STRATEGY ENACTMENT PROCESS IN AN ORGANISATIONAL CONTEXT:

A CASE STUDY OF FOUR ORGANISATIONS IN EAST LONDON,

EASTERN CAPE, SOUTH AFRICA

A Dissertation Submitted to the Leadership Centre

In Partial Fulfillment of the Requirements for the Degree of Master of Commerce in

Strategy and Organizational Dynamics

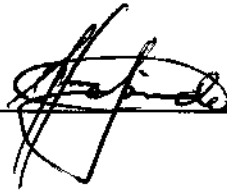**By**

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At

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2007

DECLARATION

I hereby declare that the work contained in this dissertation was completed by the author at the University of KwaZulu Natal in March 2007. It is original work except where due reference is made. This work has not been and will not be submitted to any other institution for the award of a qualification.

Candidate's Signature _____ Date _APRIL 2007_

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LIST OF ABBREVIATIONS

SAEM   :   **South African Excellence Model**

SMART   :   **Specific, Measurable, Attainable, Realistic, Time bound**

NGO   :   **Non-Governmental Organisation**

DCSA   :   **Daimler Chrysler South Africa**

SWOT   :   **Strengths, Weaknesses, Opportunities and Threats**

PEST   :   **Political, Economic, Social and Technological**

RD/S   :   **Royal Dutch Shell**

ACKNOWLEDGEMENTS

ABSTRACT

The word 'strategy' is still very critical and central in running the affairs of any business and organization. Strategy is highly rated and often seen as the bedrock for any success of an organization and business venture. Since its years of evolution, it has been dominated primarily by rational and analytical approaches up until the resurgence of an emergent approach as a new perspective in strategy enactment processes. Ever since then the discourse of strategic management processes has been predominantly underpinned by these two approaches.

As a case study, four organizations that represent a wide spectrum in terms of type and therefore assumed to provide scope for discovering variations with regard to strategy processes were selected. These four organizations were selected to examine the approach/es used in strategic enactment and to evaluate the relationship between organizational success and its strategy enactment process. The focus in this study is biased to what strategy is perceived to be at organizational level and whether individuals within these organizations do subscribe to the same perception or on their own. Secondly, as strategy is perceived as the bedrock for an organization success, the study has attempted to look at possible links or relationships between the two – success and strategy. This has been done by looking at the alignment between organizational operations and the strategy.

The results of the study show that:

- The four organizations use the rational analytical approach to strategy enactment.

- Individuals within these organizations subscribe to the holistic perspective of strategy enactment which integrates strategy formulation and strategy implementation dichotomy into a single gestalt of formulation-implementation at all levels of the organizations.

- The success of the organization cannot only be attributed to strategic enactment and its application alone. Other factors as well act as enablers and / or provide opportunities for organizational success.

- The approach used to design and implement strategy has a direct relationship with how the designers and implementers of strategy define and understand an organization to be. For instance the study shows that strategists who define and understand organizational strategy as an entity devoid of its social and cultural construct tend to use the rational and analytical approaches. However, those who see it as an entity that is shaped and influenced by socio-cultural factors are prone to the emergent approach.

CHAPTER 1: INTRODUCTION AND STUDY IN CONTEXT

1.1 INTRODUCTION

Making organizations more resilient, productive and better able to survive not only in turbulent and unpredictable environments but also in future is increasingly becoming a key challenge these days (Goldspink and Kay, 2003). Hamel and Prahalad (1996) have even argued persuasively for a shift from traditional approaches to learning approaches in strategic planning if organizations are to survive in future. An organizational strategy is generally perceived as an enabling tool to improve organizational performance even in turbulent and unpredictable environments. Hamel and Prahalad (1996) perceive strategy as the key to secure future of the organization. To them, organizational strategy does not only help to leverage core competencies of the organization but most importantly, is a gateway to the future. This perception has since made strategy one of the 'buzz' words in organization corridors especially among the decision makers. Most organizations sometimes stretch their resources to the limit trying to secure the services of a so-called 'strategist' because they link organizational success to strategy.

This has since entrapped organizations into what is regarded as strategy 'fit'. More attention and efforts are on bringing the alignment between operations and strategy in order to ensure organizational success. Consequently, the focus of executives is more on designing what in their own view is the best strategy to meet this challenge. But the questions that one grapples with include whether in reality there is a best strategy, what are the success indicators for a best strategy and finally, whether strategy alone is the bedrock of an organization's success.

What makes these questions critical in matters pertaining to organizational strategy is the fact that strategy in itself is intangible. It remains a perceived 'objective' expression of thoughts by individuals that are documented in a particular format. The individuals themselves are not alienated from their own environments and short comings. Usually, by the time the strategy is finalized on paper more has already taken place in the environment within which the organization exists and within the individuals in the organization. This is inevitable because both the individuals and the environment are dynamic.

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In the management literature, there is no single consistent definition of strategy that considers the dynamics of the environment within which the organization exists and the limitations of the individuals that design and implement strategy. Even a cursory reading reveals many definitions that vary considerably along a number of important dimensions (Hrebiniak and Joyce, 1984). For instance, Drucker (1954), Chandler (1962) and Andrews (1971) emphasize long term objectives (ends) in their definitions whereas others such as Ansoff (1965) emphasize the complex activities inherent in obtaining these objectives (means).

In terms of the above definitions, a good strategy is the one that has a continuous process of ensuring a 'fit' between different operating and future conditions; and a 'fit' between various internal processes and functions within the organization. These include the alignment between the structure of the organization, leadership development and other strategic decisions within the organization. In this context strategy 'fit' refers to the mutual interdependence and reinforcement of the organisation's activities. Through this strategy 'fit' opportunities and risks can be identified and thereby raise innovative options for increasing the sustainability of the organisation as a livelihood system.

But the predicament lies on the 'fit' between the strategy and other processes so that the organization can survive and be on the competitive edge in a complex environment. A complex environment refers to the interconnectedness of things from within and outside the organization. These processes include human resources planning and organizational culture of learning. Human resources planning refers to the linkage between the structures, leadership development, performance management system, resource allocations, business plans and the strategy (Grobler, 1993). The organizational culture of learning involves a culture of strategic thinking and learning (David, 1993). What remains critical is the extent to which each informs the other.

In response to some of the challenges above, executives and managers on their own and sometimes through consultants try to develop what in their view is the best strategy for the organization. Various approaches are used in the strategy design and these approaches are underpinned by certain philosophies such as the South African Excellence Model (SAEM) and

other perspectives as discussed below. The SAEM is a framework that was developed in 1997 through the South African Excellence Foundation as a tool to be used by organizations to ensure excellence and quality in their output as shown in Figure 1.1 below. The model is based on the philosophy that an organization will achieve better results by involving all the people in the organization in continuous improvement of their processes. Processes are established to serve specific customer needs both internal and external.

