

Effectiveness of strategy implementation in state-owned enterprises

John Luke Messiahs

18377859

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ABSTRACT

Effective strategy implementation remains the cornerstone of delivering good corporate performance, and for state-owned enterprises this is no different. In recent times, multiple authors have acknowledged that while a vast amount of literature exists in the field of strategy formulation, little research has been conducted in the field of strategy implementation. Added to this, majority of the studies focus on strategy implementation in private as opposed to state-owned enterprises, despite their global significance. The aim of this study was to explore the effectiveness of strategy implementation in state-owned enterprises.

A multiple case study research approach was followed, and data was collected through 12 semi-structured interviews across two state-owned enterprises. Thematic analysis was performed in order to analyse each interview and make comparisons between the two cases studied.

This study extends the literature by identifying various barriers to, and enablers of, strategy implementation and offers strategy execution framework that is tailored for state-owned enterprises. In the main, the need for access to resources were found to be crucial for the sustainability and success of the enterprise; and its shareholders were in most instances viewed as a barrier to, rather than an enabler of, effective strategy implementation.

KEYWORDS

Strategy implementation; state-owned enterprises; shareholder; performance

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

John Messiahs

11 November 2019

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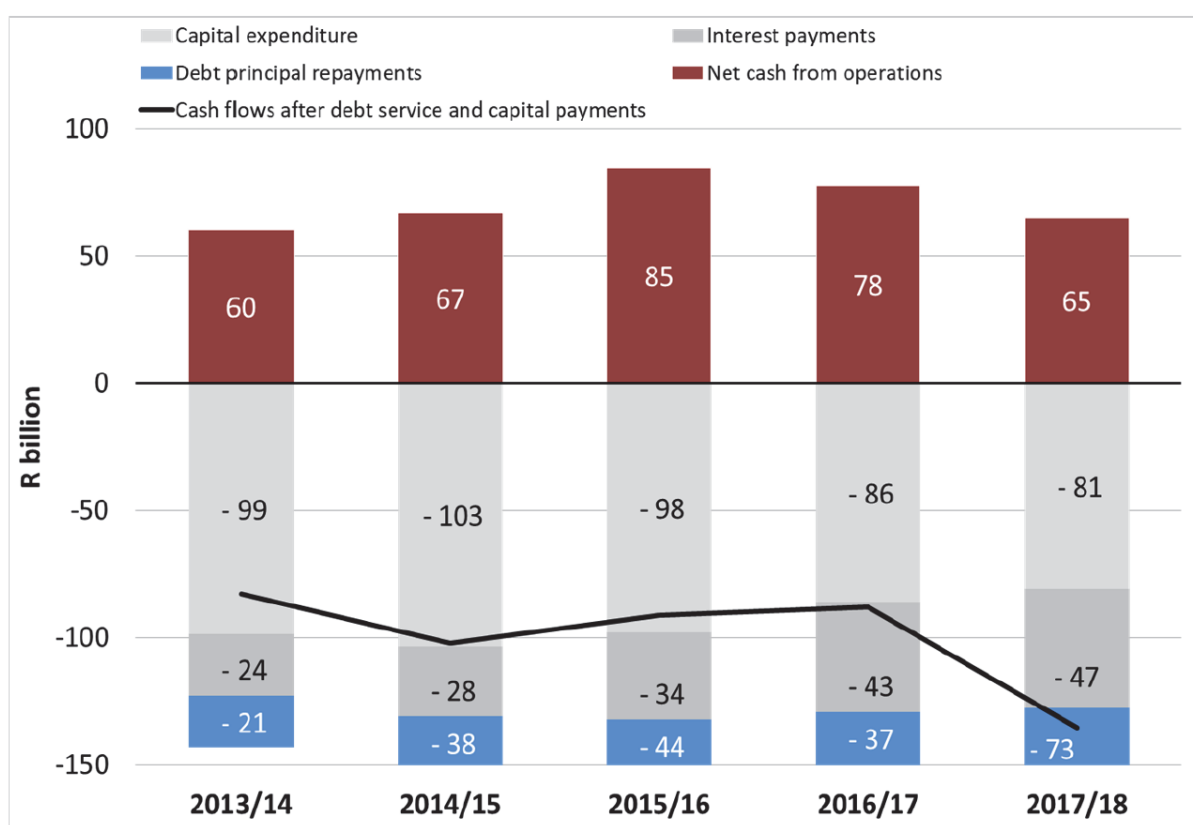
CHAPTER 1: INTRODUCTION TO THE RESEARCH PROBLEM

This study explored the effectiveness of strategy implementation in state-owned enterprises. Through the lens of McKinsey's 7-S framework, a qualitative multiple case study approach was followed to determine the barriers and enablers experienced by two South African state-owned enterprises (SOEs) during the implementation of their strategies.

1.1 Background to the Research

Effective strategy implementation remains the cornerstone of delivering good corporate performance, and for SOEs this is no different. In recent times, multiple authors have acknowledged that while a vast amount of literature exists in the field of strategy formulation, little research has been conducted in the field of strategy implementation (Noble, 1999; Syrett, 2013; Sull, Homkes & Sull, 2015). Despite this, more than 400 CEOs across the globe revealed in a survey that "executional excellence was the number one challenge facing corporate leaders" (Sull et al., 2015, p. 60). This assertion was further supported by Johnson (2004), who claimed that 66% of companies do not achieve their strategic objectives, with Zook and Allen (2001) stating that this number is as high as 90%. Hrebiniak (2006) and Tawse, Patrick and Vera (2019), meanwhile, pointed out that whilst many executives are relatively skilled in the art of strategy formulation, the same does not hold for strategy implementation. Although these studies were primarily focussed on US-based organisations, and the precise failure rate are yet to be concluded (Cândido & Santos, 2015), South African companies and SOEs, in particular, are not immune from this reality (Kumalo & Scheepers, 2018).

As guided by the PFMA (1999), various SOEs gather annually to formulate their respective strategies and corporate plans, with very little demonstrable success being seen in terms of them achieving their performance against objectives. It has been widely reported that the bulk of South African SOEs continue to face immense financial and operational challenges (see Figure 1), resulting in large bailouts from the National Treasury (Bezuidenhout, Bussin & Coetzee, 2018).



**Eskom, Transnet, Airports Company of South Africa, Denel, South African Airways, South African National Roads Agency Limited and Trans-Caledon Tunnel Authority*

Figure 1: Negative cash flows of selected SOEs

Source: National Treasury, 2019

It was reported that for the financial year of 2015-16, nine of South Africa's largest SOEs had collective debt of close to R700 billion, on which they had to pay R51 billion in interest (Peyper, 2017). While these SOEs continue to develop and implement turnaround strategies on an annual basis, little to no tangible success has been seen to date. Upon closer examination, they have often been found to be plagued by voids in leadership, mismanagement, crime and corruption (Kanyane & Sausi, 2015, p. 39), all potentially having a bearing on strategy implementation. The state of SOEs in South Africa is so dire, in 2017 various agencies lowered South Africa's sovereign credit rating, citing the risk posed by its SOEs (Fitch, 2017).

1.1.1 Business need for the study

SOEs continue to fulfil a crucial role across the globe (OECD, 2014). These entities are significant contributors to addressing country-specific social challenges, including providing employment and offering access to essential services such as development finance, energy, transport, telecommunications

and postal and broadcasting services, amongst others. SOEs are vehicles through which the national development plans of various Southern African countries (Balbuena, 2014) are being implemented, as is the case in South Africa.

In the face of a persistently challenging operating environment, worsened by corporate governance challenges, it is widely reported that various South African SOEs have experienced organisational decline and have therefore embarked on corporate turnarounds to improve performance. Organisational decline refers to the worsening of a company's performance amidst the sustained erosion of its resources (Mckinley, Latham & Braun, 2014). On a frequent basis, these SOEs continue to receive state funding based on formulated turnaround strategies (e.g. Eskom, South African Airways, the South African Post Office and the Passenger Rail Agency of South Africa), with very little success to show from a strategy execution standpoint.

In 2010, the South African government launched the Presidential Review Committee on State-owned Enterprises, which was aimed at restructuring SOEs to ensure that they are fit for purpose in the advancement of the economy (The Presidency, 2013). Despite releasing its findings in 2013, the interventions put forward are yet to be implemented. Come 2018, credit rating agency Moody's stated that "embattled state-owned enterprises are South Africa's biggest and most dangerous economic stumbling blocks" (Daniel, 2018). Similarly, the Auditor-General of South Africa called the parlous finances of SOEs a key risk to the South African economy (Omarjee, 2018).

Despite having varying mandates, South African SOEs often find themselves competing on an equal footing with private companies. Unlike private companies, however, SOEs need to deliver on both their commercial and developmental mandate – often with less autonomy by virtue of their complex shareholder structures – which is made worse by fragmented policies and legislation (Kanyane & Sausi, 2015). South Africa's National Planning Commission stated that "accountability in state-owned enterprises has been blurred through a complex, unclear appointment process and, at times, undue political interference" (National Planning Commission, 2012, p. 45). Against this backdrop, it is argued that SOEs most likely face a unique set of challenges, which differ from private companies, that may therefore require a very different approach to the implementation of their strategies. The inability of SOEs to effectively execute their strategies ultimately

translates into an inability to fulfil their mandates, thus causing a drain on, and a threat to, the South African economy.

This study has a strong business rationale given the vast challenges and inefficiencies at SOEs, which remain highly relevant in their resident economies (Bezuidenhout et al., 2018). It is envisaged that the findings could help improve the effectiveness of strategy implementation processes at SOEs, which could add meaningfully to their performances and thus the execution of their mandates.

1.1.2 Theoretical need for the study

Strategy and its execution continue to be topical. For example, recent research in the domain of strategy implementation has focused on the use of workforce analytics as a means to improve its effectiveness (Levenson, 2018), whereas Chrisman, Chua, Massis, Minola and Vismara (2016) studied its applicability to family businesses. In another study by Lee and Puranam (2016), the authors presented a theory that advocates for the continued pursuit of strategy execution, be it perfect or not, despite an unfavourable operating environment.

Although extensive literature on the subject of strategy formulation exists, an inadequate volume of research has been conducted on the effectiveness of strategy implementation (Sull et al., 2015). Andrews, Boyne, Law and Walker (2011) and Elbanna and Faddol (2016), have acknowledged the need for more research to be carried out on strategy implementation, especially in relation to organisational performance. This observation is even more evident in the South African context, as limited studies have been conducted in relation to strategy execution in SOEs, which is surprising given their direct impact on the country's economy.

Strategy implementation or strategy execution is not easy to define, and no widely accepted definition exists. These two concepts are often used interchangeably and as such, the same will apply to this study. Based on a review of the literature, the dilemma caused by a lack of definition is compounded by the fact that no generally accepted framework or model for strategy implementation exists. Hrebiniak (2006) stated that this lack of consensus negatively impacts strategy implementation.

Strategy implementation, as a construct, has been studied over many years, with every researcher or group of researchers identifying their own sets of barriers and enablers (e.g. Waterman, Peters & Phillips, 1980; Beer & Eisenstat, 2000; Okumus, 2001 & 2003; Crittenden & Crittenden, 2008). Similarly, these authors have often proposed their own strategy implementation frameworks. While a number of overlaps and tensions between these studies have been identified, a knowledge gap remains in terms of a strategy implementation framework tailored for the South African context. In addition, most of these studies have focused on companies that operate in the private sector, which may present a potential limitation in terms of the applicability of such frameworks in South African SOEs. Often, these studies tend to narrowly focus on one or two of the strategy implementation aspects identified, for example either leadership or culture, creating an additional gap in knowledge. A further gap exists in cases where some studies focused on only one specific SOE, as opposed to two or more, in order to compare and establish trends. It is argued that these approaches do not sufficiently cater for the complex nature and context of South African companies, especially SOEs.

1.2 Research Problem

The research problem is concerned with exploring the effectiveness of strategy implementation in South African SOEs. Despite SOEs fulfilling a crucial role in the South African context, their ability to effectively implement their strategy remains questionable, and the specific reasons for this are yet to be fully understood. Whereas vast literature and guides exist on how to develop strategy, less research has been conducted on its effective implementation (Sull et al., 2015, Noble, 1999). Given the lack of consensus in terms of the barriers to, and enablers of, effective strategy implementation and the proposed implementation frameworks, Elbanna et al. (2016) have acknowledged the need for more research on strategy implementation.

In consideration of the research problem, this study was aimed at identifying and exploring a deeper understanding of the manner in which SOEs implement their strategies. Two South African SOEs were purposely selected as cases in order to identify the barriers and enablers that may influence the effectiveness of their strategy implementation, from the SOEs' perspectives.

In terms of theory, McKinsey's 7-S framework offers seven different elements that ought to be aligned and functioning well for an organisation to effectively implement its strategy and ultimately record good performance. This framework uses a theoretical lens through which strategy implementation effectiveness was qualitatively evaluated in both cases studied.

The research allowed for new insights in terms of which barriers and enablers may influence effective strategy execution. For this study, the terms "strategy execution" and "strategy implementation" carried the same meaning, as well as "drivers or enablers" and "barriers or impediments or hindrances".

1.3 Purpose of the Research

The purpose of this study was to explore the effectiveness of strategy implementation in SOEs. In order to achieve this, the research sought to:

1. explore and understand current practices of SOEs in ensuring effective strategy implementation;
2. identify barriers and enablers that influence the effectiveness of strategy implementation, from the perspective of an SOE; and
3. use the experiences of SOEs and the McKinsey 7-S Framework as a lens through which to draw key insights, make recommendations, and develop an alternative framework for the effective implementation of strategy.

To achieve the set objectives, the main research question can be summarised as follows:

How do state-owned enterprises implement their strategies and, in their experience and view, what barriers to and enablers of effective strategy implementation have been encountered and what could be done to improve or overcome these variables?

1.4 Scope and significance of the research

The scope of the research was confined to South Africa, with a particular focus on SOEs. There currently exists a limited body of knowledge in the field of strategy implementation for the South African context. The sample was confined

to Schedule 2 type SOEs (National Treasury, 2015), as defined by the Public Financial Management Act of 1999 (PFMA). These are SOEs that are “(1) self-funded; (2) has financially and operationally independence; and (3) able to operate according to ordinary business fundamentals” (PFMA, 1999, p. 10).

The research is significant in that it extended the literature in terms of strategy implementation (Noble, 1999; Syrett, 2013; Sull et al., 2015), proposed a framework that is tailored for state-owned enterprises as opposed to others that are primarily based on private enterprises (Hourani, 2017).

This study will be of benefit to academics in the field of strategy; shareholders; leaders and managers of state-owned enterprises; government officials, especially those based in South Africa; and strategy practitioners in general.

1.5 Conclusion

A qualitative, multiple case study was undertaken to explore the effectiveness of strategy implementation in South African SOEs. In this regard, a literature review was conducted which is contained in Chapter 2, which identified McKinsey's 7-S framework as a theoretical base for conducting interviews at two selected SOEs. This approach allowed for specific barriers to, and enablers of, strategy implementation to be deduced from the literature and for new insights to emerge.

After the literature review presented in Chapter 2, research questions derived from the theory are outlined in Chapter 3, followed by the methodology to answer these questions. In Chapter 5 the results will be presented, followed by an analysis and discussion of the main findings in Chapter 6. Chapter 7 draws conclusions based on the results and make recommendations for the South African Government, academics and business practitioners.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

The previous chapter discussed the importance of effective strategy implementation in order to improve organisational performance. Although reference was made to previous studies, limited literature could be found on the barriers to, and enablers of, effective strategy implementation in the context of South African state-owned enterprises.

This chapter will demonstrate the need for this research study given ongoing debates in the field of strategic management, and will highlight significant and current academic literature. Strategic management theory formed the basis for discussing the barriers and enablers previously identified through literature, together with existing frameworks that aim to address strategy implementation challenges. The diagram below is based on the research problem and objectives explained in Chapter 1 and illustrates the logical flow of this Literature Review.

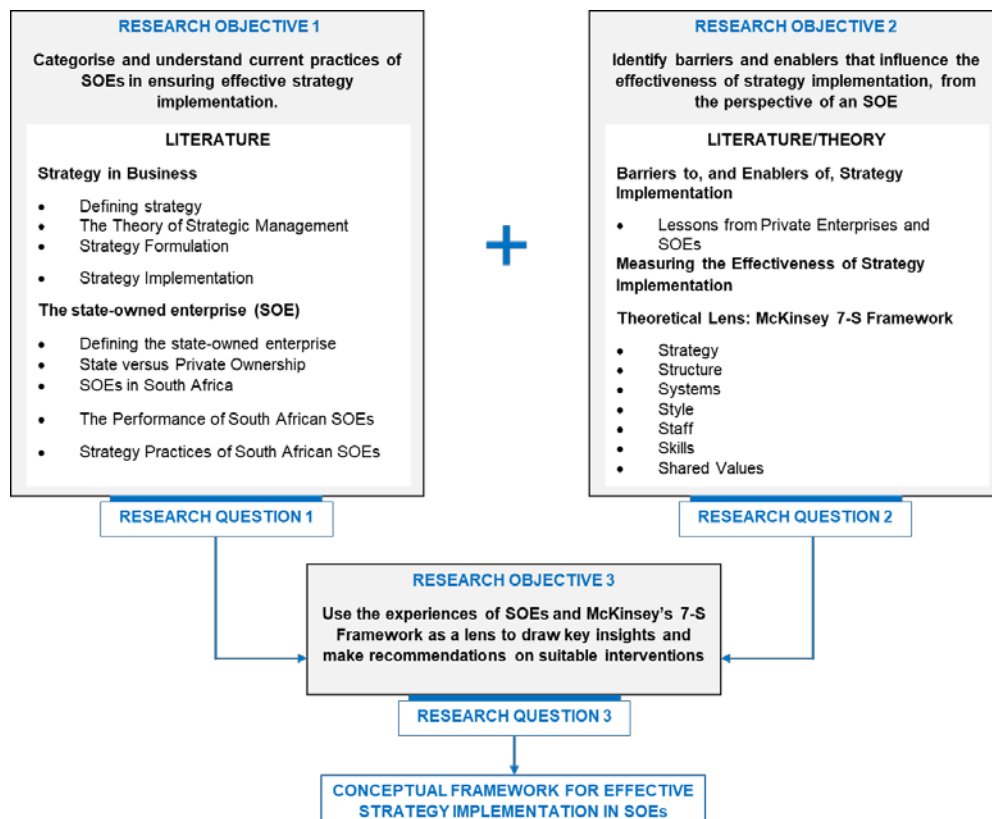


Figure 2: Conceptual framework for the literature review

Source: Author's own

Referring to Figure 2, firstly, strategy was defined. This provided the foundation for the introduction of strategic management as a concept, offering both the distinction and relationship between strategy formulation and strategy implementation.

Secondly, the focus shifted to strategy implementation as a construct, existing implementation frameworks, and the ongoing debate regarding the barriers to, and enablers of, strategy implementation.

Thirdly, strategy implementation in SOEs was explored.

Lastly, the main themes and findings that resulted in the refinement of the research objectives and research questions were presented, as informed by McKinsey's 7-S Framework as an underlying theory against which the research was tested.

2.2 Strategy in Business

2.2.1 Defining Strategy

Strategy is a concept that is well used yet still debated in the realms of both business and academia. Derived from the Greek word 'strategos', according to literature it has its origins in the military (Mackay & Zundel, 2016). It is mainly concerned with the deployment of business' resources in order to win or achieve competitive advantage (Mintzberg & Waters, 1985; Porter, 2011). Rumelt (2012) contended that strategy not only entails making choices on what to do, but also deliberately choosing what not to do, whereas McKeown (2013, p.1) referred to it as being concerned with designing the future.

