willingness to participate therefore influenced the sample size. Although a sample of 200 respondents was sufficient to conduct statistical analyses, such as factor analysis, the sample is still small relative to the population. However, the limitations of a relatively small sample were countered by the in depth

interviews with the informants. The methodological choice, however, was sufficient for this explanatory study.

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