The process objectives define what value is going to be supplied to the customers and follow the SMART principle – specific, measurable, attainable, realistic and time bound. Its basic tenet is that organizational impact on the society, customer satisfaction, people satisfaction and supplier and performance are achieved through leadership, policy and strategy, customer market focus, people, resource and information management and processes. Consequent to all of the above, excellence in business results is realized.

Leadership

Policy and Strategy

Customer and Market focus

People Management

Resource and Information Management

Processes

Impact on Society

Customer Satisfaction

People Satisfaction

Supplier and Partnership Performance

Business Results
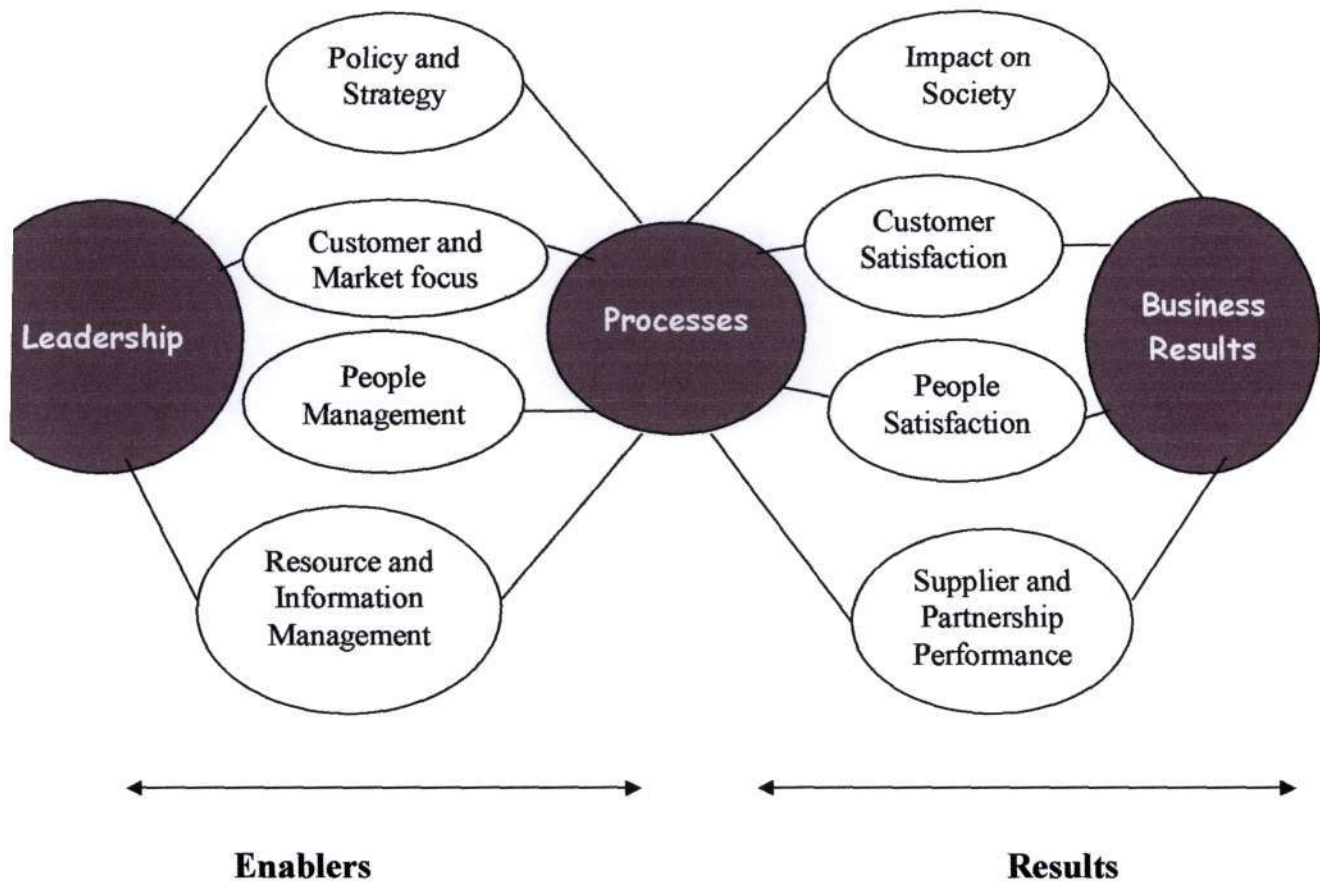
Enablers

Results

Figure 1.1: South African Excellence Model (SAEM)

Source: South African Excellence Foundation, (1997)

The model further shows relationships between the enablers and results as shown in Figure 1.1. The enablers refer to how the organization is run – how it operates in terms of the appropriateness of methods, tools and techniques used, degree to which the approach is sound, systematic and prevention based, implementation of the improvements resulting from review cycles and finally, the degree to which the approach has been integrated into normal operations. The results refer to what the organisation achieves as seen by stakeholders such as customers, employees, the community and funding agencies.

In this model there is vivid evidence of the relationship between input, processes and output (business results). Strategy is designed with a pre-conceived goal in mind. Role players are determined by the purpose the strategy is intended to achieve. Even the performance

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management systems are tailor-made to the strategy design. The overall business results are evaluated on the basis of the input and processes. This model displays a linear perspective.

As strategy has multiple perspectives, Pettigrew and Whipp (1991); Ketchen, Thomas and McDaniel (1996) and De Wit and Meyer (2004) also came with their strategy perspective as shown in Figure 1.2 below.
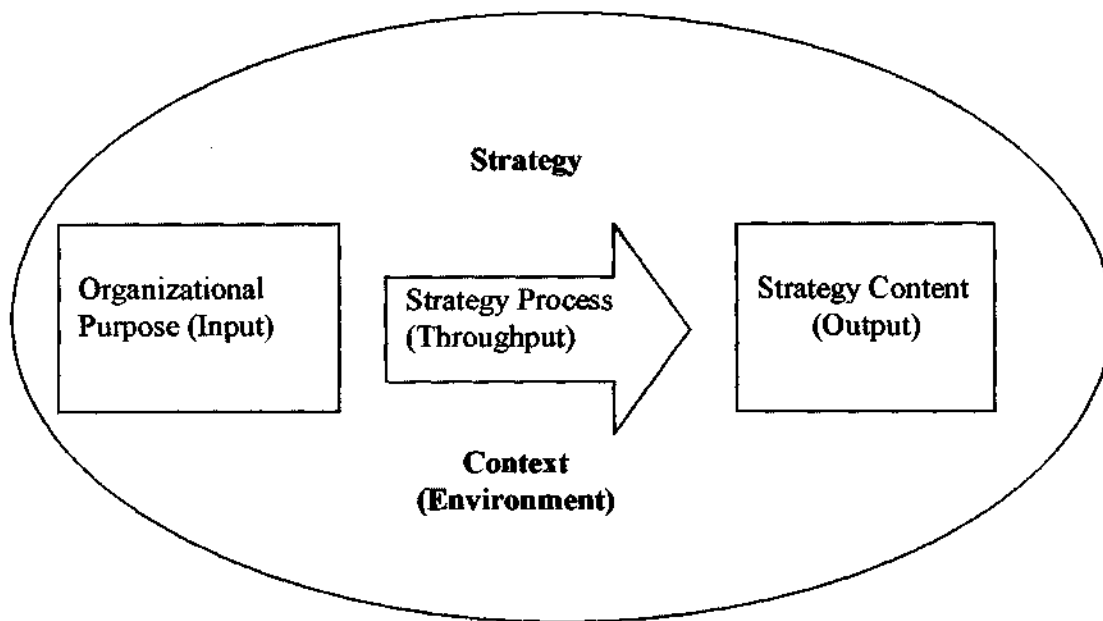
Figure 1.2: Strategy Dimensions
Source: Adapted from De Wit and Meyer, (2004)