Over the years, the subject has had an enormous impact on the business and academic arenas. Mellon and Carter (2013) posited that annually, companies cumulatively spend approximately \$47 billion on strategy consulting, pointing to the importance of strategy. Given the high level of interest in the subject, varying definitions have been crafted over the years based on differences in perspective. The researcher is of the opinion that the need for further research is warranted, given the continued interest and development in relation to the field of strategy.

2.2.2 The Theory of Strategic Management

As illustrated in Figure 3, strategy finds expression as part of the theory of Strategic Management. According to David (2013), this is an integrative process undertaken by top management to formulate and implement strategy, after taking cognisance of the external and internal operating environment of the organisation, with the aim of improving its performance (Nag, Hambrick & Chen, 2007). On the other hand, authors such as Thompson and Strickland (2001), as confirmed by Porter (2011), argue that strategic management seeks to generate and sustain competitive advantages.

Figure 3 further depicts that in an organisation's efforts to deliver good performance, strategy formulation and strategy implementation are central components of the strategic management process. Strategic management therefore goes beyond compiling a strategic plan to the deployment and execution of the strategy and the ultimate evaluation of performance, which allows for a feedback loop for continuous iteration.

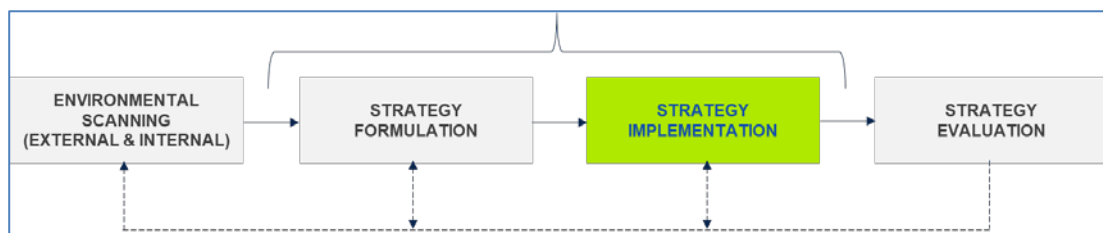


Figure 3: The strategic management process

Source: Adopted from David (2013)

2.2.3 Strategy Formulation

Mintzberg and Waters (1985) postulated that strategy formulation entails an iterative process by organisations to design their strategies. Over the years, an overwhelming number of various tools have been created to assist in the formulation of strategy. Well-known examples include Porter's Five Forces, the SWOT Analysis, Strategic Group Maps, and the BCG Growth Share Matrix. Indeed, Jarzabkowski and Kaplan (2015) sought to develop a framework that explains the uses and outcomes of these tools. During their research, Mintzberg and Waters (1985) cautioned that many companies make the mistake of treating strategy formulation and strategy implementation as two separate and independent processes. Various authors argue that strategic planning need not

be a linear process, but should rather be seen as a loop, as failing to address changes in the operating environment post strategy formulation may result in a gap being created by the time the strategy is to be implemented (David, 2013). In support of this view, Elbanna and Fadol (2016) stated that strategy execution failure is mainly due to its separation from strategy formulation. Lee and Puranam (2016, p. 1530) argued that success in organisations is driven by the implementation of strategy. This cannot always guarantee superior performance but remains a significant ingredient. Given this important link, this study will primarily focus on the strategy implementation phase of the strategic management process (see Figure 3).

Lee and Puranam (2016) further contended that it is often difficult to ascertain whether to attribute poor organisational performance to strategy formulation or strategy implementation. For this reason, the authors made a theoretical argument for the ongoing pursuit of strategy execution, be it perfect or not, despite an unfavourable operating environment. In this regard, they quantitatively developed a model in which performance results are used as feedback to continuously adjust the strategy of the organisation.

Through a lens of materiality and in studying a US-based plumbing company, Leonardi (2015) referred to the blurred line between strategy formulation and strategy implementation. The author advocated for the need to consider the technologies that will be used to materialise the chosen strategy prior to embarking on implementation. This view is aligned to that of Van der Merwe and Nienaber (2015), who pointed out that these two constructs are highly intertwined and should not be treated as two separate processes (Mintzberg & Waters, 1985).

2.2.4 Strategy Implementation

Many definitions of strategy implementation or strategy execution currently exist. In strategic management, the term strategy implementation refers to “the communication, interpretation, adoption, and enactment of strategic plans” (Noble, 1999, p. 120). Thompson and Strickland (2001) and Okumus (2001) pointed out that the aim of strategy implementation is to realise the set goals and objectives of an organisation. Therefore, in the context of this study, it means the deliberate actions taken by an organisation to effectively utilise its resources in order to realise its strategy, meaning the ability of SOEs to convert their strategic plans into results.

To demonstrate the importance of strategy implementation, Johnson (2004) found that 66% of companies do not realise their strategic objectives, whereas Zook and Allen (2001) stated that this number is as high as 90%. In their work, Cândido and Santos (2015) set out to establish the true rate of strategy implementation failure but concluded that this remains open for debate. However, the authors did develop guiding principles for establishing better estimates. Neilson, Martin and Powers (2008, p.61), meanwhile, stated that “a vivid strategy combined with technology and product development will theoretically give an organisation a competitive advantage but remains useless unless it is combined with the fundamentals of good execution”. For this reason, and as pointed out by Hrebiniak and Joyce (2006), strategy implementation remains a necessary, yet complex, field of research, in line with this study.

Strategy formulation and strategy implementation are thus key components of strategic management theory. Various authors have pointed to the fact that these two concepts are highly intertwined, and based on their business and academic importance, continued research in the field of strategy remains crucial. To this end, a holistic account of existing literature, latest academic debates and strategic practices in organisations is necessary, together with an understanding of the operating environment and context of SOEs in South Africa.

2.3 The State-owned Enterprise (SOE)

2.3.1 Defining the State-owned Enterprise

According to the Organisation for Economic Co-operation and Development (OECD), a state-owned enterprise (SOE) is a firm that is under the control of its resident government, be it in terms of full, partial or a significant minor shareholding (OECD, 2014). This type of enterprise fulfils a crucial role across the globe, being a significant contributor to addressing country-specific social challenges (OECD, 2014). This includes providing employment and offering access to essential services such as development finance, energy, transport, telecommunications, and postal and broadcasting services, amongst others. Peng, Bruton, Stan, and Huang (2016) stated that state-owned enterprises (SOEs) are responsible for about 10% of global gross domestic product, thus making them significant players.

SOEs can differ on several fronts, be it the percentage of state ownership and control, its reporting structures, purpose and mandate, degree of privatisation (if any) or listing (OECD, 2014). It is therefore important to understand these unique features and how SOEs differ from private enterprises, as will be discussed in the next section.

2.3.2 State versus Private Ownership

Being publicly or state-owned, SOEs are unique and differ from private enterprises on a number of dimensions, as illustrated in Table 1 below:

Dimension	State-owned	Privately owned
Mandate	Both developmental and commercial objectives	Profit-maximisation for private shareholders
Founders	State	Entrepreneurs and investors
Funding Sources	Tax payers and State departments e.g. National Treasury, but it depends on the type of SOE	Private and public funders depending on listing
Exits	State decision but depends on size and importance. Could be open-ended if “too big to fail”	Mainly driven out by competition or buy-outs
Leadership appointments	State officials, often based on political affiliation rather than merit	Based on merit and intellectual capital by founders, owners or investors
Leadership remuneration	Level varies but lower, determined by the state, meaning politicians	High, based on company performance in the market e.g. share price

Table 1: Differences between state-owned and private enterprises

Source: Adapted from Peng et al., 2016

As shown in Table 1 above and given that SOEs have both a commercial and developmental mandate, they serve as vehicles through which national development plans of various countries are being implemented (Balbuena, 2014). This calls for a fine balance between the creation of strategic value for the state, whilst remaining financially viable, especially in instances where SOEs do not receive any funding from their governments. This task often proves challenging since SOEs partake in activities which are often less commercially sound, or in areas where private companies would not dare venture (Peng et al., 2016). In consideration of the differences reflected in Table 1, the researcher argues that SOEs may face a number of unique challenges which may require them to adopt a different approach to strategy formulation and implementation.

2.3.3 State-Owned Enterprises in South Africa

A government's role in an SOE is often complex; depending on the structural arrangements, it could be the owner, shareholder, policy maker or policy enforcer and in South Africa this is not different.

In the face of a persistently challenging operating environment, worsened by corporate governance challenges, it is widely reported that various South African SOEs have experienced organisational decline and have therefore embarked on corporate turnarounds to improve performance (Kumalo & Scheepers, 2018; Peyper, 2017).

Organisational decline refers to the worsening of a company's performance amidst the sustained erosion of its resources (Mckinley, Latham & Braun, 2014). On a frequent basis, these SOEs continue to receive state funding based on formulated turnaround strategies (e.g. Eskom, the South African Broadcasting Corporation, South African Airways and the South African Post Office), with very little success to show from a strategy execution standpoint (National Treasury, 2019).

2.3.4 The Performance of South African SOEs

In 2010, the South African government established the Presidential Review Committee on State-owned Enterprises, which aimed to restructure SOEs to ensure that they were fit for purpose in the advancement of the economy (The

Presidency, 2013). Despite releasing its findings in 2013, these interventions are yet to be implemented. Come 2018, the credit rating agency, Moody's, stated that "South Africa's most dangerous and prominent economic hurdles remain SOEs" (Daniel, 2018). Similarly, the Auditor-General of South Africa has called the parlous finances of SOEs a key risk to the South African economy (Omarjee, 2018).

Despite having varying mandates, South African SOEs often find themselves competing on an equal footing with private companies. Unlike private companies, however, SOEs need to deliver on both their commercial and developmental mandate – often with less autonomy by virtue of their complex shareholder structures – which is made worse by fragmented policies and legislation (Kanyane & Sausi, 2015). Indeed, South Africa's National Planning Commission argued that political interference compounded by an unclear and complex appointment process has negatively impacted accountability in SOEs (National Planning Commission, 2012, p. 45). In consideration of this background, it is argued that SOEs are expected to face a series of distinctly different challenges to that of private companies. This also requires a unique approach in executing selected strategies. The inability of SOEs to effectively execute their strategies ultimately translates into an inability to fulfil their mandates, thus causing a drain on, and a threat to, the South African economy.

2.3.5 Strategy Practices of SOEs in South Africa

In line with the prescripts of Section 52 of the Public Finance Management Act (PFMA) and Treasury Regulation 29, the SOE is required to submit its corporate plan, covering a period of three years, to National Treasury a month ahead of its financial year (PFMA, 1999, Section 52). The corporate plan, also called the strategic plan, is a document that summarises the strategy of the organisation, its goals and objectives over a predefined period, the initiatives to be undertaken, and the resources to be committed to ensure its realisation. In order to allow the Board enough time to deliberate and engage with the Shareholder, a draft plan is to be submitted early in the process. The Board of the SOE is also required to conclude a performance agreement, otherwise called a shareholder's compact, with the Executive Authority who is the minister, and agree on the process of reporting (PFMA, 1999).

Figure 4 summarises what a typical strategic planning process could look like for a SOE from formulation to implementation and cascading. It is important to note that since a SOE has dual mandate, key performance indicators typically comprise of both financial and non-financial targets, as per the prescribed legislation.

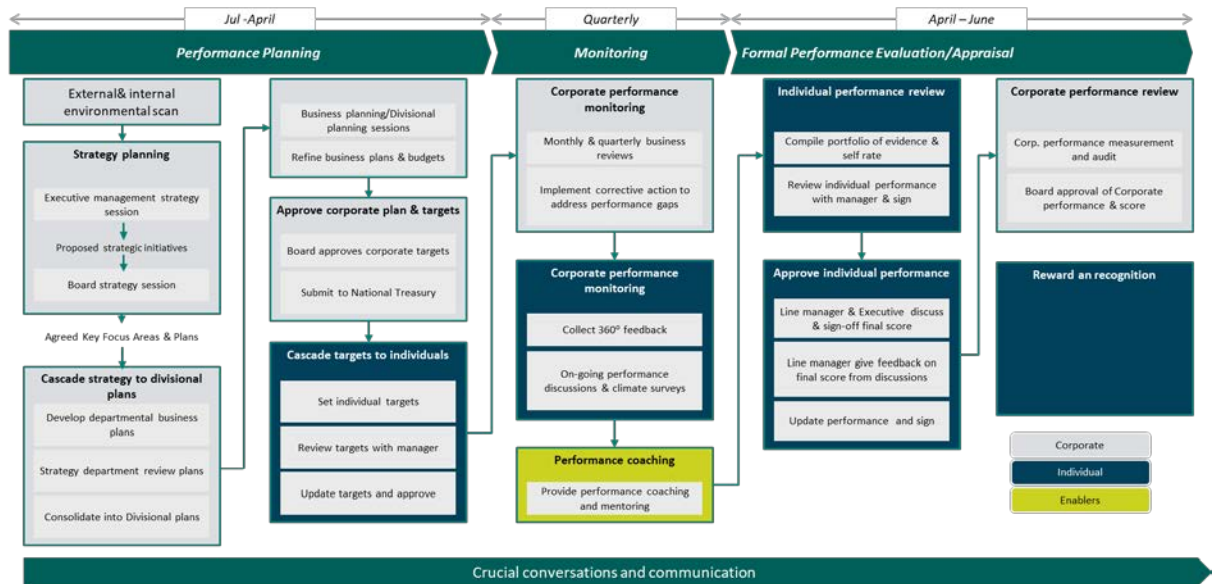


Figure 4: The strategic management process

Source: Author's own based on insights gathered from case studies

2.4 Barriers to, and Enablers of, Strategy Implementation

2.4.1 Lessons from State-owned Enterprises

Elbanna, Andrews and Pollanen (2016) studied the correlation between strategic planning and strategy implementation. The researchers found a positive correlation after studying more than a hundred public service organisations in Canada. Despite their contribution, the researchers conceded that literature pertaining to strategy implementation and public organisations remains fragmented. Other studies have examined strategy implementation in US government institutions and municipalities, for example Mitchell (2018a; 2018b), who was of the view that these may not be suitable for the SOE or South African context.

Elbanna and Fadol (2016) studied the effective implementation of strategic plans in public organisations based in the United Arab Emirates (UAE). The authors

concluded that despite the importance of strategy implementation, an inadequate amount of research in the field has been conducted. Therefore, using a survey to collect data via 231 completed questionnaires, the researchers found three factors on the part of strategy formulation that influence the degree of successful implementation of strategic plans: the mode of strategy formulation, improving the participation rate of employees, yet minimising their extent of political behaviour. Given that the study was conducted in an Arab context (public organisations based in Dubai and Abu Dhabi), reference was also made to the influence of culture. Whilst the study offered novel insights for strategy implementation, it does not offer a detailed analysis of the respective organisations surveyed, given the quantitative research method utilised. Furthermore, the study focused on public organisations in general, not SOEs, and South Africa differs from the UAE in terms of both context and culture (see Figure 5 below based on Hofstede, 1980).

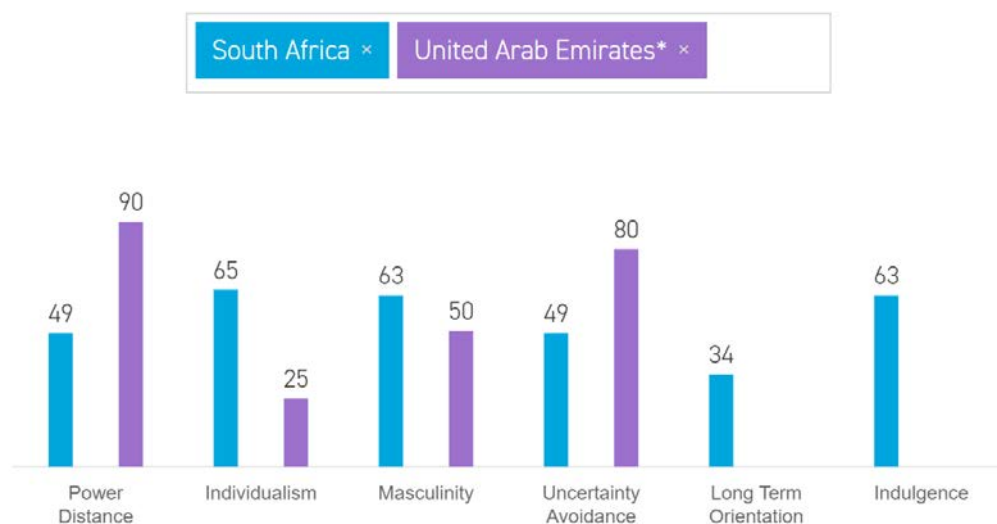


Figure 5: Country comparison

Source: Hofstede, 1980 (www.hofstede-insights.com)

Pretorius (2016) referred to the presence of “organisational hypocrisy” in government and political organisations. This refers to the dissonance between what an organisation says it will do and what it eventually does, resulting in an implementation gap that is mainly brought about by the attempt to satisfy different stakeholders (also see Fenton & Langley, 2011). Through exploratory research of 13 semi-structured interviews across two South African institutions, the researcher set out to study the lack of strategy implementation as a result of the presence of a phenomenon called ‘covert tactics’. It refers to the selfish behaviours displayed and actions taken by employees in order to undermine the

strategy of an organisation. Such tactics ultimately result in a widening of the strategy implementation gap. Several interventions are therefore recommended for managers to be more aware of the presence of this phenomenon and how best to deal with it, for instance making the strategy less ambiguous. Even though the study shed light on an interesting phenomenon that could serve as a barrier to strategy implementation, it omits to consider other potential barriers or enablers. The study uses cases from one South African university and one South African commercial bank, which is helpful, however neither is an SOE.

Mafini (2016) investigated the limitation to strategy implementation of a waste management company located in South Africa and the subsequent impacts on its business performance. Factors such as “management practices, human resource capabilities, customer service, external orientation, internal communication, innovation and employee motivation” came to the fore (Mafini, 2016, p. 61). Similarly, a study by Van der Merwe and Nienaber (2015) found that strategy implementation failed at a South African electronics company, predominantly due to it not having considered implementation during the strategy formulation phase, as supported by previous literature (Mintzberg & Waters, 1985). In addition, the research demonstrated the potential impact that leadership and performance metrics may have on strategy execution at a South African company (Van der Merwe & Nienaber, 2015).

Rather than examining strategy implementation in South African SOEs, other studies have focused on investigating the relationship between the salary and performance of chief executive officers within South African SOEs (Bezuidenhout et al., 2018), as well as the leadership styles required during public sector turnarounds (Kumalo & Scheepers, 2018).

Although some of these studies were based on South African companies, they only focussed on one specific company (not a SOE), located in one geographical area. This emphasises the need to build on existing literature by investigating barriers to, and enablers of, strategy implementation, specific to South African SOEs.

2.4.2 Lessons from Private Enterprises

Over the years, various strategy implementation frameworks have been developed, aimed at addressing identified barriers whilst exploiting enablers. For

the purpose of this study, a barrier, obstacle, hurdle or hindrance refers to a factor preventing the implementation of strategy, while an enabler or driver refers to a factor that supports strategy implementation. This section will focus on barriers and enablers that have come to the fore over several years, and will highlight the latest debates in respect of effective strategy implementation.

Sull, Homkes and Sull (2015) conducted a comprehensive survey of 7600 managers in 30 countries from nearly 262 companies. The authors argue that five myths exist in relation to the reasons why strategy execution fails. In their studied sample they found that whilst strategic alignment may exist in most organisations, execution fails due to a lack of trust between colleagues to perform tasks of strategic importance. This results in silos and a lack of accountability being created, given that the organisation is able to vertically cascade its strategy but not horizontally. Furthermore, and contrary to popular belief, organisations should not relentlessly stick to their plans to achieve effective execution, but allow for fluidity and agility, especially in terms of financial and human resource allocation. Sull et al. (2015) also contended that top-down communication is not the main issue but rather how its effectiveness gets measured, as well as the overwhelming number of strategic objectives and initiatives in organisations. Other myths dispelled by the authors include the view that a performance culture is required to implement execution utilising a top-down approach (Sull et al., 2015, p. 60-65). Contrary to this belief, middle managers need to be drive execution with guidance from the top. Greer, Lusch and Hitt (2017, p. 137) agreed with the last finding of Sull et al., noting that managers must be engaged throughout the organisation by the top management teams if the strategy is to be implemented adequately. They studied strategy execution from both a relational and human capital perspective, claiming that relationships that allow for the full exploitation of human capital in order to create strategic capabilities are key. Levenson (2018) also considered means for improving strategy execution from a human capital perspective, including by placing greater emphasis on ecosystems thinking and using workforce analytics.

From the above sources, it is noted that despite the relatively limited research on strategy implementation, past literature tends to adopt a narrow focus, exploring only one or a limited number of aspects. Elbanna, Andrews and Pollanen (2016) clarified that a host of variables could influence strategy implementation, i.e. there

is an opportunity to add to the debate using an exploratory research approach.

Tawse, Patrick and Vera (2019) studied the means for successfully “crossing the chasm” from strategy formulation to strategy implementation. The researchers argued that strategy implementation requires a different type of psychology compared to that of strategy formulation, and that the solutions lie within the organisation. By combining theories from management and psychology, the study proposed six leadership levers to successfully make the transition from strategy formulation to strategy implementation mode. Some examples included removing distractions to plan, celebrating small wins and leveraging crises. Although their study is useful in understanding the mindset of managers, it only considered this one variable as a potential limitation to effective strategy implementation and omitted other potential barriers and enablers.

Galpin (2018) postulated that organisations that are more concerned with strategic planning rather than execution often face several strategy implementation challenges. To address these challenges, the researcher proposes a seven-step Strategy Execution Model, which advocates for identifying and prioritising strategic initiatives and having the associated infrastructure to manage them in an integrated fashion. For each step, examples or cases are cited, and the study furthermore emphasises the importance of agility, communication and the need for alignment between culture and strategy. The gap in knowledge pertains to the methodology deployed, given that although several cases are cited, none of these companies are SOEs, nor do they operate in the South African environment. It also raises the criticality of a well-defined strategy implementation process, which is a tool that may be useful post the identification of other barriers and enablers.

2.5 Strategy Implementation Models and Frameworks

Although this list is not exhaustive, the following table outlines conceptual frameworks or models that have been developed over the years. Relevant to this study, these frameworks and models attempt to ensure effective strategy implementation by addressing the barriers and enablers previously cited.

Authors (Date published)	Framework/Model and Description
Waterman et al. (1980)	McKinsey 7-S: strategy, structure, systems, style, staff, skills, shared values
Stonich (1982)	Overlaps with McKinsey 7-S
Hrebiniak and Joyce (1984)	Overlaps with McKinsey 7-S, especially on structure, staff and style
Galbraith and Kazanjian (1986)	Overlaps with McKinsey 7-S
Hambrick and Canella (1989)	Compliments findings of Hrebiniak and Joyce (1984) and Galbraith and Kazanjian (1986)
Pettigrew and Whipp (1991)	5 Factors: environmental assessment, leading change, human resources, linking strategic and operational change and coherence
Skivington and Daft (1991)	Overlaps with McKinsey 7-S, especially on strategy, structure and systems
Roth, Schweiger and Morrison (1991)	6 Factors: coordination; managerial philosophy; configuration; formalization; centralization; and integrating mechanisms.
Yip (1992)	4 Factors: organisational structure; culture; people; and managerial processes.
Bryson and Bromiley (1993)	3 Factors: context; process; and outcome.
Schmelzer and Olsen (1994)	4 Factors: environmental uncertainty, organizational culture, information systems and training
Aaker (1998)	Conceptual framework for analysing organisation and strategy implementation requirements
Thompson and Strickland (1995)	Overlaps with factors in McKinsey 7-S framework
Miller (1997)	Overlaps with factors in McKinsey 7-S framework
Beer and Eisenstat (2000)	Six Silent Killers of Strategy
Okumus (2001)	Okumus conceptual framework of strategy implementation: content; context; process; and outcome
Pryor, Anderson, Toombs and Humphreys (2007)	5 Ps Model
Crittenden and Crittenden (2008)	Eight Levers of Strategy Implementation. strategy implementation failure comes down to not adequately addressing structural and managerial aspects within an organisation.
Hill and Jones (2008)	Hill and Jones Conceptual Framework
Brenes, Mena and Molina (2008)	5 key dimensions in successful implementation of business strategy
Hitt, Ireland and Hoskinson (2013)	Conceptual framework, taking into account corporate governance
Hbrebiniak (2005)	Hbrebiniak's implementation strategy and contextual factors framework
Higgins (2005)	The Eight 'S's of Strategy Execution
Verweire (2014)	Three Levers of Competitive Advantage
Galpin (2018)	Seven-step Model for Strategy Execution

Table 2: Strategy implementation frameworks and models

Source: Adopted from Hourani (2017) and Okumus (2001)

Referring to Table 2, it is noted that various academics set out to determine the exact enablers of, and barriers to, strategy implementation. Across these frameworks and models, some of the most cited issues include poor leadership, culture, ineffective communication or unclear strategies, poor coordination across functions, and inadequate resources. Each academic sought to develop their own framework to address these issues, however this researcher is of the view that, although not an aim of this study, there is a need for consolidation and simplification of these frameworks in future (also see Okumus, 2001). It is also important to note that whilst these frameworks take into account various barriers and enablers that may be applicable to SOEs, none are specifically tailored for such a purpose and context. In the ultimate analysis, McKinsey's 7-S framework provides a holistic theoretical base from which to analyse the effectiveness of strategy implementation in SOEs.

2.6 Theoretical Underpinning

2.6.1 McKinsey's 7-S Framework

One of the approaches that has been widely used and considers a range of common and essential elements for effective strategy implementation is the McKinsey 7-S Framework.

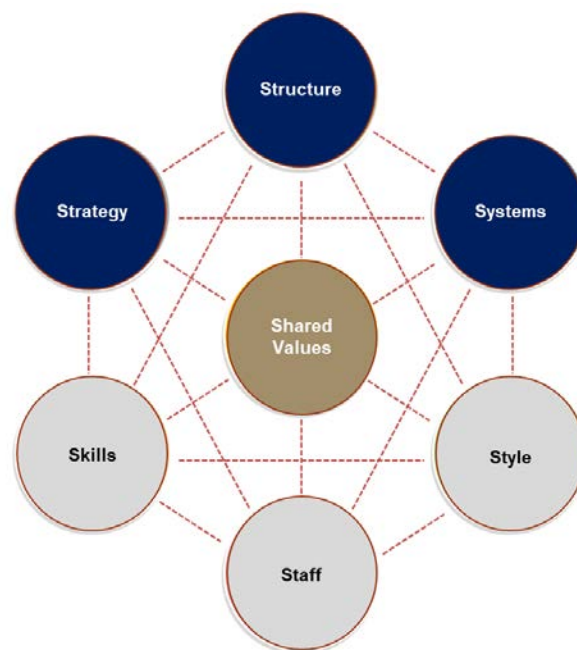


Figure 6: The McKinsey 7-S Framework

Source: Waterman (1982)

Developed in the 1980s by McKinsey & Company's Robert H. Waterman, Jr. and Tom Peters, the framework focusses on seven elements: *strategy, structure, systems, style, staff, skills and shared values* (Peters & Waterman, 1982; Waterman, 1982). Although these two former McKinsey consultants are primarily credited with the work, it is lesser known that Julien Philips, with the help of Richard Pascale and Anthony G. Athos, further influenced the framework.

As illustrated in Figure 6, the underlying theory of the McKinsey 7-S Framework suggests that these seven elements are interrelated and need to be in harmony for an organisation to effectively implement its strategy and achieve its objectives. Waterman, Peters and Phillips (1980) pointed out that these seven elements enable an organisation to endure the various challenges that may affect its performance. The framework distinguishes between hard and soft elements; hard S's include strategy, structure and systems, and refer to those elements that are easier for an organisation to identify, influence and change, while soft S's include skills, staff, style and shared values, and are those elements that are usually less tangible but heavily influenced by the culture of the organisation and still remain difficult to describe. These elements are equal in size and importance and have a high degree of interdependency. This means that a change in one area may affect other areas and therefore the strategy implementation effectiveness of an organisation. Shared values are central to all elements and thus feature in the centre.

In this study, SOEs were evaluated to determine whether any or all of the seven elements serve as either a barrier to, or enabler of, effective strategy implementation, and whether other factors could be identified.

2.6.2 Complementary Theoretical Perspectives

As a strategic management theory, the resource-based view of the firm by Barney (1991) can also aid in explaining McKinsey's 7-S framework. The theory posits that "for a firm to sustain its competitive advantage, it must hold resources and capabilities that are valuable, rare, inimitable, and non-substitutable" (Barney, 1991). With internal resources and capabilities being positioned as key to the success of the organisation, the theory's limited regard for achieving competitive advantage in a changing operating environment invites criticism. As noted above,

McKinsey's 7-S Framework offers due consideration for this as part of assessing the organisation's strategy and competitive position. On the other hand, through a concept called dynamic capabilities, researchers such as Teece, Pisano and Shuen (1997) and Eisenhardt and Martin (2002) later introduced the need for firms to reallocate their resources in line with the changing external conditions through a process of sensing and seizing. The 7-S Framework also assesses the utilisation and alignment of resources as part of the other S's, a crucial factor for state-owned enterprises.

Given the importance of resources as previously discussed, in a later study, Higgins (2005) replaced Skills with reSources as a variation of the 7-S Framework in order to comprehensively include financial resources and technology, apart from Staff.

With the primary outcome of the framework being to achieve effective strategy implementation, Higgins (2005) further complemented it by introducing an eighth 'S' for Strategic performance. The researcher recommended using the balanced scorecard as a suitable tool to measure such an outcome. In his article of 2005, Kaplan supported this view by demonstrating that there is a direct correlation between McKinsey's 7-S Framework and the balanced scorecard. This was done despite the fact that the two models were independently developed (Kaplan, 2005).

2.6.3 Measuring the Effectiveness of Strategy implementation

Literature reveals that the balanced scorecard (BSC) model was first developed by Robert Kaplan and David Norton as a strategy implementation instrument for organisations (Kaplan & Norton, 1992). The scorecard makes provision for both financial and non-financial indicators, enabling organisations to translate their visions and strategies into measurable actions. To achieve this, a business is holistically viewed from financial, customer, internal business processes, and learning and growth perspectives (Kaplan & Norton, 1996).

As previously described, a SOE needs to deliver on both its commercial and developmental mandate, with many making use of the balanced scorecard (Johnson, Beiman & Thompson, 2007). In South Africa this is no different, with

various SOEs using the balanced scorecard to monitor and evaluate performance, in line with its code of good practice, and annually reporting on its performance against objectives (PFMA, 1999).

2.6.4 Opportunities to Extend the Literature

Opportunities to extend the literature and the need for this study is summarised as follows:

1. The need to extend the literature: Whilst vast literature in the field of strategy formulation, and to a lesser degree strategy implementation exists, there remains an on-going debate in terms of the specific barriers and enablers to strategy implementation (Noble, 1999; Syrett, 2013; Sull et al., 2015). Based on this lack of consensus, various strategy implementation frameworks have been introduced, based on the researchers' divergent perspectives (Hourani, 2017). There exists an opportunity to extend the literature through adopting an exploratory research approach.
2. The need for a broader focus in scope: When studying the reasons for strategy implementation failure, past literature tends to adopt a narrow focus, exploring only one or a limited number of aspects. There is a need to undertake a broader exploratory analysis.
3. Address gap in knowledge pertaining to SOEs: Past research has primarily focused on private as opposed to public or state-owned enterprises. There exists an opportunity to extend the literature on effective strategy implementation as a whole and to address the gap in knowledge as it pertains to SOEs.
4. Tailored lessons or framework for SOEs: Different from private companies that are primarily concerned with delivering on their commercial mandate, SOEs also need to fulfil developmental objectives in the interest of their countries and citizens. This dual mandate may pose unique challenges that need to be navigated by SOEs and therefore may require a unique approach to strategy implementation. The author argues that the research to be conducted could offer lessons coupled with a proposed strategy implementation framework that is tailored for SOEs and the environment in which they operate.
5. Improved strategy execution in South African SOEs: As various South African SOEs continue to embark on turnaround strategies, with very little recorded success, a dedicated study may be useful in offering valuable insights in

improving strategy execution at SOEs and ultimately their overall performance. Additionally, the research will seek to extend the quantum of literature available in the field of strategy in South Africa.

2.7 Conclusion

This chapter focused on defining strategy, strategic management, strategy implementation and SOEs as key constructs of this study. It offered an analysis of the literature and previous frameworks on the effectiveness of strategy implementation and explained the McKinsey 7-S Framework as a befitting theoretical lens.

This study has a strong business rationale given the backdrop of the current challenges and inefficiencies at SOEs, which remain highly relevant in their resident economies (Bezuidenhout et al., 2018). It is envisaged that the findings could help improve the effectiveness of strategy implementation processes at SOEs, which could add meaningfully to their performances and thus the execution of their mandates.

With the key objective of the study being to explore the barriers to, and enablers of, effective strategy implementation in SOEs, the next chapter will elaborate on the research questions that stemmed from the literature reviewed.

CHAPTER 3: RESEARCH QUESTIONS

The previous chapter offered a review of the literature on effective strategy implementation. While several barriers and enablers were noted to affect the effectiveness of strategy implementation, only those that predominantly pertain to state-owned enterprises are explored for the purposes of this study, taking into account the South African context. In the past, numerous studies on strategy formulation have been undertaken, with less attention afforded to its implementation (Noble, 1999, p. 119). Hrebiniak (2006) contended that formulating a strategy is less taxing than implementing it. This observation may prove particularly true for state-owned enterprises, hence forming the basis for this study.

Over time, various strategy implementation frameworks have been developed (see Waterman et al., 1980; Aaker, 1998; Beer & Eisenstat, 2000; Hbrebiniak, 2005; Crittenden & Crittenden, 2008; Hitt et al., 2013) which were aimed at addressing several factors that make strategy implementation ineffective. With a lack of consensus on these variables, and in the absence of a large body of knowledge on strategy implementation as it pertains to the environment of SOEs, it is important to analyse multiple perspectives.

Several researchers have adopted McKinsey's 7-S Framework as a means to empirically analyse the effectiveness of strategy implementation within organisations (refer to Table 2 in the previous Chapter 2).

This study served the purpose of exploring the effectiveness of strategy implementation in SOEs, using McKinsey's 7-S Framework as a lens, in order to deliver on the following research objectives:

1. To explore and understand current practices of SOEs in ensuring effective strategy implementation.
2. To identify barrier and enablers that influence the effectiveness of strategy implementation from the perspective of an SOE.
3. To use the experiences of SOEs and McKinsey's 7-S Framework as a lens to draw key insights and make recommendations on suitable

interventions.

To achieve the above objectives, the main research question to be answered is:

How do state-owned enterprises implement their strategies and, in their experience and view, what barriers to and enablers of effective strategy implementation have been encountered and what could be done to improve or overcome these variables?

The main research questions have therefore been restated as follows:

- **Research Question 1:** How do state-owned enterprises implement their strategy?
- **Research Question 2:** In their experience and view, what barriers and enablers have been encountered to effectively implement strategy in state-owned enterprises?
- **Research Question 3:** Based on the organisation's experience and lessons learnt, how can strategy be more effectively implemented in SOEs in South Africa?

The next chapter explains the research design and methodology used to answer these research questions.

CHAPTER 4: RESEARCH METHODOLOGY

4.1 Introduction

This chapter outlines the research methodology and design selected in pursuit of answering the research questions set out in Chapter 3. The study followed a qualitative, multiple case study approach. Focus was placed on two South African state-owned enterprises, as exploring this population offered rich insights and perspectives on the enablers of, and barriers to, effective strategy implementation. Semi-structured interviews were used to collect data, followed by analyses and categorisation according to themes that emanated from Chapter 2.

4.2 Choice of Research Methodology and Design

4.2.1 Type of Research

The study focused on gaining insights into how state-owned enterprises implement their strategies; what factors serve as barriers to, and enablers of, effective strategy implementation; and what could be done to address or improve these. The questions were explored in the context of state-owned enterprises through a philosophy of critical realism. This research philosophy was appropriate because the researcher needed to understand and explain “the underlying structures of reality that shape the observable events” (Saunders & Lewis, 2018, p. 108). In order to identify causes and in answering the research questions, the complexity of strategy implementation as a subject was recognised, as was the need to understand the context of SOEs and the structures beneath the surface of what is immediately apparent.

This in-depth understanding was obtained through an exploratory, qualitative study, using semi-structured face-to-face interviews. This research-type was deemed appropriate for this study, given the limited body of knowledge on the specific subject. Although the answers provided new insights, as pointed out by Saunders and Lewis (2018, p. 115), these should be viewed as tentative and must be supported by future detailed research.

4.2.2. Research Approach

This study followed both deductive and inductive approaches. Saunders and Lewis (2018) promoted the use of both approaches in instances where information is rich in one context, but not in the context of the topic being explored. Through an initial deductive thematic analysis, the researcher consulted peer reviewed literature on the subject of strategic management, as well as the annual reports of the selected SOEs (Braun & Clarke, 2006; Saldanha, 2016). This was in accordance with the aim of extending the existing theory on strategy implementation, which was already substantial but incomplete.

Theoretical models and frameworks in relation to strategy execution were shortlisted, with McKinsey's 7-S Framework ultimately used to inform the data collection tool (Braun & Clarke, 2006). This was followed by an inductive research approach as the researcher sought to gain an in-depth understanding of the underlying factors that serve as either barriers to, or enablers of, effective strategy implementation in SOEs. Saunders and Lewis (2018) and Yin (2018) previously clarified that induction places an emphasis on understanding the research context. The strategy execution framework proposed at the end of the study was informed by both theory from existing literature and new themes that emerged, beyond those of McKinsey's 7-S Framework.

4.2.3 Case Study Research

The research strategy was informed by the multiple case study method, as informed by the theory explained in Chapter 2. The use of theory in both single and multiple case study methods has been debated over time with differing outcomes. Yin (2018) has indicated that the use of theory in case studies can vastly assist in defining the research design and data to be collected.

Saunders and Lewis (2018, p.121) defined a case study as “a research strategy which involves the investigation of a particular contemporary topic within its real-life context, using multiple sources of evidence (data)”. Both Yin (2018) and Stake (1995) explained that case study method is favoured when the main research questions is concerned with answering the “how” or “why”. According to Yin (2018), case study method is befitting when the focus is the case and the behavioural events are beyond the control of the researcher. These conditions were met in Chapters 1 – 3, hence the multiple case study method was chosen

as a research strategy. The cases in this instance were the two SOEs that were studied.