In this perspective, strategy broadly has three dimensions, namely, strategy context, process and content. These three dimensions interact. For instance, the manner in which the strategy process is organized will have a significant impact on the resulting strategy content, while likewise, the context of the current strategy will strongly influence the way in which the strategy process will be conducted in future.

Strategy context refers to the set of circumstances under which both strategy process and content are determined. It is more concerned with where the strategy process and content are embedded.

The strategy process on one hand is about the flow of strategy activities – the way strategy comes about. It is a process that unravels the perceptions of strategists. It is more about the how, who and when of strategy – how it is designed, who designs it and when do necessary activities have to take place. In the strategy process are three overlapping issues: strategic thinking, formation and change. Strategic thinking focuses on the strategists – how they organize their thinking to achieve a successful strategic reasoning process. Strategy formation is more on how strategists organize their activities. Strategy change focuses on the organization. It is about how strategists organize changes to achieve their goals. The strategy content refers to the product of a strategy process. It is rather more on the what of a strategy.

In all of the above strategy perspectives, what is common is the importance of a `fit' between the process, content and specific circumstances prevalent in the strategy context. However, disagreements arise with regard to whether the context determines what the strategist must do or can the strategist actually shape the context. Some hold the view that the strategy context is dynamic on its own and can hardly be influenced by strategists. In this view, the strategy context sets confines on the freedom to manoeuvre. The context is not malleable and hence a call to strategists to adapt to the environment.

But the other view is for strategists to avoid being driven by the context and rather have a large measure of freedom to set their own course of action. Frequently, it is argued that strategic managers can and should create their own circumstances instead of being enslaved by the circumstances. In short, the view is that strategy context can be determined instead of letting it determine.

However, other models of strategy design are underpinned by a perspective of an organization as a complex adaptive system. A complex adaptive system originates from physical sciences as an extension of chaos theory (Ortegon-Monray, 1999). This perspective rather studies an organization from self-organising and adaptive mechanisms.

A complex adaptive system consists of a large number of agents, each of which behaves according to some set of rules (Stacey, 1993). These agents interact with and adapt to each

other. An organization, for example, is perceived as a system consisting of a network of people relating to each other. People are the agents that interact, with each behaving according to its principles of local interaction. In this interaction process there is no individual agent or group of agents that determine the patterns of behaviour that the system displays or how those patterns evolve. In other words there is no overall blueprint for the entire system. This is referred to as the principle of self-organisation – agents interact locally according to their own principles, or intentions, in the absence of an overall blueprint for the system they form.

This perception of an organization as a system has prompted the use of scenario planning as an alternative model for strategic planning (Van der Heijden, 1996; Global Business Network, 2004). The underlying philosophy of scenario planning is that the world is too complex and subject to blind spots that prevent accurate forecasting except under very limiting conditions, controlled situations and short term conditions. Scenario planning considers the future to be highly uncertain, subject to high levels of non-linear relationships and increasingly high levels of causal ambiguity (Van der Heijden, 1996). It is used as part of strategic planning at different levels of strategy development such as

- making a decision on a strategic issue,
- setting a high-level strategic agenda,
- creating the platform for an ongoing strategic conversation,
- assessing risks and opportunities by exploring how complex factors could create different environments that might have to be navigated,
- testing current strategy, theory of change or vision in multiple possible futures beyond control,
- rehearsing what needs to be done to succeed in different environments – positive, negative and unexpected,
- helping organizations develop robust pictures of future success and strategies to move toward a desired future.

From the above application levels of scenarios, it is clear that scenarios help decision makers to see blind spots and design possible options to minimize their negative impact to the organization.

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They are designed to assist decision-makers to deal with ambiguity and uncertainty in the environment. They are a way of understanding the dynamics shaping the future of the organization. They are imaginative pictures of potential futures.

Scenario planning is derived from the observation that given the impossibility of knowing precisely how the future will play out, a good decision or strategy to adopt is the one that cuts out well across several possible futures. To find that robust strategy, scenarios are created in plural such that each scenario diverges markedly from the others. These sets of scenarios are essentially and specially constructed stories about the future, each one modeling a distinct plausible world. Their strength lies on the fact that they are able to apply both linear and non-linear relationships in their development (Global Business Network, 2004).

The purpose of scenario planning is not to highlight large-scale forces that push the future in different directions. It is about making these forces visible so that if they do happen, the strategist will at least recognize them. It is more about making better decisions today. However, Mintzberg, et al, (1998) in an attempt to answer the perennial question – what is strategy, have argued for ten schools of thought in strategy formation. They arrived at these ten schools as a framework for strategy formulation after analyzing contemporary research/ writing and considering historical perspectives of strategy formation.

In this study, the ten schools provide a theoretical context for the arguments on strategy discourse as elaborated in Chapter 3 under literature review. They provide a broad framework for strategy design and implementation as they vary from strongly rational and analytical approaches to emergent approaches. These ten schools are also used broadly as basis of analysis of the findings in this study.

These ten schools are summarized as follows:

CATEGORIES OF SCHOOLS OF STRATEGY	PERSPECTIVES OF THE SCHOOLS
1. Design School	Strategy formation as a process of conception.
2. Planning School	Strategy formation as a formal process
3. Positioning School	Strategy formation as an analytical process
4. Entrepreneurial School	Strategy formation as a visionary process
5. Cognitive School	Strategy formation as a mental process
6. Learning School	Strategy formation as an emergent process
7. Power School	Strategy formation as a process of negotiation
8. Cultural School	Strategy formation as a collective process
9. Environmental School	Strategy formation as a reactive process
10. Configuration School	Strategy formation as a process of transformation

These ten schools are discussed in detail in Chapter 3 under literature review.