As argued by Zikmund, Babin, Carr and Griffin (2013), the case study method enables an in-depth, internal investigation into an organisation – the case. Similarly, Yin (2018) explained that the replicability and strength of the results are improved by studying more than one case.

While the researcher had intended to conduct interviews across multiple SOEs, due to time constraints and the need to obtain company permission letters, only two SOEs were selected as case studies. The research results are therefore only representative of this sample.

4.3 Population

The population included South African state-owned enterprises. In 2013, the South African Presidential Review Committee on State-owned Enterprises indicated that its database contained just over 700 SOEs, straddling different tiers of government (The Presidency, 2013). Of this number, approximately 70% of these SOEs are classified as national, 16% as provincial and 12% as local, with Schedule 2-type SOEs making up 56% of the total, or about 22 companies with the exclusion of subsidiaries.

This study was limited to national SOEs, of which Schedule 2-type SOEs formed the target population of this study. As defined by the Public Financial Management Act of 1999 (PFMA), these are SOEs that are: (1) self-funded; (2) financially and operationally independent; and (3) able to operate in line with ordinary business fundamentals (PFMA, 1999, p. 10). These three elements formed part of the sampling criteria used.

4.4 Unit of Analysis

Based on the chosen research method, the unit of analysis is the case, in other words the organisations or SOEs. The individual state-owned enterprises were studied in order to understand their context and experience in effectively implementing strategy.

To satisfy the objectives of this study, strategy implementation was evaluated at a corporate level as opposed to a business or functional level. Although individuals were interviewed in order to collect the data for the case, they were not the case.

4.5 Sampling Method and Size

In being mindful of the context and in order to allow for direct comparisons, the sampling frame comprised South African SOEs, which, according to the PFMA, are classified as Schedule 2 public entities. This enabled the researcher to establish the barriers to, and enablers of, effective strategy implementation in SOEs, by establishing common themes and comparing the findings to existing literature. Since the study was of a qualitative nature, a total of 12 experienced participants were selected from two SOEs that operate in two different industries in South Africa. With many authors unable to agree on the ideal sample size for qualitative studies (Patton, 2002), Creswell (2018) recommended three to five participants as a guideline for case studies. In this study, six participants per SOE were interviewed.

As described by Saunders and Lewis (2018) and Patton (2002), purposive sampling was used as a non-probability sampling technique in order to select two cases from the list of Schedule 2-type SOEs. This was done using the following pre-defined criteria to enhance the quality of the research:

1. **Successful and unsuccessful Schedule 2-type SOEs:** The sample included one successful and one unsuccessful SOE. A successful SOE was defined as an SOE that had been able to achieve at least 70% of its performance against objectives over the last five financial years (2014/15 – 2018/19). Such an SOE was deemed to be more successful in strategy execution. Using a five-year time period gave credence to the data. As described in the literature review, the annual reports per SOE were used as a secondary source of data. The median (instead of the average) of 70% over the five-year period was used in order to account for outliers. The researcher opted for a 70% minimum achievement of performance against objectives in order to account for the South African operating environment, e.g. growth in gross domestic product, not to mention the political, labour and regulatory

climates that SOEs are exposed to.

2. **Dual mandate:** Whilst financial performance metrics would ordinarily be good indicators used to compare performance, the researcher was mindful that SOEs need to deliver on both their commercial and developmental mandates. The overall annual performance per SOE was therefore measured. From a data integrity standpoint and in using the annual results as an indicator of successful strategy execution, there was a need to reconcile each SOE's strategic objectives with their key performance indicators to check for effective cascading and alignment.
3. **Different industries and ownership:** To compare case studies, two SOEs that operate in different industries were selected, with both being 100% state-owned.
4. **Skills and experience of participants:** The selected participants had to have a minimum of five years' experience in the specific SOE, together with knowledge and experience in strategy implementation of at least 5 years.

Figure 7 below shows that some 28 initial codes were deductively developed, as derived from the literature (Saldanha, 2016). Each interview was thematically analysed, with data saturation reached after the ninth interview. An additional three interviews were analysed in order to confirm saturation, making the total 12 interviews. It is important to note that the codes for research question 3 were inductively generated since the interview questions were open-ended and not linked to a specific theme (Braun & Clarke, 2006). After a number of iterations, refinements and grouping a total of 98 codes were generated.

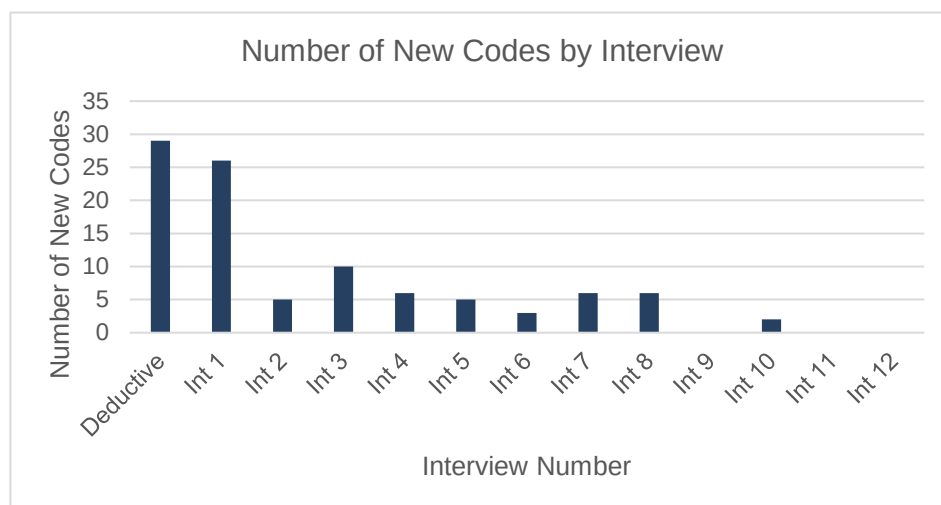


Figure 7: Data saturation

Source: Author's own (as informed by Saldanha, 2016)

4.6 Measurement Instrument and Data Collection Tool

This was a qualitative study, hence the researcher served as the measurement instrument (Maxwell, 2013). Semi-structured interview guides were used as a data collection tool to ensure consistency between the various participants in each case.

4.7 Data Gathering Process and Collection Method

Saunders and Lewis (2018) pointed out that case studies may allow for combined methods such as observation, documentary evidence, questionnaires or interviews. This study used semi-structured interviews and company annual reports. Based on the literature reviewed, the researcher found McKinsey's 7-S Framework to be suitable for designing the interview guides.

At the beginning of each interview, the research objectives were made clear, together with the process to be followed. The participant was also assured of his or her confidentiality. Permission to proceed with and audio record the proceedings was obtained upfront. Questions were posed to the participants with the use of an interview guide to allow for semi-structured engagement. Table 3 provides the steps that were followed for data collection from each case:

1	Gathered background information on the SOE and the participant prior to commencement of the interview.
2	Conducted the interview; gathered information, took notes and made observations; audio-recorded and transcribed the interviews using Otter.ai.
3	Corrected interview transcriptions from notes and recordings verbatim.
4	Analysed the results from the interviews and took note of insights for use in subsequent interviews
5	Considered whether the interview guide needed to be adjusted in accordance with emerging themes.

Table 3: Steps for Data Collection

Source: Braun & Clarke, 2006, p. 87

Saunders and Lewis (2018) and Zikmund et al. (2013) have pointed to the subjective nature of qualitative research, which may result in the introduction of various forms of biases. Given the researcher's own background, knowledge and experience in the field of strategic management, the risk of introducing personal biases was recognised. In order to address this, the researcher remained aware of this risk during the collection of data and therefore maintained objectivity and neutrality during interviews (Maxwell, 2013). These interviews were conducted, recorded and transcribed in a standardised fashion, using both a transcriber and a mobile application, Otter.ai, to ensure validity and reliability of the data and a true reflection of events. Participants were also allowed the freedom to share both their and the organisation's experiences and perceptions.

4.8 Data Analysis Approach

As per Braun and Clarke (2006), thematic analysis of the qualitative data obtained across all interviews were performed as shown in Table 4 below:

1	The researcher became acquainted with the data to gain an understanding of deeper meanings in accordance with the philosophy of critical realism (Saunders et al., 2009) applied throughout the study
2	Conducted the interview; gathered information, took notes and made observations; audio-recorded and transcribed the interviews using Otter.ai.
3	Search for themes emerging from the initial codes allocated to data
4	Review themes and create a thematic map using Atlas.Ti.
5	Enhance each theme through an ongoing analysis.
6	Produce a framework for the purpose of the study.

Table 4: Steps for Thematic Analysis

Source: Braun & Clarke, 2006, p. 87

As recommended by Braun and Clarke (2006), data assurance was achieved by reviewing all codes, categories and themes, as per the Code Book provided in Appendix 5.

Predefined and emerged themes were analysed during several rounds based on

data collected from all interviews (Saunders & Lewis, 2018; Braun & Clarke, 2006; Zikmund et al., 2013). Observations were recorded in terms of both similarities and differences for both cases. This allowed for conclusions to be drawn (Yin, 2018) and a framework for effective strategy implementation in SOEs to be proposed.

4.9 Data Quality Assurance

The researcher followed several strategies and tactics to ensure data quality. One such strategy was triangulation. Triangulation is used to determine the strength of a case study finding. This is done by determining if the sources of data that is collected from various sources converges in such a manner that it boosts the construct validity (Yin, 2018, p. 288). The researcher achieved triangulation through the use of multiple data sources in order to corroborate the findings. These included company annual reports, published research and newspaper reports, published legislative and regulatory documents, presentations to the Parliament of South Africa and personal interviews conducted in the respective SOEs, lending itself to construct validity as a tactic. Furthermore, the researcher attempted to find at least three ways to substantiate data or procedures throughout the study. External validity was achieved through the use of both theory and replication logic given the multiple case studies, whereas case study protocol was followed during data collection to ensure reliability (Yin, 2018).

4.10 Research Ethics

Ethical clearance was obtained from the Research Ethics Committee of the Gordon Institute of Business Science (GIBS) prior to the commencement of interviews (see Appendix 2). All participants were requested to complete and sign an Informed Consent Letter (Appendix 3), which assured them confidentiality and anonymity.

4.11 Research Limitations

This study had several limitations to be considered during the interpretation of the results:

- Researcher biases: The results from qualitative research may be at risk of

biases and assumptions introduced by the researcher (Saunders & Lewis, 2018; Zikmund et al., 2013).

- Participant bias: Given the political nature of the subject, together with the difficult political climate in South Africa in respect of SOEs, participants felt somewhat restricted and at times could potentially have introduced their own biases.
- Limited generalisability: Although the study allowed for new and useful insights in respect of effective strategy implementation in South African SOEs, it holds limited generalisability given that only two Schedule-2 type SOEs out of a possible 22 were interviewed. This was somewhat mitigated by the use of a multiple case study approach as opposed to a single case study. It must however be noted that the researcher remained constrained by tight deadlines and limited accessibility to additional SOEs.
- Theory generalisation: The qualitative research was based on the philosophy of critical realism, of which this results in the generalisation to theory rather than a population (Yin, 2018; Ackroyd, 2010; Danermark, Ekstrom, Karlson & Bashkar, 2001).

4.12 Summary and Conclusion

This chapter discussed the research design followed in order to deliver on the objectives of the study and is summarised in Table 5 below:

Design Element	Design Parameter
Philosophy	Critical realism
Approach	Deduction as informed by theory and known themes, followed by induction for new or emerging themes
Strategy	Multiple case study
Method	Qualitative exploratory study
Time horizon	Cross-sectional
Data collection and analysis	• In-depth semi-structured interviews • Two cases comprising a total of 12 interviews (6 interviews per case) • Data triangulation and saturation

	• Compare case studies • Case study data collection and analysis protocol followed to answer research questions
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Table 5: Summary of the Research Design

Source: Adopted from Saunders & Lewis, 2018

The next chapter presents the findings from the data collected.

CHAPTER 5: RESULTS FROM THE CASE STUDIES

5.1 Introduction

Chapter 5 presents the results from the 12 semi-structured interviews conducted across the two case studies. The data is presented based on the framework provided in Chapter 2 and the research questions outlined in Chapter 3. The layout of the findings are based on the themes derived from both the literature review and the analysis of the data that were obtained through the interviews. As per Appendix 4, the consistency matrix guided the interview questions and structured according to the research questions in Chapter 3. This aided in ensuring a “golden thread” throughout Chapters 2, 3 and 4. The cases were compared to each other, as informed by the framework in Chapter 2. To allow for direct comparison, the same set of interview questions were posed to all participants of both cases.

5.2 Description of Participants and Context

The names of the participants were changed to pseudonyms in order to ensure their anonymity, as promised during the interviews. This was done for both case studies as is noted below. FinCo (Case 1) is a South African state-owned enterprise that operates in the South African financial services industry, whereas EnerCo (Case 2) represents a state-owned enterprise involved in the energy sector of South Africa. As described in Chapter 4, these two cases were purposively selected across two different industries in order to create a varied sample and enhance quality of the data collected.

Whereas ordinarily a more detailed write-up on each of the selected cases would have been included in the study, this was not done, in order to protect the identity of the organisations. This was decided after the various participants expressed the general fear based on the political climates of their organisations.

Six face-to-face, semi-structured interviews were conducted at each SOE, bringing the total to 12 interviews. Each participant had at least five years direct involvement and experience in strategy implementation within their respective SOEs. Apart from a short explanation of the purpose of the study, at no point were interview questions or the framework used provided to participants beforehand. This was done in order to minimise the introduction of any biases.

A further interview was conducted at a third SOE, but this was removed after the

required permission letter from the organisation could not be obtained. Participants were interviewed in either Cape Town or Johannesburg. Refer to Table 6 below for a representation of the sample.

Case Study 1: FinCo Industry: Financial				
Participant	Gender	Number of years of experience in strategy	Number of years employed by the SOE	Level of seniority
P1: FinCo	Male	9	5	Senior Manager
P2: FinCo	Female	7	6.5	Junior Manager
P3: FinCo	Female	15	7	Senior Manager
P4: FinCo	Male	14	7	Senior Manager
P5: FinCo	Female	7	9	Senior Manager
P6: FinCo	Male	12	23	Senior Manager
<i>Subtotal = 6 Participants</i>				
Case Study 2: EnerCo Industry: Energy				
Participant	Gender	Number of years of experience in strategy	Number of years employed by the SOE	Level of seniority
P7: EnerCo	Male	10	19	Senior Manager
P8: EnerCo	Male	6	6	Junior Manager
P9: EnerCo	Male	24	15	Senior Manager
P10: EnerCo	Male	20	12	Senior Manager
P11: EnerCo	Female	10	15	Junior Manager
P12: EnerCo	Female	11	13	Senior Manager
<i>Subtotal = 6 Participants</i>				
Total Number of Participants = 12				

Table 6: Summary of Participants

Source: Author's own

5.3 Results from Research Question 1

Research Question 1:

How do state-owned enterprises formulate and implement their strategies?

This research question aimed to identify and understand the current practices of how SOEs formulate and implement their strategies. In this regard, and as per the consistency matrix in Appendix 1, the first two interview questions sought to establish whether the SOEs had a strategy in place and, whether, from their perspective, it was deemed to be effective. This was followed by a question on the SOEs' specific process(es) in terms of strategy formulation and strategy implementation, and whether these were considered to be effective or not. These questions further enabled an understanding of whether any process gaps exist within the SOEs, given that the literature suggests that ineffective strategy implementation is often a result of poor strategy formulation practices.

The importance of first and foremost have a well-defined strategy in place emerged from both cases analysed. However, closely linked to this is the need for sound strategy formulation and implementation processes. Regarding strategy formulation, issues pertaining to legislation, the operating environment and inclusivity emerged, whereas for strategy implementation, participants flagged the importance of ensuring coherence, ownership and adequate management tools.

5.3.1 Strategy

Except for one participant from each case, the majority felt that the strategies of their state-owned enterprises were in place, well-defined and effective. A large number of participants did, however, raise a concern about the horizon or outlook of their strategies as being too short. It was explained by the participants that this was due to pressure from their shareholders to deliver on their respective mandates.

Several participants also confirmed that there is often a misunderstanding between the shareholders and the SOEs in regard to the interpretation of their mandates, which often leads to misaligned targets and therefore ineffective

strategy formulation and implementation, as will be covered in the next sections.

“There is not always a full alignment in terms of the shareholders or government's interpretation. In fact, in terms of the boards. The shareholder yes. The company I work for is held by a holding company, which is a shareholder to us which reports to a Ministry. So, whilst the mandate could be clear coming from the Ministry, how its interpreted by the Holding Company sometimes is not necessarily fully aligned with how the Board of the entity interprets it, and ultimately creates a bit of confusion at the executive level. But our mandate is fairly straightforward. So, at executive level it's been fairly clear what needs to be done. But the various interpretation sometimes can derail you in terms of delivering on that mandate” (P1: EnerCo).

5.3.1.1 PFMA

In both case studies, the participants interviewed confirmed that strategy formulation is performed in line with the prescriptions of the Public Finance Management Act of 1999 (PFMA) and the National Treasury guidelines (National Treasury, 2015). In line with the PFMA, both SOEs have shareholder compacts and strategic plans with their responsible Ministries. Whilst in both cases it was agreed that the PFMA serves as an enabler for the development and alignment of strategy, both also raised concerns around its cumbersome approval processes. This issue will be discussed under the section on Systems as part of the data obtained for Research Question 2.

“The other enabler for FinCo to perform is the shareholder support. The extent can be debated, but there is shareholder support. What do I mean by shareholder support? The constant assistance in terms of ensuring compliance, case in point with the PFMA, in my mind is a shareholder's support. PFMA from a retrospective giving of feedback to the shareholder enables the shareholder to understand that FinCo is still on track with regards to its objectives. PFMA is also an enabler between shareholder and FinCo in the sense that there are sections for compliance that require upfront approval. So, that ensures that in as far as the strategy is concerned, there's an upfront request for information or rather request for approval and there is

a backward integration in terms of supporting it to make sure that there is alignment” (P5: FinCo).

5.3.1.2 Environment

One participant from EnerCo highlighted that as a point of departure, its strategy formulation process is largely influenced by government and industrial policies, and the priorities of the Ministerial portfolio it is part of.

“A formulation of strategy starts with analysing in the main. Because we are a state-owned entity, it moves from an analysis of policy in terms of policy within the sector that we operate in. What are the state objectives in respect of the sector? And those objectives, they are found in various policy instruments” (P7: EnerCo).

In both case studies, all the participants highlighted the fact that the operating environment, especially the macroeconomic conditions, have had a negative bearing on the overall performance of the SOE. In this regard, one of the participants from FinCo labelled the economy as the number one challenge in the planning of its strategy.

“You know the economy is number one. The environment has not made it easier for SOEs in the country, especially this one. When the economy is doing very well, then we will do well” (P4: FinCo).

Whilst both SOEs have dedicated economic research departments, at least three of the participants from EnerCo placed emphasis on the need to actively monitor key macroeconomic indicators.

“Two key variables impact directly on us. The oil price and the exchange rate that plays a key role, especially the dollar. The dollar plays a key role because all prices are priced in dollars. And that has a direct impact on our strategy. So, on a day to day basis, we follow, monitor, monitor and follow the movement of the dollar” (P10: EnerCo).

“The dynamic environment sometimes requires that there is there is an on-going planning process on an annual basis” (P7: Enerco).

“The environment plays a big role in our strategy implementation. So, we do research. Most of the data is real time data and we go back and review our strategy in line with the changing external operating environment” (P10: EnerCo).