As more details of these perspectives together with their critique and other techniques are explored in details in Chapter 3 under literature review, the main thrust of this study is whether the 'fit' as promulgated in many approaches to strategy design, is possible between the strategy and various aspects and activities of the organization (Wilson, 2000). This particularly becomes significant in view of the fact that an organization is not an entity external to the individuals, their culture and environment more than an embodied aspect of the individual's worldview.

Within an organization are two distinct aspects namely, phenomenological and physical aspects. The phenomenological dimension entails social, cultural and political aspects whereas the physical aspect entails viewing the organization as emergent from structurally coupled autonomous entities. This implies a shift from viewing the organization as something that is out there and reified to a view where it is an entity internal to people yet mutually derived in having arisen in a linguistic domain. This means that an organization is both a physical entity and

phenomenological entity derived from communication and interaction of people. Both the phenomenological and physical dimensions coexist.

The physical dimension of the organization provides the basis for understanding the means by which it emerges from the interactions of the people who are their constitutive agents. The phenomenological dimension provides a basis for understanding the interplay of convergent and divergent dynamics orchestrated by self-organisation and mediated by natural and rational order. Consequently, an organization both influences and is influenced by the continuous functioning of internal corrections within the individual's nervous system (Marion, 1999). This makes the organization subject to discontinuous change, self-organisation and variations in robustness in the face of changing environmental conditions (Burrel and Morgan, 1994). This poses a challenge on the possibility of a 'fit' between processes and various functions within the organization and the environment. The reality is that humans exist in and through interaction of the physical and non-physical domains of interactions. The study therefore also seeks to examine applicable perspectives of strategy design in the organizations under study.

1.2 PURPOSE STATEMENT

A lot of research has been done on the subject of strategy and consequently, a variety of approaches have been developed including complex adaptive and complex response approaches, models proposed such as Michael Porter's Five Forces, Mintzberg, et al, (1998) model of ten schools and theories formulated such as the resource based view (Selznick, 1957; Penrose, 1959), traditional (Courtney, et al., 1999) systems dynamics (Stacey, 1996) theories. In all these models and theories the thrust is on what strategy is and/ or should be; how to design it and its significance to the success of the organization now and the future.

These approaches and models epitomize different strategies that guide operations of many organizations in the world. However, less attention has been paid to testing these approaches and examining the reality of a possible 'fit' between the strategy and operations in organizations as espoused in most theories and implied in most organisations. Furthermore, the questions that need to be answered is whether the strategy brings stability and alignment between the

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organization and its operations; whether it should be the strategy that determines organizational operations or vice versa; whether there is any relationship between the organization's strategy and its future existence. The essential and critical question that is explored is the role that a strategy plays in as far as the operations in an organization and its future existence especially considering the fact that the future is uncertain. The main thrust of this thesis is therefore an attempt to examine the relationship between a strategy and the operations within an organization – should each be a sole determinant of the other or not.

Presently, there are two dominant paradigms that underpin strategy processes – the linear and complex adaptive models. The thrust of the linear model is an alignment between operations and processes and the complex adaptive model sees an organization as a system that is self-organising and adapting. What this study is trying to answer is whether the two main paradigms have to exist independently of the other or should there be no coexistence of the two main theories in strategy processes.

There is what Van der Merwe (2002, p.7) refers to as a strategy 'fit' in an organization and this will be explored within the context of strategy formulation processes and their relationship with the internal and external dynamics. In his view, a `fit' between organization and its futures is central in the success of an organization. The thrust of his argument is that a good strategy is the one that ensures a continuous process of a 'fit' between processes both internal and external. In this study, external dynamics refer to factors that influence the organisation from outside. Such factors include politics, economics, society and technology. Internal dynamics refer to factors from within the organization such as the structure, leadership, business plans, performance management system, culture and learning.

Broadly through this study an attempt is made first, to test both the linear and complex adaptive models, second, to add to theories about strategy formulation and processes, third, to provide a new challenge to business people, public policy makers and executives on the significance of the relationship between strategy formulation and processes and finally, provide solutions to some problems encountered when matching or aligning the strategy to the aspects of the organization i.e. physical and phenomenological aspects.

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1.3 THE STRUCTURE OF THE STUDY

This study is structured as follows:

Chapter 1: This chapter introduces the study and its context. In introducing the study strategy is defined and identified as arguably the key to the success of the organization. Various models such as SAEM are identified to substantiate this argument. However, other theories that demonstrate a paradigm shift from this perspective of strategic management are briefly discussed and they include the systems and complex theories. In terms of the study context, the main thrust of the study is presented as an attempt to examine the application of these strategy perspectives in the four organizations under study and the relationship between strategy and operations within the four organizations.

Chapter 2: In this chapter the research methods used in data collection and analysis are identified and discussed. Limitations in each of the methods used are highlighted. The four organizations used in the study are described including their vision and mission. This chapter is concluded with limitations of the study with justifications for such limitations.

Chapter 3: This chapter deals with various approaches and models that underpin strategizing processes. The models and approaches discussed include the Mintzberg, et al, ten schools of thought concerning strategic planning, Linear and Michael Porter's Five Forces Models, Resource-based and Systems Dynamics Theories. The discussion of these models and theories is preceded by a brief explanation on the significance of understanding an organization before designing a strategy.

Chapter 4: In this chapter the results from data analysis are presented. Future research areas are also highlighted in the course of discussion of results. They are concluded with a summary of findings and recommendations. Thereafter a list of references used in the study is presented.

The next chapter deals with the methodologies used in this study. The methodologies include steps followed in data collection and how data has been analyzed. It is concluded with how this study is structured.

CHAPTER 2: THE RESEARCH METHODOLOGY

2.1 INTRODUCTION

This chapter focuses on various methods used to conduct this study, collect and analyse data together with the rationale for the choice of such methods. It also includes the description of study areas and why such study areas have been selected. Off course limitations in the entire study are highlighted.

2.2 RESEARCH DESIGN AND APPROACH

The research design and approach to this study includes a survey of the four organizations under study and interviews. Interviews were conducted with people involved in the strategic changes and decision making of the organization. These people are executives and managers from the four organizations under study. This selection criterion for the choice of interviewees is guided by the assumption that both executives and managers are the experts of strategic issues. Also time and resource constraints guided the selection of the study areas. However, prior to interviews, a survey of secondary source data about the organization was conducted. In conducting this survey, standardized set of questions were used to guide each respondent. Due to uniqueness of individuals, interviews tended to flow around issues more than the structure of the questionnaire.