Interestingly, all participants from both SOEs pointed to the fact that the creation of shareholder value was their number one priority. This point was more prominent in the case of FinCo, which based it on the interpretation of the SOE's mandate. Closely related to this, out of the twelve participants interviewed, only two passed remarks about the needs of its customers when examining the environment.

“Our strategy is informed by government, by the way the politicians see the country going. So, we definitely take our cue from the top” (P2: FinCo).

“We have probably become more of a shareholder-centric than customer-centric organisation. I mean if the shareholder wants something, we deliver immediately. If customers want something they can wait. We are not in tune with the market out there. We are not in tune with competitive trends. We are very in tune with what's changing in government policies etc” (P6: FinCo).

“The other thing that I forgot to mention earlier is our level of understanding of our customer and what our customer needs. And when we turn to embark on big strategy drives, we forget. In fact, we will sometimes forget or exclude the customer and yet we are trying to do things better for the customer. So, what the private sector does is they start with the customer. It's the customer we are serving (P4: FinCo).

5.3.1.3 Consolidation

All twelve participants confirmed that strategy formulation and strategy implementation are treated as two separate and distinct processes. Whilst some

mentioned that strategy implementation is discussed during strategy development workshops, they acknowledged the existence of a “gap” between the two.

“They are separate, they are separated. And, there is a process for strategy formulation. But implementation, I don't think people are paying more attention on it. I think that's where we are lacking in a sense, because implementation is where you enforce alignment” (P8: EnerCo).

“Yes, they are separate processes. Certainly. I think the formulation of strategy tends to become a single, independent event. And then the follow through never really materialises if there are changes. So, yes, I think it's fair to say that, they're treated as two separate processes” (P1: FinCo).

On the subject of who gets to participate in the strategy formulation process, with the exception of one participant, the participants from FinCo believed that the strategy formulation process is inclusive. In contrast, in the case of EnerCo, apart from one participant, most felt that the strategy formulation was done exclusively by the leaders of their organisations, at the expense of them as implementers. It is worth mentioning that this one particular participant happened to be the most senior of them all.

“We are quite a consultative organisation. We talk at various levels, for example, things are cascaded down in a manner that allows feedback from lower levels. So as much as the strategy is communicated downwards in terms of what the strategic thrust of the organisation is, there's also a lot of input that's coming from the lower levels in the development of the strategy. So, we take quite a participatory approach. Of course, there are individual personalities in the sense that you could find some managers that are not consultative or participative in their approach, but the broader organisational thrust is that we are an organisation that have conversations from top to bottom and bottom-up” (P7: EnerCo).

“Most people do not have access to our corporate plan. It's more like a private document that can be viewed by some people in the organisation. That is a challenge, because you'll find that the people, the project managers

are not part and parcel of crafting that corporate plan or crafting the strategy. Now they don't know what to execute” (P8: EnerCo).

Whereas participants from FinCo viewed their strategy formulation process as relatively inclusive, all six participants spent a lot more time flagging concerns around the involvement of their shareholder, as per previous quotes. It also emerged that the Minister is intrinsically involved in all their processes, from the strategy formulation phase to the point of setting targets. Despite the obvious fear of reprisal, this became a repetitive topic raised throughout each interview at FinCo, where it was also highlighted that the Minister personally attends annual strategy sessions.

“I do think that Minister is very operationally involved here and it is no longer just the high-level strategic guidance that he's giving us but he wants to be everywhere all the time. It's a barrier” (P2: FinCo).

In contrast, at EnerCo, the shareholder took a rather hands-off approach to strategy formulation, even though the SOE finds itself in a precarious financial situation. More concern was raised around its complex reporting structure, hampering strategy formulation, together with a lack of clarity in terms of its mandate. These sub-themes are discussed later on in this chapter.

5.3.2 Summary of the findings for Research Question 1

In answering Research Question 1, it emerged that both cases studies had strategies in place and were largely deemed to be effective in terms of formulation, but not implementation. It was further found that strategy formulation processes at both SOEs are guided by prescribed legislation, taking into account the operating environment. Strategies at both organisations are heavily influenced by their shareholders, with a bias towards government objectives. The participants from both organisations confirmed that strategy formulation and implementation are treated as two distinct processes, with the implementation process also giving rise to three themes of coherence, ownership and tools.

5.4 Results for Research Question 2

Research Question 2:

What barriers and enablers to effectively implement strategy in state-owned enterprises are being encountered?

This research question aimed to identify and understand the specific barriers and enablers encountered in state-owned enterprises during the implementation of their strategies. In terms of the barriers, the researcher was particularly interested in “why” strategy implementation fails or is perceived to be ineffective in the organisation. As explained in Chapter 4, case study research is mainly concerned with answering “how” and “why” questions. Where Research Question 1 focussed on the “how”, Research Question 2 aims to address the “why”. Using McKinsey’s 7-S framework, interview questions 3 – 10 sought to focus on the other elements of the framework in order to establish the degree of misalignment, if any (Waterman, Peters & Phillips, 1980). As guided by Braun and Clarke (2006) and Saldanha (2016), the themes were pre-selected in order to perform deductive thematic analysis. It was envisaged that the responses would provide rich insights that would enable suitable interventions to be developed, aimed at improving strategy implementation in state-owned enterprises.

5.4.1 Structure

5.4.1.1 Internal structure

From an organisational structure point of view, in both case studies, most participants did not perceive their internal structure to be a hindrance to strategy implementation.

“The structure itself, I think it could be better, but the structure I don't think is a major hindrance in strategy implementation and output of this company”
(P1: FinCo).

However, two of the participants from EnerCo who relied on the famous quote by Alfred Chandler, i.e. that “structure follows strategy”, responded that having a well-defined strategy in place is essential before a conversation on structure can be held (Chandler, 1962).

"You see, I cannot say we have the correct structure because a change of strategy is a change of structure. So, you must have a strategy before you can have a structure. Your structure must talk to your strategy first" (P2: EnerCo).

When probed on this matter, it emerged that the participants' reservations were mostly in regard to the external structure of EnerCo, as well as the vast number of vacant leadership positions. The external structure was raised as an impediment to strategy implementation by all six participants.

"You start with a strategy, that strategy informs what structure you need to have in place in order to discharge and implement that strategy. Now the structure is in tatters. So, it's a big impediment. No leadership or permanent leadership positions. Changes in ministers. Reporting to a shareholder who reports to the department. So, it's too cumbersome" (P10: EnerCo).

5.4.1.2 External structure

It was further explained that the organisation's complex external reporting structures have resulted in slow decision-making, a lack of autonomy, miscommunications and ambiguity in terms of expectations in relation to its mandate.

"The second barrier is when you implement your strategy, there are instances where you need to be agile, in taking up opportunities that are presented externally. For instance, your agility is a key key key problem here at EnerCo. Because you have to report to the board and the board reports to a Holding Company, our shareholder, and at our Holding Company, there is another internal process there. Their Exco, and then the board. And they, on the same issue, they have to report to the Ministry. And from the Ministry, say it is a big acquisition we want to make, it has to go to the Cabinet" (P10: EnerCo).

"When we have to get approval for anything, we must first go to our Exco and then from our Exco to the board. Then it goes to the Holding Company's board. Then it must go to the Ministry. So that whole approval process is just

too long. I think we are an industry that needs fast decisions. So, with us by the time a decision must be made, we are still waiting for that opportunity to go through the necessary approval channels and really have no control over how quick something can be approved” (P11: EnerCo).

5.4.2 Systems

5.4.2.1 Strategy Execution Office

Four participants from FinCo identified the need for a more established strategy implementation framework and strategic initiatives that are managed and owned by a dedicated office. In contrast, participants from EnerCo indicated that they do have an enterprise project management office (EPMO) in place, which was created on the back of the failure of a megaproject, but it has not been effective, and employees generally ignore it.

“The EPMO came after the failure of one of our mega projects. It was found that we flouted the internal processes. We never stuck to the gated project framework. Then that resulted in the creation of the EPMO. EPMO should make sure that projects are registered, and they follow the gated framework. And the business case makes sense before it can go to Exco. Some of the project managers are powerful and EPMO will be hesitant to enforce the rules. And I'm asking why do we have EPMO if you will allow others to move forward to Exco and others not? So, you're not enforcing alignment, and sometimes the business case will be written horribly. And sometimes the business case will not make sense. Yeah. I've got one incident where one of the investment committees, I said, I'm not going to attend this meeting because, I don't understand this business case. And it was reviewed by EPMO. So that's the kind of a challenge” (P8: EnerCo).

5.4.2.2 Balanced Scorecard

All the participants in both cases studied confirmed that the balanced scorecard was the tool used to manage performance. Three participants from FinCo did, however, concede that its organisation requires better monitoring and evaluation processes to manage strategy implementation.

“We do not have a discipline or an area that looks after monitoring and

evaluation for instance. That really looks at how we can track or immediately see where we are at and improvements on” (P4: FinCo).

“We need monitoring and evaluation of that all the time. Maybe, not even just quarterly reporting but whenever we see something is not on track to have a remedial action then and there. And then to immediately have that feedback loop of did we even select the correct strategy in the first place or the correct implementation and model in the first place” (P2: FinCo).

At least one participant from each SOE argued that prior to implementing its strategy, it is important for the organisation to conduct a “coherence test”. It was argued that it becomes difficult to pinpoint the exact areas of weakness to be corrected in their strategy implementation processes, in the absence of such coherence. The same participants argued that in their SOEs, targets are not necessarily a good indicator of strategy implementation effectiveness given that the SOE has a dual mandate and targets are often not aligned to the strategy, or are simply manipulated to be based on the previous year's performance and are out of tune with the changes in the external operating environment

“The first thing that I would say is, even before there is performance, is the analysis of do the targets speak to the objectives. Is there coherence between what the company is defined and supposed to be doing?” (P1: FinCo)

5.4.3 Skills

5.4.3.1 Education and skills

All but one participant from the FinCo identified the education and skills levels of its internal workforce as a key enabler to strategy implementation. However, three participants from EnerCo stated that it has experienced an exodus of skills due to its organisational climate and the uncertainty around its future. The balance of the participants from EnerCo believed their employees are highly skilled, but agreed that they are at risk of leaving the organisation.

“We have a breadth of skills. A lot of people here are well educated” (P1:

FinCo).

"The organisation that I'm working for has relatively high degree of professional that are highly competent and technically sufficient" (P5: FinCo).

"In terms of resources, we have lost quite a lot of resources in terms of human capital, which has had an impact on the implementation of strategy and an impact in terms of the depth of analysis that is sometimes required in strategy implementation. We also lost technical human capital resources, which has had a bearing in terms of the execution of projects" (P7: EnerCo).

"A lot of the skilled people have left the company. There have been huge gaps in terms of the competency and the skills of people who are here. There's also a moratorium on new or on recruitment. So, as a result, people are sometimes having up to three to four jobs. So, it's just not functioning well. People cannot cope. The Number of stress, stress is also very high, employees are getting ill. It's the morale, the morale of the company is very low" (P9: EnerCo).

The participants from the two organisations also contrasted with each other in terms of the skills' levels of their executive management teams, boards of directors and shareholders. Whereas the FinCo respondents deemed their skills to be a key enabler of the organisation's performance, all the participants from EnerCo flagged the competence of its leaders as a serious barrier to the implementation of its strategy. Specific reference was made to its shareholders often not understanding the industry and the board requesting training on several occasions. This was made worse by several leaders being in acting positions for an extended period of time.

"Our board is technically sound and highly competent" (P5: FinCo).

"I think we've got a good balance of new people and experienced people. I think they can push our strategy" (P6: FinCo).

"There is no leadership. I mean, we've had acting people for over three years

at the senior management level, even the board level. The board is interim. And the quality of the leadership is poor, in the sense that, either they don't understand the business, or they are political appointments, etc.” (P9: EnerCo).

“We have a board that is challenged when it comes to industry knowledge. It's highly challenged. For instance, right now we're preparing a training course for the board. They need to understand how our operations works and so it's a big challenge. So even at Exco it's a big challenge. I don't want to talk details, but it is a big challenge. And so, when there's a challenge like that you end up talking past each other” (P10: EnerCo).

5.4.4 Staff

5.4.4.1 Human resource allocation

Participants from both case studies do not think its employee productivity is at optimal levels, which is mainly due to its culture, as will be discussed under Style. Generally, both organisations are dealing with low employee morale, however a recent change in leadership at FinCo has introduced some degree of optimism. Participants from FinCo were, however, more concerned about the misalignment of its core versus supporting staff, which consequently constrains the implementation of its strategy. One participant commented that:

“We have the back office that is bloated. I think if one has to take a little gamble the back office is probably 78 to 80% of the organisation. Where implementation happens, it is only 20%. And the 80% is mis coordinated. You have units that are not supposed to be there, you have units that are misplaced” (P4: FinCo).

In the case of EnerCo, the participants had a slightly different, yet similar, concern about the fact that key personnel are an untapped resource.

“There are people who are skilled who are underutilised. There are people that are skilled that are so overworked and all that. So, we don't have a way of making sure that the resources that we have at the moment are maximised, but the limited ones that we have the are not maximized” (P12:

EnerCo).

5.4.4.2 Leadership turnover

Another dissimilarity between the two cases studied was the issue of leadership turnover and its impact on effective strategy implementation. All participants from EnerCo complained that the organisation has suffered tremendously because of an extremely high staff turnover at various leadership levels, including its shareholder.

“We have not had executives for so many years. I think it’s more than three years of not having permanent executives, everyone acting, everyone being changed. If there’s a change at ministerial level, the changes will come down. That has been the major challenge. And I’m not sure even if our shareholder... remember even within the government all the Ministers that come, they have like five years; a five-year term. Actually, in the past 10 years no one has finished the five years. I think in the past term, I think in five years we’ve had three Ministers in the past five years. So, the leadership battles and challenges have been such a big change because one will come and say we are doing this, the other one will come and say no let’s go with that” (P12: EnerCo).

In the case of FinCo, the SOE has been blessed with stable leadership at all three levels for a number of years, as expressed by most participants. When prompted about the benefits of this, nearly all of them were quick to point out that this also came at the cost of innovation and new ideas for the organisation, and that consistent performance could easily be linked to doing more of the same over the years rather than sound strategic interventions.

“There’s benefits and there is disadvantages for us having had a leader for a long time. I think there was a level of stability that was brought about by the fact that we have the leader. So, we kept on in terms of maintaining what it is that we were doing. So whereas the stability allows you to maintain, fresh thinking will allow you to leapfrog or to go to the next level. Now having seen a fresh leader come on board it also makes you then realize what was the opportunity cost of the stability” (P3: FinCo).

5.4.5 Style

5.4.5.1 Participatory leadership

Both organisations' participants agreed that the leadership style in their organisation is participatory on non-strategic matters. One participant from EnerCo cited an example of its CEO personally attending to employee affairs.

"The current leadership, especially the current acting CEO, is a down to earth person. He's a people's person. He even attends what is called ERF. It's an employee relations forum where normally you second senior managers from HR and your Employee Relations Manager to sit there on your behalf. He goes down to that level to address issues. So that's the kind of leader you need for strategy implementation" (P10: EnerCo).

Four participants from FinCo did, however, raise the fact that its board does not create a sufficient buffer between the organisation and the Minister, allowing his or her continued interference.

"I think that currently our shareholder is not viewed as an enabler, but a hindrance to the performance of our strategy. The minister is viewed in that way, but I do not think that it is by design. I think it is by the organisation enabling the Minister basically to be doing that. So, as far as I'm concerned, the relationship between the board of an organisation of an SOE you know, and a shareholding ministry should be governed by a shareholder compact. A shareholder compact needs to state that these are the outcomes that the shareholder wants to see, you know. And it really, really should stop at that. I think the shareholder is viewed as a hindrance because the relationship does not stop at a shareholder compact. But the shareholder has been too operational in what the organisation is doing, which is inappropriate in my view" (P1: FinCo).

5.4.5.2 Communication

As mentioned, nearly all the participants raised the issue of their organisational culture not being supportive of their strategies. This is compounded by a lack of communication at times, especially as it relates to the strategies of the SOE.

Comparatively, more participants from EnerCo bemoaned their lack of access to information. As a specific example, employees from FinCo have access to the organisation's strategic plan, whereas in the case of EnerCo it was treated as a confidential document.

"Most people do not have access to our corporate plan. It's more like a private document that can be viewed by some people in the organisation. That is a challenge, because you'll find that the people, the project managers are not part and parcel of crafting that corporate plan or crafting the strategy. Now they don't know what to execute" (P8: EnerCo).

5.4.6 Shared Values

5.4.6.1 Organisational culture

All the participants from both case studies highlighted the fact that their current organisational cultures are not supportive of their corporate strategies. In each case, the participants explained that this view is quantitatively informed as both SOEs had recently undergone culture assessments.

"We did a Barrett survey about a year ago, and then four years, ago as well. So, the Barrett survey basically has been very negative, with entropy levels higher than 30 on both occasions, and in the latest iteration even increasing. So, culture has been viewed as constraining" (P1: FinCo).

"One hindrance to strategy execution definitely within our organisation is the culture" (P3: FinCo).

"We have an uncertain future in terms of how long we remain viable. That has an impact on the culture of the organisation" (P7: EnerCo).

"The culture is not talking to the implementation of the strategy. I cannot tell what is the culture of our organisation. Because what generates the culture is the values." (P8: EnerCo).

5.4.6.2 Employee political behaviour

Apart from a lack of adequate strategy implementation frameworks and tools, one of the most common sub-themes that emerged from the data was the limiting behaviours of various employees of the SOEs. This contradicted the fact that nearly all the participants believed that their employees by and large live by the stated values of the organisation. Examples cited by FinCo included a lack of buy-in and accountability, which they experienced in the last few years during the implementation of its strategy, compounded by a general resistance to change.

“It is the behaviours that need attention and the approach that I’m perceiving from the new leadership is that it is those behaviours that we are seeking to change. And therefore, one would have noted that the engagement level and the level of participation dialogue engagement is sort of increasing and is being almost forced to increase. And with the new leadership style the expectation is that there will be more of a joint ownership of strategy. And therefore, the camaraderie in terms of it rising and falling (P5: FinCo)”

In the case of EnerCo the examples were more extreme, whereby it was alleged that implementers or project managers often knowingly submit projects that are not viable or simply bypass due processes or object against the strategy of the organisation. One participant also indicated that the same project managers would use their political proximity to executives to push through projects for approval.

“In most of the cases they bypass all those processes, but you find that sometimes the numbers in this project or in these models to predict the behaviour of the business case are not making sense. And the Exco will approve it because the project team will say “we have to do it”. And we don’t have a choice. Or they will firm up the numbers when we do another phase. But it is the wrong project. And it is not talking to the strategy. So that’s one of the failures. In that case, you don’t have alignment, which then makes it difficult for implementation” (P8: EnerCo).

5.4.7 Summary of the findings for Research Question 2

Figure 8 below summarises the degree of strategic alignment achieved in each

of the cases studied. In the case of FinCo, the SOE has managed to achieve alignment on the majority of its S-elements, with the need for attention on its organisational culture, leadership and employee behaviours. Its participants also raised the need for the SOE to address its outdated process and establish systems that monitor and evaluate strategy implementation. EnerCo has faced more challenges, evident from most of its elements being misaligned. In particular, the barriers with respect to its leadership and organisational culture is restricting the organisation to effectively deliver on its mandate.