Since the study is about an enquiry and involves an iterative process of trying to understand a social or human problem based on building a complex, holistic picture, formed with words, reporting detailed views of informants and conducted in a natural setting, a qualitative method is the preferred approach used in this study (Creswell, 1994; Lincoln and Guba, 1985). The rationale for the selection of the qualitative method is that it is naturalistic, flexible, non-sequential in approach (Blanche and Durrheim, 1999; Lincoln and Guba, 1985) and exploratory in nature. The qualitative method is used at every stage of the study including data collection, analysis, report writing or overall designs that include all phases in the research process.

Also, another reason for using the qualitative method is because of its usefulness in focusing on understanding from respondent's/ informant's point of view. It brings a holistic dimensional perspective in the issues that are under study. Besides having a holistic perspective, the qualitative method is process oriented more than results oriented (Ghaurie and Gronhaug, 2002). And since the study aims to uncover people's experiences and behaviours within an organization, the qualitative method is suitable because of not only being flexible but also unstructured (Lincoln and Guba, 1985). This is particularly significant because the objects of study demands in-depth insight into a phenomenon as it is the case in this study.

Furthermore, it does allow for study of connections between issues and components in the problem and simplifies the complexity. It is an approach that fosters multiple perspectives to complexity and is premised on the assumption that insights and ways of improving situations are generated by facilitating stakeholders and participants to shift their established way of thinking about the problem. Furthermore, a qualitative approach is chosen due to its usefulness in contexts where single perspective or command and control processes have failed to provide adequate management of the complexity involved (Creswell, 1994). Finally, this approach complements other methods of analysis often by providing an overarching context within which more detailed analysis can be situated.

As the focus of the study is exploring a single entity or phenomenon, it is referred to as a case study. This is notwithstanding the fact that four organizations are used in this case study. This is necessitated by the fact that the study is bounded by time and activity. By being a case study it allows for the meaningful exploration of the characteristics of the real-life events such as managerial process in the units of analysis. More importantly, the case study in this research is used to establish valid and reliable evidence to be analyzed from a phenomenological perspective and subsequently synthesized in such a way to produce a theoretical conjecture or even be used as evidence to support or contradict an already established theory (Remenyi, et al, 1998). Consequently, the case study can be said to have added something of value to the body of knowledge.

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2.3 THE UNITS OF ANALYSIS

The organizations chosen are Amatola Water, Daimler Chrysler, LEONI Wiring Systems and Mvula Trust. These units of analysis are chosen on the grounds of convenience, access and geographical proximity. Secondly, their focus and philosophy of operations is different. They represent a wide spectrum in terms of type and therefore provide scope for discovering variations in the discourse of strategy processes. For instance, Amatola Water is state-owned, water services enterprise established in terms of the Water Services Act. As a public utility, its prime function is to provide water services to municipalities, industry and other communities. Based in East London, Amatola Water service area includes Buffalo City, Nkonkobe, Amahlati, Great Kei and Ngqushwa Municipalities. All these municipalities geographically fall under the Amathole District in the central Eastern Cape.

The vision of the Amatola Water is to provide a full range of water services of a world class standard in order to contribute to the improvement of quality of life to its customers. Its mission is to provide a full range of high quality, cost effective and sustainable water services to meet and satisfy the specific needs of Local Government's water services delivery objectives and those of other existing and potential customers. This is currently achieved by:

- Developing sound customer relationships and contributing towards an ethos of customer satisfaction,
- Optimum utilization and development of human and all other resources,
- Effective asset and resource management,
- Use of appropriate technology and
- Sound financial management.

The main purpose of this strategy is to ensure the long-term viability and growth of the organization (Amatola Water Annual Report, 2003-2004).

The other unit of analysis is The Mvula Trust. The Mvula Trust is a Non-Governmental Organization (NGO) whose mission statement is to contribute to improving the health and

livelihoods of poor and disadvantaged South Africans in rural and peri-urban communities through facilitating delivery of integrated and sustainable water, sanitation and related services (The Mvula Trust: Annual Report 2003/2004). In pursuing this mission the Mvula Trust subscribes to the philosophy of a bottom-up approach to project planning, implementation and management. The rational behind this approach is the question of the sustainability of services, building social capital and developing local skills and initiative. The Mvula Trust operates from various regions in South Africa but this study is only based on the East London region. Time and other resource constraints have played a part in the choice of East London region.

LEONI Wiring Systems is also a company situated in East London and its main deliverable is the production of wiring systems for automobile industries in particular Daimler Chrysler. Its vision is to be a leading systems partner with a worldwide presence for wire, cable and wiring systems, create maximum customer benefits through its top-level performance in terms of quality and service, offer challenging, attractive jobs and prospects for development for its employees and finally, to increase the value of the corporation through above-average returns on investments. Its mission is to strive to be an irreplaceable partner to its customers and stakeholders through excellence in performance, quality and service, as well as the preferred employer through creating trust, security and opportunities for all employees. LEONI Wiring systems is guided by the following principles: quality, performance, change, customer focus, responsibility, authority and openness.

Daimler Chrysler South Africa (DCSA) is an automobile firm also based in East London. It has corporate vision and values, mission statement and critical success factors. Daimler Chrysler's corporate vision is to provide simply the best automotive products and services in Southern Africa as profitable, customer oriented subsidiaries of DCSA. Its strategic statement of intent is to be the best at meeting the transport and monitoring needs of the African and other emerging markets to achieve maximum customer and shareholder value, while behaving in a socially progressive manner towards its employees, business partners and external environments by providing appropriate products and services. The DCSA corporate values are customer excellence, ownership, respect and being an example. Its critical success factors are appropriate products and services, South African and export business opportunities, profit and return on

assets, people performance empowerment and skills and employment equity and shareholder value.

Considering these strategies of the Amatola Water, Mvula Trust, LEONI Wiring Systems and Daimler Chrysler, the research focus is on how these organizations design their strategies. The focus is more on the underlying philosophies, process and strategy perception in relation to organizational excellence. Furthermore, the study tries to examine but to a limited extent the success indicators of a strategy in relation to the deliverables of the organizations. In other words, can success or failures be attributed to the strategy in place or other factors have to be considered. Also, whether success can be attributed to a strategy 'fit' to organizational operations or to allowing for creativity and flexibility.