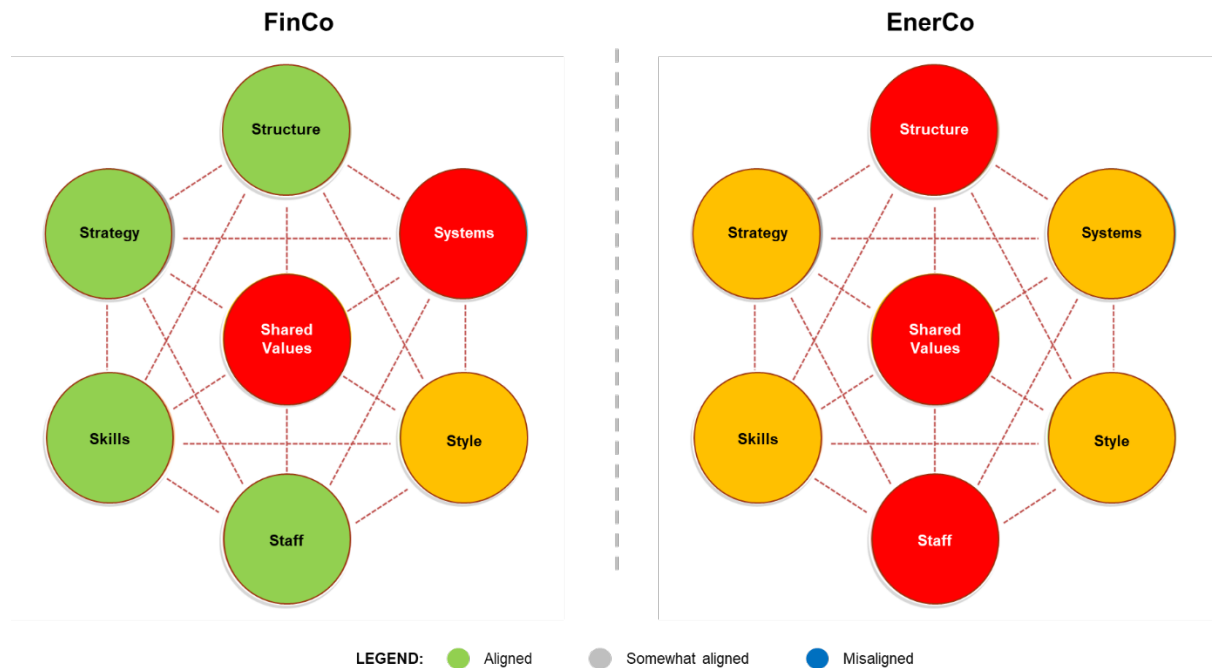


Figure 8: Degree of alignment achieved per case

Source: Author's own as adapted from Higgins, 2005

5.5 Results for Research Question 3

Research Question 3:

How can state-owned enterprises more effectively implement their strategies?

This research question was covered by interview questions 11 – 13. Given the range of experience of all participants (at least more than five years) in terms of strategy implementation in their SOEs, this question sought to capitalise on any lessons learnt to date. It was envisaged that this would assist the researcher to develop sound recommendations for consideration by both business and academia. Based on the literature in Chapter 2 that postulates that private companies and SOEs have a few distinct differences, one interview question focussed on any barriers that the participants felt were unique to SOEs in comparison to private companies. It is important to note that the researcher applied inductive coding to the data obtained for these questions as no predetermined themes or categories were developed. This aided in minimising any researcher biases.

5.5.1 Shareholder

5.5.1.1 Enabling Legislation

As already mentioned in previous sections, both companies reaffirmed that there is a need to look into the time-consuming approval processes brought about by the need to comply with the PFMA. As one participant from EnerCo explained:

“The slow decision-making processes as a result of hierarchy. Hierarchy or what we call red tape, even if decisions make commercial sense. Therefore, in the private sector, the board would be the final arbiter on the matter. If the board is okay, that project will be implemented. In the case of a state-owned entity, you still need to go all the way to government, whereas sometimes processes can take long at that level. But also, sometimes you could be derailed in terms of a commercial opportunity on the basis of to what extent does it advance government objectives? Sometimes it could be deemed to be out of or not aligned with the government objective. So also issues of, for example, I guess it talks to the approvals required, because, for example, the private sector doesn't have to necessarily comply with the PFMA, Public Finance Management Act, which requires certain approvals to be in place

before you could embark on a project or close a transaction. We have to go that route and that proves to be long” (P7: EnerCo).

One participant from EnerCo pointed out that its SOE has never been enacted, meaning there is no dedicated Act or law that formally establishes it or confers certain benefits to it, unlike other SOEs. This has resulted in the organisation needing to compete on an equal footing with the private sector, which is often difficult given its dual mandate.

“There are policy instruments that could be enabling if we are a state owned entity. For example, we are not legally designated or affirmed in the sector, which would be an enabling instrument if that happened” (P7: EnerCo).

5.5.1.2 Political influence

All participants from both SOEs made constant reference to the political influence experienced by virtue of being an SOE, which is something they argued private companies do not have to contend with. This became one of the most prominent themes throughout the interviews conducted and thus the codes generated. Participants from EnerCo went on to couple it with the practice of cadre deployment instead of appointing competent leaders at all levels. This, in their view, together with complex reporting lines, have curtailed effective strategy implementation. Once again, these points were raised with a high level of fear of retribution.

“We sometimes experience political interference in the appointment of board members. So, you will find that maybe a person who is appointed to sit on our board is not there because of merit or because of the skills they possess. It’s because of their proximity to certain politicians or powerful politicians” (P11: EnerCo).

“I think, the fact that government is the one that appoints the executive or the board, that is a problem. Because the government does not understand the business” (P8: EnerCo).

5.5.1.3 Corporate Governance

All six participants interviewed at FinCo praised its sound corporate governance processes and controls, describing them as key enablers and differentiators in its performance relative to other SOEs.

“We have an advantage in that we do have a lot of controls in terms for instance, our policies. Our fraud policies, our conflict of interest. All of those, we’ve got it in place and we’ve got sufficient oversight. So that helps a lot. I think we are quite transparent” (P2: FinCo).

This was quite the opposite in the case of EnerCo, where several participants pointed to the fact that they have experienced several lapses in governance which has led to the dire financial situation the SOE finds itself in, and the organisation is thus unable to execute its strategy. With much discomfort, some of the participants from EnerCo cited a large capital project that the company undertook, which was deemed a failure due to several lapses in governance. Another example cited was that although the SOE has established approval processes and committees to approve strategic initiatives and new projects, various project managers still bypass them.

“Biggest lessons learned from that project is that you must know when to cut your losses. Because I remember, when the board approved that project said, you do the first campaign, if it's not successful move away. But because there was a change in boards etc., and someone somewhere in the system forgot to implement that resolution to say the first campaign should finance the next one... And the next one, etc.” (P10: EnerCo).

5.5.2 Resources

5.5.2.1 Financial

Given the current financial woes of EnerCo, all the participants raised the need for funding in order to execute its strategy. Participants stressed that its dire financial situation is made difficult by its dual mandate, i.e. there is a need to deliver on both commercial and developmental outcomes. Although FinCo is less concerned about its current financial situation, the participants did highlight that

its current strategy execution practices are not sustainable in the long-run. Both pointed out that a key difference between SOEs and private companies is the fact that private companies prioritise profitability, whereas in the case of an SOE it is considered a secondary objective.

“The fact that we are owned by government there is the element that you cannot just be commercial. There is the developmental mandate. It’s not clear what’s your priority” (P12: EnerCo).

“Financial resources, I would say we are reasonably okay though the balance sheet has taken quite a bit of strain. It looks a lot worse than it was five or so years ago. So, financially we are reasonably okay. However, we do not have the luxury to afford bigger things” (P4: FinCo).

Both sets of participants also highlighted the fact that they often need to engage in transactions that are less profitable in exchange for public benefits, whether perceived or real, which they felt is unique to SOEs. They noted that this problem is multiplied by their high cost structures and inability to reduce labour costs as a result of being “state-owned”.

“You see, you need to have a big and strong balance sheet to undertake some of these initiatives. Most initiatives are of a national strategic imperative. Like the new energy project. I mean, the government wants that. Yet, we have to foot the bill. We are a Schedule 2 company, we have to be financially stable and commercially viable. There’s no funding from government and yet, we have to undertake some of this. You see, and we’re not making profits” (P10: EnerCo).

“I have not seen the organisation saying no to some of the things that we clearly saw as failures. We went into sectors that were not performing and purely on the back of the shareholder insisting that we are going into those sectors” (P4: FinCo).

5.5.2.2 Technology

Participants from both case studies also noted that most of their processes are well established due to the age maturity of the organisations, but these require

drastic technological upgrades to remain relevant given the advent of the Fourth Industrial Revolution. Underinvestment in technology was therefore perceived as an emerging barrier to strategy implementation.

“We’ve got financial resources, but we are not necessarily investing enough, and this now links to the technology” (P6: FinCo).

“We are fairly well still in terms of our technological resources in terms of software when thinking of the upstream side of the business. Although we are not keeping abreast with developments in technology anymore. So, whilst we can say we are okay in terms of where we are at, we are not. We are average in terms of our technological resources. We not keeping up to date as used to be the case. In the past where were best in class in terms of technology” (P7: EnerCo).

Several participants from both SOEs alluded to weaknesses in respect of performance management as a driver for effective strategy implementation.

“The people who drive strategy implementation need to be measured appropriately and remunerated based on what it is that they are supposed to do and incentivised as well. So, their KPIs need to speak to that strategy...” (P3: FinCo).

5.5.2.3 Partnerships

Given the financial challenges experienced at EnerCo, some participants believe partnerships could go a long way in assisting the organisation to execute its strategy.

“Partnerships, for example, in our sector the modus operandi is to use partnerships” (P7: EnerCo).

“I’ll give you an example. As part of the strategy, we have to sort of like rationalize our portfolio and then sell some stake of the assets that we have in Southern Africa. But that process has taken so long to get approval from our shareholder such that even the companies that were interested in partnering with us in these assets ended up pulling out because they felt like

the process is too long for them” (P11: EnerCo).

Three participants from FinCo acknowledged that they need a more established strategy implementation framework or methodology.

“I don't think that there's a set very efficient implementation framework. So is implementation even happening?” (P1: EnerCo)

5.5.3 Summary of the findings for Research Question 3

Four themes emerged in answering Research Question 3. It is important to note that these themes have several overlaps with Research Question 2, largely because the proposed interventions sought to address the barriers and enablers identified in the previous questions. In the case of EnerCo, a number of participants chose to reaffirm issues pertaining to the financial woes faced by the organisation, which are made worse by a high cost structure and an unfunded social or developmental mandate. FinCo instead focussed on how it could be more effective in the execution of its strategy, suggesting the need for a dedicated strategy execution office going forward.

5.6 Conclusion

Overall the research questions generated a vast number of sub-themes. This was to be expected given that the 7-S framework by McKinsey considers various dimensions of the organisation, and the fact that the researcher allowed some degree of freedom for the participants to elaborate on their experiences. It also became obvious that EnerCo is focussed on a number of barriers rather than enablers given the vast number of challenges it is facing, whereas in the case of FinCo, this was less predominant. It is nonetheless clear that the two organisations are dealing with similar constraints by virtue of being SOEs and have specific challenges that a private company does not necessarily have to contend with.

CHAPTER 6: DISCUSSION

6.1 Introduction

This chapter will discuss the results presented in Chapter 5. The results follow the sequence of the research questions, followed by insights into the effectiveness of strategy implementation in state-owned enterprises. The results from the analysis of data are compared and contrasted with existing literature in order to make a meaningful academic contribution on the subjects of strategic management and strategy implementation.

6.2 Discussion of Research Question 1

Research Question 1:

How do state-owned enterprises formulate and implement their strategies?

This research question focused on gaining an understanding of the current practices of formulating and implementing strategy in state-owned enterprises. Whilst literature on strategic management processes exist, the researcher found limited empirical studies that specifically focus on state-owned enterprises within the South African context. In line with deductive thematic analysis, the researcher followed a theory-based approach by using the McKinsey 7-S framework as a lens through which the data were analysed (Braune & Clarke, 2006; Waterman, Peters, & Phillips, 1980). The underlying theory of the framework suggests that for an organisation to be effective in the implementation of its strategy, seven elements need to be aligned and operate in unison, i.e. strategy, structure, systems, style, staff, skills and shared values. It is further argued that a modification in one area requires adjustment in the rest of the elements of an organisation (Peters & Waterman, 1982; Waterman, 1982; Waterman, Peters, & Phillips, 1980). Therefore, in answering the research questions, each element was assessed in line with McKinsey's 7-S framework, starting with the strategy that formed the key construct of the first research question.

6.2.1 Strategy

As one of the first Hard S elements of the McKinsey 7-S framework, the literature suggests that an organisation needs to have a well-defined strategy that enables competitive advantage, in line with its vision (Waterman et al., 1980; Mintzberg &

Waters, 1985; Porter, 2011). Based on the results, this study found that both case studies have strategies in place, which were deemed effective by most of the participants. Although McKeown (2013) advised that strategy should be long-term in nature in line with the vision of the firm, nearly all participants from the two cases pointed out that their strategic horizons are too short. This is mainly due to the need to create public value in the short-term, in line with their respective mandates given the pressures from their shareholders. Closely related to this was the processes being followed by the cases to develop and implement their strategies. In this regard, three key findings emerged from the study, as will be discussed below.

6.2.1.1 Public Finance Management Act of 1999

Section 52 of the PFMA requires that all South African state-owned enterprises submit their strategic plans (also referred to as corporate plans) to their executive authority annually, which provides details on their strategic objectives, key performance measures, financial plan and risks (PFMA, 1999, Section 52). In addition, the Board of the SOE is required to conclude a shareholder's compact with its executive authority, i.e. the responsible Minister (PFMA, 1999). From the results it was noted that in both cases the participants interviewed confirmed that their strategy formulation process is informed by the PFMA and that shareholder compacts are signed annually between the board and the shareholder.

6.2.1.2 Environment

One of the criticisms of McKinsey's 7-S framework which is often advanced by scholars is that it is too inwardly focussed (Higgins, 2005). David (2013) and Nag, Hambrick and Chen (2007) raised the importance of organisations being cognisant of their operating environment in the process of formulating their strategies, however Lee and Puranam (2016) were more bullish, arguing that strategy implementation should be pursued, irrespective of an unfavourable operating environment. As SOEs, and based on the results, the researcher found that both cases studied did take the operating environment into account, for the reasons specified, thus confirming the literature.

6.2.1.3 Consolidation

As far back as 1985, Mintzberg and Waters cautioned companies against treating strategy formulation and strategy implementation as two separate and

independent processes. This view was further supported by other authors, who attributed strategy implementation failure to its separation from strategy formulation (Elbanna & Fadol, 2016; David, 2013). One significant finding of this study was that all participants from both SOEs conceded that strategy formulation and strategy implementation are treated as separate and distinct processes in their organisations. In support of the literature, this could aid in explaining some of the strategy implementation shortcomings at SOEs in South Africa.

6.2.2 Summary of the discussion of Research Question 1

Research question 1 was concerned with understanding the practices and processes that SOEs undertake in order to formulate and implement their strategies. This was an important point of departure as the researcher needed to establish whether these SOEs have well-defined strategies in place (Waterman et al., 1980; Mintzberg & Waters, 1985; Porter, 2011), or whether there were any flaws in the formulation or implementation phases of their strategic management processes (David, 2013; Thompson & Strickland, 2001; Okumus, 2001; Noble, 1999). Although both cases studied conceived their strategies in line with prescribed legislation (PFMA, 1999) and took cognisance of their operating environments (Lee & Puranam, 2016), both agreed that their planning horizons were too short (McKeown, 2013). Furthermore, Elbanna and Fadol (2016) and David (2013) posited that strategy implementation fails when treated separately from strategy formulation. The participants from both SOEs studied confirmed that the processes of strategy formulation and strategy implementation are not consolidated but rather treated as two distinct processes, and although strategy formulation is effective, implementation is perceived to be ineffective. Based on the results for research question 1, the researcher concludes that the short-term nature of the strategies of the SOEs and the separate processes serve as potential barriers to effective strategy implementation, which may also result in a misalignment between strategy (S-1) and the other S-elements of the framework.

6.3 Discussion of Research Question 2

Research Question 2:

What barriers and enablers to effectively implement strategy in state-owned enterprises are being encountered?

This research question sought to explore the barriers and enablers experienced by the selected state-owned enterprises during the implementation of their strategies. As one of the objectives of this study was to develop interventions that would improve the effectiveness of strategy implementation in SOEs, it was important to first understand what some of the barriers and enablers are. This research question dealt with the rest of the elements of the McKinsey 7-S framework, with the key findings being discussed under each heading as it relates to the literature.

6.3.1 Structure

On the element of structure, two key findings emerged from the study as will be discussed below.

6.3.1.1 *Internal structure*

As the second “S” of McKinsey’s framework, Waterman et al. (1980) raised the importance of a structure that is supportive of an organisation’s strategy. Most of the participants from both cases did not view their internal structures as a hindrance to implementation, however various concerns were raised with respect to the external structures of EnerCo.

6.3.1.2 *External structure*

McKinsey’s 7-S framework is primarily concerned with the internal resources and capabilities of the organisation (Waterman, et al., 1980), as per the theory of the resource-based view of the firm (Barney, 1991). Despite this, all the participants from EnerCo expressed great concern about the limiting effect that its external structures have had on the SOE’s ability to effectively implement its strategy. In the main, it was explained that this stems from the fact that, unlike FinCo, EnerCo reports to the Ministry via a holding company. In this case, the holding company is its shareholder and not the government department. This means it must obtain

approval at multiple levels, causing long delays and filtration or miscommunication of information. The participants also cited examples of losing partnership deals or investment opportunities as a result of this alleged anomaly. All six participants also questioned the general understanding of its shareholders about the industry and expressed the need for agility in order to successfully compete. The researcher has found support in the literature for the claims made by the participants from EnerCo, whereby complex reporting structures (Peng et al., 2016; Sull et al, 2015), miscommunication (Hrebiniak, 2005; Sull et al), and a lack of agility and understanding (Thompson & Strickland, 2001; Teece et al., 1997) have previously been cited as barriers to strategy implementation.

6.3.2 Systems

In terms of the element called systems, two key findings emerged from the study. These will be discussed below, together with two additional themes that were less visible in the data.

6.3.2.1 *Strategy Execution Office*

In both cases studied, the participants alluded to the need for better strategy tools in their organisations. Jarzabkowski and Kaplan (2015) clarified that tools can refer to frameworks, concepts, models or methodologies. As per the literature, many of the participants from FinCo spoke about the need for a well-defined strategy implementation framework or a dedicated strategy execution office. These proposed interventions by the FinCo participants are in line with Galpin (2018), who recommended a more systematic approach to strategy implementation through the use of strategic initiatives that are managed by a dedicated strategy implementation office. Galpin argued that these tools will enhance the agility and effectiveness of strategy implementation. However, even though EnerCo does have a strategy execution office in place, dubbed the enterprise project management office (EPMO), it was said to be ineffective. Three reasons for this were advanced, with participants citing the presence of covert tactics by employees (Pretorius, 2016), the EPMO's lack of authority, and its own inability to adhere to and enforce its own rules. Galpin's (2018) implementation model proposes that a steering committee made up of a team of executives should provide oversight to the strategy execution office, which could potentially address the issues faced by EnerCo.

Balanced Scorecard

Both FinCo and EnerCo indicated that they make use of the balanced scorecard methodology to manage performance (Kaplan & Norton, 1992). In his article, Higgins (2005) agreed with the use of a balanced scorecard, and extended the McKinsey 7-S framework by introducing an eighth “S”, i.e. strategic performance. Higgins argued that strategic performance was omitted from the initial framework, even though the ultimate outcome for aligning the seven “S’s” is to enhance organisational performance. Developed by Kaplan and Norton (1992) as a tool for effective strategy implementation, in later years Kaplan (2005) went further to demonstrate how the balanced scorecard complements McKinsey’s 7-S framework. Although the findings in the main agree with the literature, an interesting observation was made when several participants from both SOEs pointed out that the balanced scorecard and its targets are not necessarily a good indicator of strategy implementation. This contradicts the work by Johnson, Beiman and Thompson (2007), where the authors stated that the balanced scorecard allows an SOE to more successfully pursue its pre-determined strategy. In their explanation, the participants from the case studies counterargued that for this to hold true, the strategic objectives need to be aligned to the targets, which in their cases are not always true given the various mandate interpretations and instructions from its shareholder. The researcher therefore agrees with the participant from FinCo who asserted that a “coherence test” must at all times be done prior to analysing the effectiveness of implementation. Tomazevic, Tekavcic and Peljhan (2017) also agreed with the latter assertion but postulated that the balanced scorecard does not consider the fact that delivering on the financial perspective is not the principal objective of an SOE (as confirmed in Chapter 5 by the participants), hence the need for it to be tailored for the SOE.

Additional findings

Beyond the two issues identified and discussed above, two additional findings that support existing theory were made, as described below.

Corporate governance

South African SOEs are often plagued by reports of alleged corruption (Kanyane & Sausi, 2015, p. 39), thus the need for sound corporate governance processes goes without saying (PFMA, 1999). This was confirmed by participants from FinCo, who commented that their relative success compared to other SOEs are

a result of their sound corporate governance processes and the integrity of its leaders. In the case of EnerCo, poor corporate governance was a recurring theme that was described as inhibiting its ability to effectively implement strategy.

Various participants claimed that whilst the PFMA is a good corporate governance tool, it introduces challenges of slow decision-making and cumbersome approval processes. The researcher could not find any literature to support the veracity of these latter claims, thus future research regarding the impact of the PFMA on the effectiveness of strategy implementation could provide some new insights (PFMA, 1999). This is also important given that one of the limitations of the study is its sample size, i.e. these claims were made with only two cases as the unit of analysis.

Technology underinvestment

Due to its constraint financial resources, EnerCo is also underinvesting in technology as a resource, which may pose a risk of becoming uncompetitive in future. A few participants from FinCo raised a similar concern for their organisation, referring to outdated processes and technology. Technology could serve as a key lever in driving strategy implementation, as seen in Levenson (2018) who studied the use of people analytics for such purposes.

6.3.3 Skills

In terms of the element called skills, although significant for one of the cases, only one finding emerged from the study, as will be discussed below.

Education and skills

All the participants from both cases felt that the education and skills levels at their organisations remain fairly high. A few did, however, allude to the need to gear up for the future (Fourth Industrial Revolution), but did not view this as a threat in the short term. Participants from EnerCo did concede that given its on-going challenges in respect of its financial resources, the company has experienced an exodus of skills to some extent. However, the larger problem identified was the lack of skills and competencies of the board and shareholders, with questions being raised regarding their level of understanding of the industry in which EnerCo operates. This concern was raised by all participants of EnerCo, whereas the FinCo participants viewed the knowledge, skills and competencies of their

board and shareholder as key strengths. In their studies, Tawse et al. (2019) and Hrebiniak (2006) indicated that in most instances, leaders are more equipped in strategy formulation as opposed to strategy implementation.

6.3.4 Staff

Two key findings emerged under the element of staff, as will be discussed below, together with one additional finding of interest.

Human resource allocation

Sull et al., 2015 postulated that central to the effective implementation of strategy is the need to allocate adequate and suitable human resources. Hrebiniak (2006) previously stated that unlike strategy formulation, far more people are required for implementation. In this regard, the literature was confirmed by participants from both EnerCo and FinCo, who made reference to the misallocation of key personnel, resulting in strategy implementation efforts often being stifled. This was compounded by their views that employees are generally not working at optimal productivity levels, which is worsened by the organisational culture.

Leadership turnover

The presence of leadership is integral to both the development and implementation of strategy. Its absence can serve as a major stumbling block for organisations in general. Out of the six barriers to strategy implementation identified by Beer and Eisenstat (2000), at least three were directly linked to senior management. Participants from EnerCo identified its high leadership turnover, even at shareholder level, as a major stumbling block to the implementation of its strategy. This often results in the discontinuity of plans or an inability to take key decisions around critical projects. On the contrary, all the participants from FinCo credited leadership stability for much of its success, albeit at the cost of new ideas being introduced. Against this backdrop, the researcher concludes that the results confirm the literature in respect of the need for a stable leadership presence, whilst adding the perspective regarding the opportunity cost of having the same leader for too long.

Additional finding

- CEO remuneration

Bezuidenhout, Bussin and Coetzee (2018) studied the relationship between CEO remuneration and their performance at Schedule 2-type SOEs in South Africa, and found an inverse relationship. Contrary to the researcher's expectations, this particular construct was not raised as a concern by any of the participants of the two cases. On the part of EnerCo, one possible explanation for this could be the high turnover in leadership experienced, with its leaders mostly being in acting positions.

6.3.5 Style

On the element of style, two key findings emerged from the study as will be discussed below.

Participatory Leadership

According to the theory underlying McKinsey's 7-S framework, Waterman et al. (1980) advocated for a participatory leadership style in order to remove silos, encourage innovation and promote a high-performance organisation. With the exception of one participant from FinCo, all participants agreed that its leaders have made strides to make the strategy development and implementation processes more inclusive. On the contrary, most of the participants from EnerCo felt that they are not adequately involved or consulted, which hampers the possibility of more effectively achieving its strategic objectives.

Before concluding that these findings support the literature, it is important to consider whether a participatory leadership style, as promoted by Waterman et al. (1980), is indeed suited for these organisations. In their study, Lam, Xu and Chan (2015) argued that there is a certain threshold that must first be reached regarding the manner in which employees perceive a leader, before participative leadership becomes effective as a management style. Whether this recommended threshold has been attained in the two cases being studied extends beyond the scope of this study and will require further research before a conclusion can be reached. Furthermore, in a study by Kumalo and Scheepers (2018), the scholars considered the type of leadership required during the various phases of organisational decline (McKinley, Latham & Braun, 2014), particularly in the case of South African public enterprises. Their findings have relevance for EnerCo, which remains in a state of organisational decline (Kumalo & Scheepers, 2018). The authors found that whilst a transactional approach to leadership is

appropriate during diagnosis and stabilisation, both transformational and authentic leadership are required to bring about meaningful change and return the organisation to excellence (Kumalo & Scheepers, 2018).

Communication

In the case of EnerCo, the participants pointed out that a misunderstanding between the organisation and its shareholders often arises regarding the interpretation of its mandate. This often results in a misalignment of targets, thus making strategy implementation ineffective. Hrebiniak (2006) argued that a strategy that is ambiguous and not well articulated serves as a barrier to implementation. Although none of the participants indicated that the actual strategy is vague, since the SOE's strategy is informed by its mandate (PFMA, 1999), the researcher argues that it could potentially serve as a source of ineffective strategy implementation. Although not to the same extent, a similar type of occurrence was confirmed by some of the participants from FinCo, indicating that this often leads to miscommunication between the parties. A lack of communication has been flagged by various authors as a barrier to strategy implementation (Sull, et al, 2015; Hrebiniak, 2005).

6.3.6 Shared values

On the element called shared values (once referred to as superordinate goals), two key findings emerged from the study. These will be discussed below, together with one additional construct.

Organisational culture

Over the years, various studies have shown how a disjuncture between organisational culture and strategy serves as a barrier, if not the ultimate barrier, to effective strategy implementation (Elbanna & Fadol, 2016; Sull et al., 2015; Higgins, 2005). Goldman and Casey (2010) highlighted the need for organisations to cultivate a culture that encourages strategic thinking. Based on the results obtained from the interviews, all the participants from both cases highlighted the fact that their current organisational cultures are not supportive of their corporate strategies. To this end, the findings support the literature.

Employee political behaviour

On several occasions, reference is made to the limiting behaviours displayed by

the employees of both cases studied. Examples cited by the participants from FinCo included a lack of buy-in in terms of strategy, as well as a lack of accountability, ownership, and consequence management. On the part of EnerCo, participants made more startling revelations about employees or project managers circumventing established governance processes or simply “arm-wrestling” leaders into making decisions that are potentially detrimental to the company. Interestingly, these observations were contradictory to participants’ claims that their employees tend to live by the values of the organisation.

In recent work by Pretorius (2016), the author referred to the presence of “covert tactics” found every so often in organisations. Pretorius postulated that actions such as employee political behaviour is invisible and difficult to track by leaders but could stifle strategy implementation. He further pointed out that this type of “organisational hypocrisy” is often found in organisations with many hierarchical levels, especially in government and political companies (Pretorius, 2016). Sun and Chen (2017) also referred to the harmful impact of organisational politics on the psychological contracts of employees. On their part, Tawse et al. (2019) studied the psychology required by employees to successfully “cross the chasm” from strategy formulation to strategy implementation, which highlights how the behaviours witnessed in FinCo and EnerCo could limit their success. It is against this backdrop that the researcher concludes that the findings of this study support the literature.

Summary of the Discussion of Research Question 2

Research question 2 was aimed at identifying barriers to and enablers of effective strategy implementation. Most of the participants from both cases did not view their internal structures as a hindrance to implementation, however various concerns were raised with respect to the external structures of EnerCo. A call was made for improved systems, especially a dedicated strategy execution office that will have authority and autonomy to monitor and evaluate strategy implementation across the SOE. This should be complimented by a balanced scorecard that is aligned to the mandate and strategy of the organisation by firstly conducting a coherence test. Ensuring sound corporate governance processes are crucial for the success of the organisation. This should be complimented by appointing competent leaders all the way from the shareholder to the executive

management team, while also allocation core resources for the implementation of the strategy. The organisation should also ensure a culture that is supportive of its strategy and guard against the presence of covert tactics by employees.

6.4 Discussion of Research Question 3

Research Question 3:

How can state-owned enterprises more effectively implement their strategies?

In line with the multiple case study research design, this research question was aimed at gaining insights on the lessons learnt by these organisations. The first two research questions discussed barriers and enablers to effective strategy implementation, while this question was geared toward developing solutions by exploring possible interventions to help improve strategy implementation in state-owned enterprises in South Africa. In this context, participants were asked to identify any challenges that they perceive to be unique to SOEs, which private companies do not necessarily have to contend with. These insights were helpful in shaping a more comprehensive set of recommendations and framework, as will be discussed in Chapter 7.

For this section, two major themes were identified, namely shareholder and resources, together with a few sub-constructs that will be discussed below. It is important to note that all the participants indicated that the barriers mentioned previously also need to be dealt with.

6.4.1 Shareholder

On numerous occasions throughout the interviews, all the participants from both cases referred to the role of their shareholders. In certain instances, the shareholder was enabling, but in most cases several barriers were identified across the themes. For this reason, most interventions proposed relate to a large extent to the role of the shareholder.

Legislation should be enabling

Participants from both cases studied referred to the need for government policy and legislation to be enabling, especially as it relates to the industries in which the SOEs operate. One participant from EnerCo pointed out the need for its SOE

to have its own dedicated Act, which is a problem that FinCo does not have to contend with. EnerCo has never been formally enacted through legislation, which has often constrained the organisation to execute its mandate. Presidential Review Committee on State-owned Enterprises also identified that fact that mandates of various SOEs in South Africa tend to be vague, leading to misaligned expectations (The Presidency, 2013). The need for supportive legislation from the shareholder was also previously highlighted in reference to the PFMA, which participants felt was not something the private sector had to contend with, allowing them to have greater agility.

Complex reporting lines

Although this construct also featured under the element of structure, all the participants from EnerCo felt strongly about the need for its external reporting lines to be simplified in order for it to have greater agility and autonomy, and achieve better strategic alignment with its ultimate shareholder, the South African government. The literature agrees that in order to respond to changes in the operating environment with much-needed agility, coordination between units of companies is essential (Sull et al., 2015; Waterman, et al., 1980). While participants from EnerCo argued that reporting directly to the Ministry would go a long way to resolving this issue, their situation is exacerbated by the fact that its responsible government policy department and its executive authority are two different government entities (The Presidency, 2013). The Presidential Review Committee on State-owned Enterprises has previously advised that this often slows down policy or legislative processes even further, or creates a conflict of interest during the appointment of boards (The Presidency, 2013). While the researcher welcomes the input from the participants, he is of the view that direct reporting lines will only partially resolve their concerns. There is also a need to evaluate the value currently being added by EnerCo's holding company, if any, however this extended beyond the scope of this research.

Political influence

As explained in Chapter 1, over the last few years South African SOEs have been in the spotlight for serious allegations of fraud and corruption, corporate governance failures and state capture, to name a few (Kanyane & Sausi, 2015). This has led to the financial collapse of many of these SOEs, which have required

urgent corporate turnaround interventions (Kumalo & Scheepers, 2018). Throughout all the interviews held with FinCo and EnerCo, several participants described the risk and strain being placed on the SOEs by virtue of their shareholders' political influence of the organisations' strategies and operations (Balbuena, 2014). Participants explained that political influence is mainly achieved in the form of board appointments, or rather the deployment of cadres. Often these appointments are not based on merit but rather as a result of the member's political affiliation to the ruling party of the country, i.e. the African National Congress (ANC) (National Planning Commission, 2012).

In South Africa, the appointment of board members of SOEs is currently guided by the Protocol on Corporate Governance in the Public Sector (Department of Public Enterprises, Republic of South Africa, 2002) and company-specific articles of association (The Presidency, 2013). Despite these guidelines, there is currently no uniformity amongst SOEs in the appointment process, and many times the shareholder's compact is used instead. In demonstrating the severity of the situation, one participant from FinCo alluded to the fact that its Minister often attends strategy sessions and has a direct say in the key performance indicators of the organisation.

6.4.2 Resources

As noted in Chapters 1 and 2, both FinCo and EnerCo are classified as Schedule 2 SOEs, which means that they need to be financially self-sustaining. However, with many South African SOEs currently requiring turnaround, it is not surprising that resources or a lack thereof featured prominently as a construct throughout many of the interviews conducted. Although participants from FinCo saw the strength of its balance sheet as a key enabler, a few pointed out that its current ways of conducting business is not sustainable. One participant explained that FinCo is more "shareholder-centric as opposed to customer-centric", which often requires it to conduct business in a manner that is less profitable. It was explained that this trajectory is unsustainable, which could see the SOE falling short of financial resources in future.

Both SOEs also have to contend with maintaining a high cost structure, which includes not being able to reduce labour costs. A participant from EnerCo went

as far as to explain that its Minister has previously instructed the organisation to not even consider any retrenchments by virtue of it being an SOE.

In the case of EnerCo, all the participants described the dire need for financial resources or support from the national government. Unique and different to private companies, the SOE is supposed to be self-sustaining while at the same time delivering on social or less profitable objectives not funded by government. This issue in particular was also raised by the Presidential Review Committee on State-owned Enterprises, which recommended that the South African government distinguish between commercial and non-commercial SOEs (The Presidency, 2013). The committee noted that in instances where commercial SOEs are expected to engage in social objectives, that such activities be funded by the government.

Other resource-related challenges that came to the fore was EnerCo's lack of raw material in order to run its operations. Participants pointed out that this, together with a lack of financial resources, is currently the biggest threat to its strategy and existence, with the situation being so dire that the organisation could be on the brink of closure.

Participants from FinCo once again raised the need for better technological resources, as was discussed under systems. In a study by Higgins (2005), the author pointed to the need to add resources as one of the McKinsey 7-Ss by replacing skills. This study confirms that resources are important in the case of SOEs, which are worthy of being given prominence.

Summary of the Discussion of Research Question 3

Research Question 3 was aimed at gaining insights into means for improving the effectiveness of strategy implementation in the respective cases studied. The researcher afforded the participants an opportunity to share their experience and lessons learnt to date and advise on interventions that could assist in future. This question also took into account the unique features of SOEs, compared to private enterprises (Peng et al., 2016).

From the results, the shareholder, as a construct, surfaced in many of the themes

e.g. strategy, structure, skills, style, etc. When considering the definition of a state-owned enterprise (OECD, 2014), with most in South Africa being 100% government-owned, it is not surprising that the role of the shareholder featured prominently throughout the study. What was not expected was the fact that the government or the shareholder representative was considered a barrier, rather than an enabler of effective strategy implementation in state-owned enterprises. This was compounded by the alleged political interference, the practice of political appointments and the shareholder's direct influence in terms of target-setting.

Another key construct that emerged for research question 3 was the need for access to resources. In both cases, the participants highlighted the need for financial and technological resources, and specific to EnerCo was the need for raw materials. These SOEs also raised the fact that since they are state-owned, they have to engage in businesses that are often not profitable. This problem is compounded when maintaining a high cost structure.

CHAPTER 7: CONCLUSION AND RECOMMENDATION

7.1 Introduction

The purpose of this study was to explore the effectiveness of strategy implementation in state-owned enterprises. Through the lens of McKinsey's 7-S framework, a qualitative multiple case study approach was followed to determine the barriers and enablers experienced by two South African SOEs during the implementation of their strategies. In Chapter 1 it was argued that despite the importance of strategy implementation, research continues to be biased towards strategy formulation (Noble, 1999; Syrett, 2013; Sull et al., 2015). The researcher further argued that most studies on strategy implementation primarily focus on US-based private enterprises. Given their economic importance, there exists an opportunity to add to the literature in terms of ensuring effective implementation of strategy in SOEs. The researcher found limited empirical studies that specifically focused on state-owned enterprises and the South African context.

This chapter presents the conclusions to this study by summarising the research findings and their related theoretical and business implications. Secondly, it proposes a conceptual framework for effective strategy implementation that is tailored for state-owned enterprises. Lastly, this chapter highlights the underlying study limitations and offers suggestions on areas for future research.

7.2 Research Findings

This exploratory study was able to meet the research objectives outlined in Chapter 1, namely to explore and understand current practices of SOEs in ensuring effective strategy implementation, identify barriers and enablers by using the experiences of two selected SOEs to draw key insights and make recommendations on suitable interventions.

Using deductive thematic analysis, followed by inductive analysis (Brain & Clarke, 2006), the researcher followed a theory-based approach by using the McKinsey 7-S Framework as a lens through which the data was analysed (Waterman et al., 1980). The theory suggests that for an organisation to be effective in the implementation of its strategy, seven elements need to be aligned and operating in unison. Based on the main findings discussed below, the

researcher is of the view that the research questions have been answered.

Research Question 1 was concerned with obtaining a better understanding of how the SOEs formulate and implement their strategies. Of importance was the processes to specifically formulate and implement strategy. It was found that even though both entities adhered to prescribed legislation in conceiving their strategies, the planning horizons were too short. As described by Lee & Purana (2016), strategy formulation requires due process to be followed with sufficient time for implementation. In terms of the planning horizon, McKeown (2013) and Waterman, et al., (1980) advised that strategy should be long-term in nature, in line with the vision of the organisation. Further to this, participants confirmed that the processes of strategy formulation and implementation were treated as two distinct processes (Elbana & Fadol, 2016; David, 2013; Andrews, Boyne, Law & Walker, 2011).