The study is by no means a comparative one. Instead the four organizations have been chosen on the basis of their different focus areas and standing. They represent a wide spectrum of type (public and private, regional, national and international) and therefore assumed to provide scope for discovering variations in terms of strategy processes. For instance, Daimler Chrysler and LEONI Wiring Systems are purely production and marketing companies whereas The Mvula Trust and Amatola Water focus on the support services to meet community needs. They deal more with people than machines. They act as catalysts to meet these community needs. Furthermore, Amatola Water is a public sector that is responsible for the entire Eastern Cape. The Mvula Trust is a private sector that is national in its operations and existence. LEON Wiring Systems is purely a private sector based in East London but with branches outside South Africa and Daimler Chrysler is an international company. However, in the results analysis (Chapter 4) organizational strategy processes were discovered to be the same. The only difference has been on strategy processes from an individual perspective.

2.4 RESEARCH METHODOLOGY

As briefly indicated above, the methodology that was used in this study includes various approaches. Firstly, after the careful selection of the study areas, appointments were set up to meet with the Directors of Human Resources in the four organizations. The purpose of the

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meeting was to introduce the study, understand organizational rules and procedures and seek permission to pursue the study. Also, the visit was aimed at confirming the relevance of the organizations selected to the study pursued. Of critical importance in the discussions was to enquire about the mission and vision of the organizations, whether they have strategy and ask for previous years' reports.

After these first meetings, a structured questionnaire (Appendix 2) was designed and administered during interviews. Appointments were set up with relevant people and interviews were conducted. The questionnaire served as guideline and more information was probed during interviews. Although the tape recorder was used to assist in capturing the conversation, follow-up interviews were also done for aspects that required more clarity. However, it could not be done to all interviewees as some could not be available for the second time.

2.5 DATA COLLECTION METHODS

The interviewees that were used during the survey for secondary data collection were the Directors of Human Resources from the four organizations. Their selection criteria was based on the fact that they are not only easily accessible compared to the executives but also strategically positioned to know organization policies, protocol and how these organizations are structured. This was done to ensure adherence to organization rules and procedures and solicit cooperation and support during the study period. Since the survey for secondary data was done only to the Human Resources Directors of the four organizations, the survey period did not exceed a month. Responses were written down and recorded with the assistance of a small tape recorder. However, prior to its usage the permission was sought from the interviewees for ethical reasons. The tape recorder helped to capture all responses as not all responses could be written down.

After the survey, another set of structured questions was designed and are included as Appendix 2 in this study. These structured questions were designed in such a way as to cover all aspects that attempt to constitute the main thrust of the study. They helped to provide logic and sequence not only in data collection but also in data analysis. Also, they were not only useful in providing guidance to the interviewer but help save time for the interviewees while at the same

time covering a wide range of issues. Both the study context (Chapter 1) and the literature review (Chapter 3) have contributed in the design of questions, their sequence and as well as the exclusion of others. The literature on strategy processes such as the models and theories used with particular reference to Mintzberg taxonomy of strategy processes and finally, the feedback from the survey of the four organizations all informed the research question for the study.

These questions were based on how each of the four organizations designs its strategy, organizational leadership, organizational learning and culture and organization resources. As individuals are unique, even during these interviews, the focus was more on issues than the structure of the questionnaire. Initially, a total of twenty interviewees were planned with five executives and managers in each organization. However, due to time constraints and other reasons cited by the interviewees, only ten from a total of twenty were able to set aside time for the interviews. Two organizations had three interviewees and the other two had two each.

Initially, one month was set aside for conducting interviews but it later transpired that it was not sufficient. Consequently, more than two months were devoted to establishing rapport and trust between the researcher and interviewees. The interviewees had to gain confidence first that the information released from the organizations and on their personal capacity would not tantamount to the breach of confidentiality on organizational matters. There was also a concern regarding time to be spent on interviews. However, the overall lesson learnt was that it is always difficult to conduct research in an organization unless you are part of the work done. An action research best suits organizations.

2.6 DATA ANALYSIS

Since this is a qualitative research and not even a comparative study, data has been analysed on the basis of the responses from the interviewees. Data analysis has carefully considered what each interviewee has said to a point where sometimes their responses have been quoted as they are. This has been done to minimize subjective interpretation of the responses from the interviewees. Therefore, data analysis has mainly been what the respondents have said than what the researcher might think. The tape recorder has been used to validate findings.

2.7 STUDY LIMITATIONS

Like in any other research, limitations in this study are without exception. Firstly, strategies emerge over periods of three to ten years and it is physically impossible to observe all the events taking place. Events in such decision processes cannot be fully replicated to set up experimental controls. Some careful descriptive research is needed on complex areas like strategy formulation just to pose questions that can later be tested in more detailed and controlled environments. Respondents are usually intrigued by going back over their own strategy development. Time and resource constraints have influenced the limited scope to be covered.

CHAPTER 3: THE THEORETICAL FRAMEWORK

3.1 INTRODUCTION

In Chapter 1, an attempt was made to show that even today; the success of organizations is predominantly perceived and measured on the basis of strategy. Strategy is seen as a driving force for the future success of the organization. Various perspectives on strategy design and their philosophical underpinnings identified and briefly discussed in Chapter 1 show that there are variations. However, what remains common is the fact each approach used depends on the understanding of decision makers regarding what strategy is and the relationship between the organization and strategy.

The models and theories chosen for discussion in this chapter include the Mintzberg ten schools of thought model (Mintzberg, et al., 1998), Linear Model (Ketchen, et al, 1996), Michael Porter's Five Forces Model (Swain, 1999), Resource-based Theory (Barney, 1991) and Organizations as Complex Adaptive Systems (Stacey, 1993). However, the discussion of these theories and models is preceded by the importance of understanding the organization itself before designing a strategy to guide its operations. This is deliberately done to try to contextualize the discussion.

Of equal importance in this discussion is the question of understanding an organization as an entity that learns, has a culture and exists in a particular dynamic environment. These are argued as necessary for consideration as they should form the basis for a strategy design and implementation. Any strategy design that fails to consider and be informed by these is likely to cause tensions within the organization. This chapter therefore deals with the organization as an entity that learns and has a culture and further identifies and examines theories and models within the context of strategy design.

3.2 STRATEGIC CONVERSATION AND LEARNING ORGANISATION

The mere fact that strategy invariably entails a plan, pattern, perspective, position, posture and finally, a ploy (Mintzberg *et al*, 1998; Chapman, 2003) challenges all those involved in its formulation to be conversant with the art of strategic conversation. It requires of them to make it a habit within the organization to think and talk about different aspects related to strategy on an ongoing basis. In doing this, the purpose should not be about establishing right or optimal solutions more than understanding complex relationships, ongoing change and uncertain futures.

Strategic conversation means the wide involvement of role players on strategic issues of the organization. The idea that a few individuals or small groups can direct the strategy of the organization with others simply following, is dispelled in strategic conversation. Strategic conversation refers to the development across the organization of a capacity to work together to question, debate and innovate. One of the more effective ways is the strategic audit where role players at different levels think strategically by asking the right questions about their departments, divisions or the entire organization. This is necessary because linked to strategic conversation is the notion of organizational learning.

Learning may be defined as an interactive process between people and their social and physical environment which results in changes to people's knowledge, attitudes and practices. Then the concept of the learning organization refers to the creation of circumstances, climates or conditions in organizations that encourage; provide support and reward the development and learning of its people. According to Senge (1992) a learning organization is the one that sees the organization not as an efficient machine for doing a particular task, but as an organism that is continually meeting challenges in its environment, trying out ways to deal with them and learning in the process. Continual learning becomes important at all levels of the organization. Through it a culture of tolerance and ongoing learning is encouraged. As organizational members learn, they overcome competitive challenges; develop potentially valuable resources and capabilities.

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Therefore, the understanding of an inherent continual learning process in an organization dispels a notion of strategy design as fixed and separate process from other processes including implementation. The culture of organizational learning inculcates a new dimension in an organization that nothing is perfect, complete and static on its own. Instead, organizations learn and adapt to suit new challenges of a particular time. Therefore, everything including organizational strategy remains a guide and has to undergo continuous changes as the organization learns. From the art of conversation and learning emerges an organizational culture that constitutes an important element in the strategic management process (David, 1993; Johnson and Scholes, 1999).

3.3 ORGANISATIONAL CULTURE

Organizational culture is increasingly becoming more significant as it helps to improve organizational performance. Successful organizations arguably have strong culture - a strong commitment to shared values, beliefs and attitudes. But whilst organizational culture is seen as vital in strategy formulation, there is no agreement on what it is (Fay and Claes, 1999; Williams, et al, 1990). Some define organizational culture within the context of anthropology, psychology and management theory. For instance, Schein (1990) defines it as a pattern of basic assumptions invented or discovered by a given group as the correct way to perceive, think and feel in relation to coping with problems. Gibson, et al, (1991) concur by describing organizational culture as the personality feel of the organization, explaining how organizations and people within behave in different circumstances. Johnson (1992) further identifies organizational culture as consisting of various stories, myths, rituals, symbols, routines and control systems. However, in this study, organizational culture is defined within the context of dominant beliefs, values and norms of the members of the group that form the organization.

Handy (1985) has identified four types of organizational cultures namely, role, power, task-centred and person-centred cultures. All these are often associated with different organizational structures. Role cultures are often found in bureaucracies and are dominated by a concern for correct role behaviour, conformity to rules and respect for the system. In this type of an

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organization, relationships are professional and unemotional and security and stability are valued.

According to Handy (1985) power cultures are often found in organizations dominated by a powerful central individual or group. This is common in family firms or small businesses or in organizations that are growing very rapidly, where a central team decides and everyone else follows. When things go well in an organization, power cultures lead to an efficient and relatively rule-free mode of working in which the central team is valued and respected. If things go wrong people rapidly become disillusioned. Since there are few formal rules for employees to follow, a lot depends on how well they can anticipate what the power holders will ask for.

In terms of task-centred cultures Handy (1985) argues that they often appear in small organizations or those that have successfully adopted project or matrix structures. Expertise, adaptability and teamwork are the basis for respect. Such organizations offer many challenges and since their members enjoy considerable autonomy they usually share a commitment to the objectives of the organization. But at its worst this culture leads to a neglect of routine matters – members enjoy the stimulation crises, emergency meetings, interruptions and bustle so much that mundane matters are overlooked. It is difficult to achieve economies of scale or great depth of specialist expertise in this culture and it can be hard to control.

Person-centred cultures are unusual in traditional profit making organizations but are increasingly important as organizations have to look at new ways of operating. They exist only for the people within them rather than for any super-ordinate objective such as social groups and self-help organizations. Organizations become the means by which people meet their objectives. Such cultures attract members who are usually very committed and have long desire to take part in determining what is done and how it is done.

Therefore, although culture is conceptually elusive (Schrivasta, 1985), it has important influences on organizational strategy. This implies that any changes in strategy should be accompanied by corresponding changes in organizational culture, failing which the strategy is likely to fail. The strategy is most likely to succeed when there is cultural alignment – when the

right strategy is aligned with a supportive culture. In fact, the entire notion is critiqued by the complex adaptive system approach (CAS) where culture can be seen as a product of emergence (Ortegon-Monroy, 1999). Alignment can result from changes in strategy, culture or both (Montanari, Morgan and Bracker, 1990). This therefore calls for the strategists to preserve, emphasise and build on aspects of an existing organizational culture that support proposed strategies. Aspects of an existing organizational culture that are opposed to a proposed strategy should be identified and changed. Organisational culture can therefore facilitate or hinder an organisation's strategic actions. The significance of organizational culture for implementing strategies is that it influences the behaviour of employees, directed at achieving organizational objectives (Lankford and Mintu-Wimsatt, 1999). This calls for the consideration of individual values, skills and abilities for successful strategy implementation.

According to Morgan (1993) changes that do not take culture into account are fraught with peril. Therefore, a diagnosis has to be made of which aspects of the present culture is strategy supportive and which are not. The first step to harmonise the culture with strategic plan is to be consciously alert to shape organisation's habits and values to fit the needs of the strategy. The second step is to exploit available opportunities to make changes that improve the alignment of culture and strategy. The third step is to ensure that actions and decisions of subordinates and managers are in line with the purposeful creation of the desired culture. Step four is to proactively build and nurture the organisation's psychological and attitudinal commitment to the strategy in order to produce a temperamental fit between culture and strategy (David, 1993).

The process of strategy formulation should therefore be built upon aspects of an existing organizational culture. It forms part of the internal capabilities analysis step in the strategic management process. When the strength and weaknesses of the organization are determined, special attention needs to be paid to the nature and extent of an organisation's culture. Also, during the strategy formulation and implementation phases, the cultural compatibility of the organization needs to be considered. This represents recognition that the values, motivation and behaviour of organizational members are critical determinants of corporate performance and so of the success or failure in implementing strategy (Wilson, 1994).