It was also confirmed that whilst the process of strategy formulation is effective and recognises the operating environment (David, 2013; Nag, Hambrick, & Chen, 2007), however, implementation was perceived to fall short of meeting the agreed objectives. In consideration of the limited time devoted to formulation and implementation, the short planning horizon and the separation of the processes, it can be concluded that these are barriers to effective strategy implementation. Based on the literature, this is expected to result in poor alignment between strategy (S1) and the other elements of the framework.

Research Question 2 sought to determine the barriers and enablers of effective strategy implementation. It was found that most participants did not view internal structures as a barrier. However, participants from EnerCo did raise numerous concerns regarding the external structures of the SOE. Both cases studied also raised the need for a dedicated strategy execution office that will have authority and autonomy to monitor and evaluate implementation across the organisation with the assistance of a balanced scorecard. Added to that, such an office will need to make sure that strategic initiatives are developed and that all key performance indicators are coherent with the strategic objectives of the SOE (Galpin, 2016). In addition, sound corporate governance processes are a key enabler for the success of the organisation, as was noted by participants from FinCO. This should however be complimented by ensuring competent leadership

and a supportive culture throughout the value chain. The latter is especially key in the wake of signs of employee political behaviour or covert tactics being present in both SOEs.

Research Question 3 was aimed at gaining insights into means for improving the effectiveness of strategy implementation in the respective cases studied. The researcher afforded the participants an opportunity to share their experience and lessons learnt to date and advise on interventions that could assist in future. This question also took into account the unique features of SOEs, compared to private enterprises (Peng et al., 2016).

Interestingly, much emphasis was placed on the role of the shareholder and the need for access to resources. The data shows that along all the S-elements, the shareholder was considered to be a barrier to, rather than an enabler of, strategy implementation. This was compounded by the alleged political interference, the practice of political appointments to boards, and the direct influence of the shareholder in terms of target-setting.

In terms of resources, both cases studied pointed to the need for prudent financial management. Though this is not of immediate concern for FinCo, EnerCo is currently facing organisational decline, made worse by the unfunded social mandate of SOEs.

7.3 A Proposed Framework

This section proposes a framework for the effective implementation of strategy in state-owned enterprises, considering the key barriers and enablers identified. To this end, and as informed by the research findings, the researcher has developed the following 9-S Strategy Execution Framework for state-owned enterprises.

With the McKinsey 7-S Framework widely used by academics and in practice, its underlying theory provided all the essential elements that were needed to explore the effectiveness of strategy implementation in SOEs. From the data it is seen that SOEs encounter similar, yet some unique, barriers and enablers. Most of the factors that SOEs contend with found expression under at least one of the S-elements of the framework. Nevertheless, based on the prominent of the role and influence of the shareholder on the mandate and strategy of the SOE; and

the SOE's need for access to resources, the framework was extended to accommodate these two themes. In this regard, the study contributed to the literature, giving credence to the S-elements of Waterman, et al. (1980) and some of the insights provided by Higgins (2005). It is against this backdrop that the revised framework below features the two new themes, of which the researcher recommends that all other issues highlighted under the previous sections be dealt with under each of the specific S-elements.

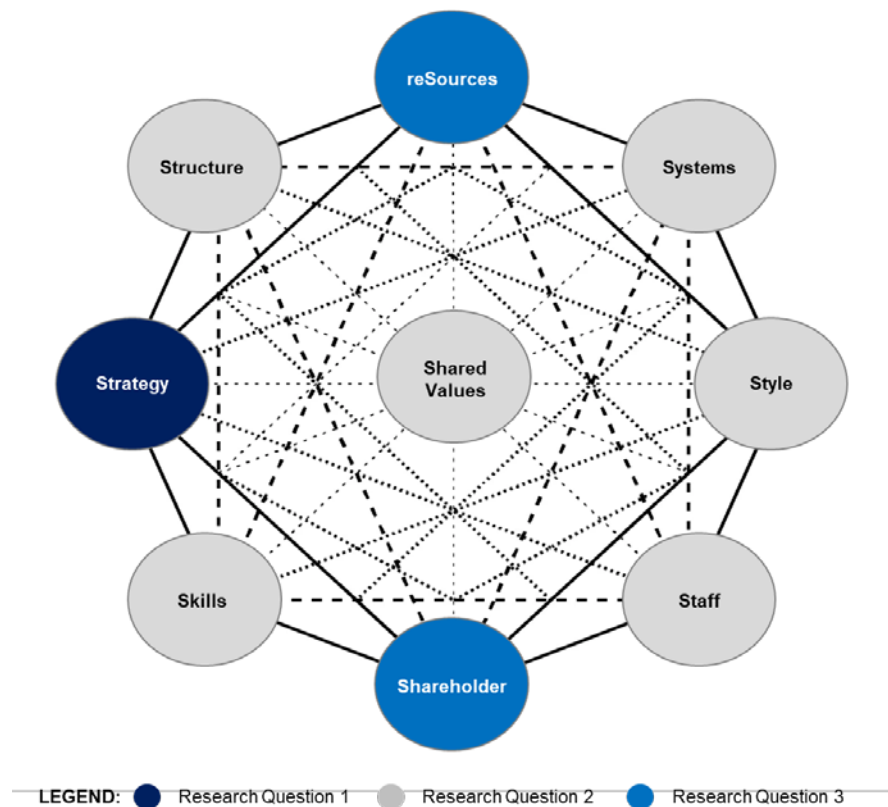


Figure 8: The 9-S Strategy Execution Framework

Source: Author's own

The 9-S Strategy Execution Framework proposed in Figure 9 above builds on the theory of McKinsey's 7-S Framework. Although its main components are relevant for business in general, it is tailored for state-owned enterprises based on the most prominent insights resulting from this study. In this regard, two new "S's" are introduced, namely *reSources* and *Shareholder*. The framework submits that for a state-owned enterprise to be effective, it needs to ensure alignment between all 9 S elements.

The proposed 9-S Framework for Strategy Implementation retains the underlying

principles of the empirically developed and tested framework by Waterman, Peters and Phillips (1980), which include:

- A distinction between Hard S elements, which now also includes *resources*, and Soft S elements, which now also includes *shareholder*.
- Both the shape, sizes and lines demonstrate how each element is of equal importance and interdependent.

All the other 7 Ss' were retained based on the research findings that showed that the two SOEs featured in the case studies experienced challenges and misalignment in almost all of the elements. Based on the theory, the lack of alignment impedes the effectiveness of strategy implementation in their respective organisations. This is exacerbated by the need to consider the two new elements of *resources* and *shareholder*, already discussed in Chapter 6 under Research Question 3.

7.4 Implications for Business and the South African government

This study has focused on real-life issues that state-owned enterprises and strategy practitioners must contend with during the implementation of their strategies. Together with the 9-S Strategy Execution Framework, the following additional insights are provided for business practitioners, especially those in SOEs:

- Prioritising the creation of customer value during strategic planning could allow for a financially more sustainable SOE, which will then be able to self-fund the delivery of its mandate, meaning developmental objectives which in totality creates shareholder value.
- Strategy practitioners should consolidate the processes of strategy formulation and implementation, together with ensuring that implementers are involved from the start.
- The SOEs should invest in the creation of a dedicated strategy execution office, which will assist the organisation to prioritise and develop strategic initiatives. These initiatives should be monitored and evaluated on an on-going basis and the employees managing the strategy execution office should have adequate authority to hold the business accountable. A steering committee made up of executives should support such a structure.
- The need for competent and capable leadership goes without saying. In this

regard, the South African should implement most, if not all, the recommendations of 2013 from the Presidential Review Committee on State-owned Enterprises. More specifically the reporting lines of SOEs should be consolidated and simplified and an immediate should be put to any form of political influence by way of having sound corporate governance systems. The practice of cadre deployment should also come to an abrupt end, especially in view of the dangers of state capture.

- Although less visible, managers should be mindful of covert tactics or employee political behaviour that might exist in the organisation and address it head on to avoid inhibiting strategy implementation. However, it will be important to ensure a conducive corporate culture that is supportive of the strategy.
- Targets of SOEs should be realigned. It is recommended that coherence tests firstly be conducted to determine the level of alignment between the mandate, strategy and key performance indicators of the SOEs.
- For both companies the Shareholder Compact should be enhanced and enforced to better spell out roles and responsibilities of the Minister to avoid overreach and allow for organisational autonomy, whilst protecting the company against cadre or political appointments.
- As per the Presidential Review Committee on State-owned Enterprises, SOEs should be classified as commercial and non-commercial, and where a commercial enterprise is expected to conduct business that is not profitable, financial resources should be made available by the fiscus.
- Whilst the view on privatisation extends beyond the scope of this study and having received mixed reception from participants, the researchers argued that without changing ownership structures of SOEs they can still adopt the business principles and characteristics of private enterprises e.g. prioritizing the customer needs, which in turn improves profitability and enables mandate delivery; competent leadership with greater stability in tenure, performance contracting based on results delivered and agile processes, to name a few.

7.5 Limitations

This study was an exploratory, qualitative research study, and therefore not free from limitations in terms of the generalisability of the results. Other limitations as a result of the chosen research design and scope include:

- Qualitative research is by its nature subjective and may therefore be influenced by the researcher and response bias.
- The study was broad given the McKinsey's 7-S framework as a theoretical base, with a bias for internal organisational factors.
- The focus on state-owned enterprises may limit the transferability of the research to other types of organisations.
- Although the multiple case study approach allowed for a deeper understanding of the specific cases and their context, the sample size of only two companies is relatively small, hence limiting generalisability of the results.

7.6 Suggestions for Future Research

To compliment this study, the following areas are suggested for future research:

- There is an essential need for more research to be conducted in the field of strategy implementation. Added to that is the need to further explore strategy implementation in SOEs and the South African context in general.
- The proposed 9-S Framework for Strategy Execution can be quantitatively validated.
- The population of SOEs studied can be increased and a more diverse group of SOEs (e.g. more diverse industries, mandates, etc.) included in order to enrich the data.

In addition, the following themes also emerged from this study, although beyond its scope, however their impact on the effectiveness of strategy implementation will be interesting:

- **The founding history of the SOE:** In the case of EnerCo, one participant highlighted the fact that it has "legacy liabilities" from the time of Apartheid which further constraints the sustainability of the organisation;
- **Reputation and Brand Equity:** With numerous SOEs in South Africa under the spotlight for serious allegations of crime and corruption, it would be interesting to see what the impact of this and reputational damage in general is on strategy implementation and the SOE's ability to raise finance;

- **PFMA:** Given the views from participants that the PFMA is constraining in some respects, more detailed research in this area could aid in developing proposals;
- **Customer Value:** In several interviews' participants explained that by virtue of being an SOE, profitability becomes a secondary objective. Closely related to this was the focus on creating shareholder value rather than customer value. The researcher contends that prioritising customer value will assist the SOE in becoming profitable, which will allow it to fund its social objectives and thereby create shareholder value.
- **Covert tactics:** The concept of covert tactics or employee political behaviour appears to be in its infancy and more research in this field and its impact on strategy implementation is recommended.
- **Political influence:** More detailed research on the impacts of political influence and cadre deployment on strategy implementation.

7.7 Conclusion

The literature shows that effective strategy implementation remains the cornerstone of delivering good corporate performance. Despite this, research on the subject remains limited in so far as barriers to, and enablers of, strategy implementation is concerned and even more so in the case of state-owned enterprises. This study set out to close this gap through a multiple case study research approach that was followed.

Whereas previous studies have offered strategy implementation frameworks mainly geared towards private enterprises, this study proposes a framework that is tailored for state-owned enterprises. It draws on insights from 12 experienced strategy practitioners across two state-owned enterprises, who assisted in uncovering the need for access to resources as a key enabler; and the role of the shareholder as a barrier to effective strategy implementation. It is hoped that the South African Government, academics and business practitioners who are interested in the field of strategic management will benefit from this research.

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APPENDIX 1: CONSISTENCY MATRIX

QUESTIONS	SECTIONS IN THE LITERATURE REVIEW	DATA COLLECTION TOOL	ANALYSIS
RQ1. How do state-owned enterprises implement their strategy?	Section 2.1 – 2.3	Interview questionnaire: Questions 1 & 2	Thematic Analysis
RQ2. In their experience and view, what barriers and enablers have been encountered to effectively implement strategy in state-owned enterprises?	Section 2.4 – 2.6	Interview questionnaire: Questions 3 – 10	Thematic Analysis
RQ3. Based on the organisation's experience and lessons learnt, how can strategy be more effectively implemented in SOEs in South Africa?	Section 2.6 – 2.7	Interview questionnaire: Questions 11 – 13	Thematic Analysis

APPENDIX 2: ETHICAL CLEARANCE



14 August 2019

Messiahs John

Dear John

Please be advised that your application for Ethical Clearance has been approved.

You are therefore allowed to continue collecting your data.

Please note that approval is granted based on the methodology and research instruments provided in the application. If there is any deviation change or addition to the research method or tools, a supplementary application for approval must be obtained

We wish you everything of the best for the rest of the project.

Kind Regards

GIBS MBA Research Ethical Clearance Committee

APPENDIX 3: INFORMED CONSENT FORM

Effectiveness of strategy implementation in state-owned enterprises

Researcher: Mr John Messiahs, MBA Student at the Gordon Institute of Business Science

To whom it may concern:

I am currently a student at the University of Pretoria's Gordon Institute of Business Science and completing my research in partial fulfilment of an MBA.

I am conducting research on the effectiveness of strategy implementation in state-owned enterprises, and I am trying to explore and identify the barriers and enablers of strategy implementation, with a particular focus on South African state-owned enterprises.

Our interview is expected to last about an hour, and will help us to address gap in knowledge pertaining to SOEs, and expand on the limited body of knowledge that exists in the field of strategy implementation for the South African context. **Your participation is voluntary and you can withdraw at any time without penalty.** All data will be reported without identifiers. If you have any concerns, please contact my supervisor or me. Our details are provided below.

Researcher Name - John Messiahs
Email Address - 18377859@myqibs.co.za
Contact Number - 072 275 8349

Research Supervisor - Dr Len Konar
Email Address - Len.Konar@orcaservices.co.za
Contact Number - 082 554 3920

Supervisor Signature : _____

Signature of Researcher : _____

Date : _____

Signature of Participant : _____

Date : _____

APPENDIX 4: INTERVIEW QUESTIONNAIRE

Effectiveness of strategy implementation in state-owned enterprises

Researcher: Mr John Messiahs, MBA Student at the Gordon Institute of
Business Science

I am conducting research on the effectiveness of strategy implementation in state-owned enterprises, and I am trying to explore and identify the barriers and enablers of strategy implementation, with a particular focus on South African state-owned enterprises. Interviews are expected to last about an hour, and will help us to address gap in knowledge pertaining to SOEs, and expand on the limited body of knowledge that exists in the field of strategy implementation for the South African context.

Part A: Demographic Data

1. Can you specify your number of years' experience in strategy implementation?
2. Can you specify the number of years employed by the company?
3. What is your level of seniority and highest level of education?

Part B: Questions related to the research objectives

Research Question 1:

1. Does the organisation have a **strategy** in place? If yes, what duration does it cover, and would you say it is effective? Elaborate.
2. How is strategy formulated and implemented in your organisation/SOE, is it aligned and a structured approach? Would you say a gap exists between the two? Elaborate.

Research Question 2:

3. Broadly speaking, what in your experience and view would you say has served as barriers and enablers of effective strategy implementation in your SOE?
4. What has the role of **structure** been in the strategy implementation process?
(Prompt: How is the SOE structured and activities arranged to successfully deliver on its strategy?)

5. What has the role of **systems**, processes and controls been in the strategy implementation process?
6. What has the role and/or impact of **shared values** been on strategy implementation? Are these consistent with your strategy and its implementation?
7. What has the role of leadership and leadership **style** been in effective strategy implementation?
8. What has the role of **staff** been in terms of effective strategy implementation?
9. What has the role of **resources** (skills, people, financial, technology, etc.) been in the strategy implementation process? Are there any gaps or constraints?
10. Based on your experience at this SOE, what would you say are other factors that enable or serve as barriers to strategy implementation?

Research Question 3:

11. Which of the factors previously mentioned would you consider to be unique to SOEs?
12. Given the context of an SOE, what in your view are measures that could assist in overcoming barriers to or promote effective strategy implementation?
13. Any other additional information you wish to add?

APPENDIX 5: Code Book (extracted from Atlas.ti)

RQ1: STRATEGY

barriers gen: challenging operating environment
staff: changing conditions of employment
strategy: chasing too many outcomes
strategy: defined and in place
strategy: different interpretations of mandate
strategy: ineffective
strategy: is effective
strategy: mandate is clear
strategy: misalignment in expectations
strategy: not well defined
strategy: performance dependent on economy
strategy: stand the test of time
strategy: threat of fierce competition
unique: short-termism
strategy form: bottom up cascading
strategy form: operating environment considered
strategy form: process guided by legislation
strategy form: separate from implementation
strategy form: shareholder involved
strategy form: shareholder value first, then customer value
strategy form: top down cascading
strategy: sound formulation process
barriers gen: no implementation framework
strategy impl: difficult to test effectiveness
strategy impl: first do coherence test
strategy impl: implementation ineffective
strategy impl: responsibility of everyone
strategy impl: responsibility of staff
strategy impl: targets not a good indication of effectiveness
strategy impl: too internally focused
strategy impl: tools for monitoring and evaluation
strategy: difficult to transition/cross the chasm
strategy: misalignment in expectations
strategy: poor target-setting
structure: board allowing interference
barriers gen: poor coordination between units
barriers gen: slow decision-making

RQ2: STRUCTURE

structure: complex reporting lines
structure: is a barrier
structure: middle managers important
structure: opportunity cost of same leader
structure: organogram not a hindrance

RQ2: SYSTEMS

systems: circumvent governance processes
enablers gen: corporate governance
system: important to prioritize
systems: outdated systems, old technology
systems: poor performance management
systems: well established processes

RQ2: STAFF

staff: resource allocation
 enablers gen_staff: consistent leadership
 staff: leaders have integrity
 staff: low productivity and employee morale
 unique_staff: high leadership turnover
 RQ2: STYLE
 style: culture not supportive
 barriers gen: communication and access to info
 style: culture of fear existed
 style: lack of accountability
 style: participatory leadership
 style: red tape end up serving silos
 style: resistance to change, obtain buy-in
 style: some level of micromanagement
 SHARED VALUES
 shared val: employee political behaviour & covert tactics
 shared val: constraint by uncertainty
 shared val: not lived or suited
 shared val: values are appropriate and lived
 RQ3: UNIQUE CHALLENGES
 unique: compliance with PFMA
 unique: cadre deployment
 unique: cost-cutting difficult
 unique: cumbersome approval processes, red tape, bureaucracy
 unique: dual mandate
 unique: historical context or origins
 unique: political interference/ influence
 unique: profit is a secondary outcome
 RQ3: PROPOSED INTERVENTIONS/SHAREHOLDER
 measures: agility or faster decision-making
 enablers gen: gov support (fin & leg)
 measures: appoint competent leaders
 measures: change management is critical
 measures: consequence management
 measures: consider partial privatization
 measures: culture of innovation
 measures: do not privatize
 measures: enabling legislation
 measures: execution office & initiatives
 measures: partnerships
 measures: put customer first
 measures: reputation and brand equity
 measures: rewards and recognition
 measures: sufficient autonomy
 RQ3: RESOURCES
 enablers gen: prudent financial management
 barriers gen: underinvesting in technology
 enablers gen: competent board and shareholder
 reSources: financial constraints
 reSources: strong financial base