But, notwithstanding the importance of organizational conversation, learning and culture in the strategic formulation and implementation process, the approach to strategy formulation and implementation has evolved over time from mechanistic or Newtonian to the emergent approach. The basic tenet of the mechanistic approach is that organizations and interactions within them function in predetermined ways in relation to the other. However, in the emergent view, strategy development and implementation are grounded on the fact that the future is inherently unknowable in non-linear dynamic systems (Arthur, 1996; Arthur, 1990; Anderson, 1999;Sterman, 2000; Stacey, 2003; Miller and Friesen, 1980). Therefore, strategy in this approach has to be emergent rather than based on prior organisational intent of leaders. This chapter examines both the conventional and recent approaches to strategy formulation and implementation process within the context of strategy 'fit'. The focus is on examining these approaches in relation to strategy design and 'fit' with organizational operations and management processes

3.4 THEORIES FOR ORGANISATIONAL STRATEGY FORMULATION AND IMPLEMENTATION

The challenge with regard to strategy has always been on the process of formulation or design and implementation thereof. The fundamental question is whether the success of a strategy is to be found in states of stability, consistency and consensus, or does it have more to do with instability, contradiction and conflict. Nevertheless, a process for strategic enactment and its application in organisations has always been central and significant to those who direct the business affairs of an organization. The antecedents of an organizational strategy are most commonly traced to the activities of the military in war (Faulkner, 2002). However, the other issue has always been around the enactment of a strategy – how does the organization design, formulate and subsequently, achieve its set objectives. Below are various approaches that have been used over time to develop strategy.

3.4.1 The Dominant Model on Organizational Strategy

Most people still believe that any order they observe in human system such as a society

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or organization has been put there by a designing mind. They believe that organizations follow strategies they do because this is what their leaders have decided. For instance, the practice of paying large bonuses to chief executives when their organizations are performing well and then firing them as soon as their organizations falter. Consistent with this belief is that the circular process of discovery, choice and action (see Fig.3.5) is a deliberate and intentional move in strategic management. Strategy in this sense is believed to be a process of the following:

- *Setting a goal in which the organisation's capability is matched to the requirements of its environment,*
- Analyzing the environment and the capability of the organization using strengths, weaknesses, opportunities and threats (SWOT) and political, economical, social and technological (PEST) techniques;
- Deriving from the analysis those options that will achieve the goal and
- Selecting the best option and then implementing it as shown in (Fig.3.1).

In this model (Fig. 3.1) of strategy formulation, strategic intent refers to the vision and mission of the organization. In the strategic architecture are the organizational capabilities for future success of the organization. These include skills, resources, systems and technology that the organization currently has. Organisational design and culture refers to the structure and ethos of the organization – the way of doing things. Operational architecture refers to the recruitment and selection processes, business plans and performance management systems. Lastly, strategic navigation is about the value proposition of the organisation – reason for organizational existence and what characterizes its identity. This includes organizational objectives, action plans and definition of business. For example, Woolworth's value proposition is customer care. They spend significant time in researching customer needs. MacDonald's is efficiency and effectiveness and other organizations pride themselves on product innovation.

This is a model of the strategy process that deals in an analytical, rational way. This model is enshrined in a belief in the importance of intention – what we want to achieve, stability and regularity for the success of a system. But the critical challenge to this interpretation process of strategy is that managers in organizations do not always discover, choose and act in a rational

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analytical way (Fig.3.1). They sometimes discover changes by chance (intuitively), make choices on the basis of emotion and power, and carry those choices out in a tentative, trial and error way.
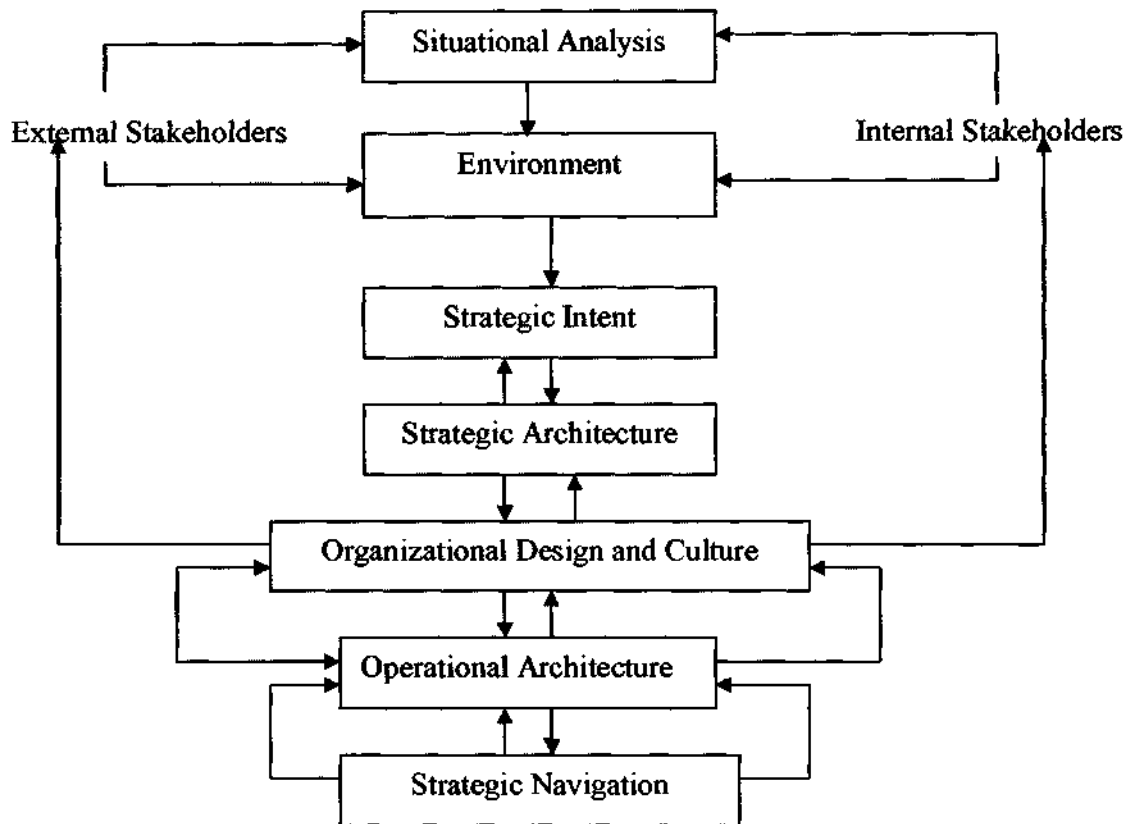
Figure 3.1: Dominant Strategy Model
Source: Adapted from Lynch (ed.), (2000) and Quinn and Cameron, (1988)

They are not necessarily rational in their action and consequently, what happens may not be intentional. Discovery, choice and action flow from the belief that human systems are so complex that no individual or small group of individuals can comprehend them fully enough to intend what happens to them. Order may nevertheless emerge despite a lack of intention.

The two interpretations on organizational strategy processes lead to a question with regard to the extent to which a successful strategy is the result of organizational intention and to what extent does it emerge from the complex interactions between people in organizations. This too leads to another question of what conditions must be satisfied to make intentional strategies and emergent strategy. The other crucial aspect regarding strategy as discussed above is that it is something neither visible nor tangible. For instance, managers will claim to be formulating the strategy and overseeing its implementation, whilst in reality, they are reviewing past results against budget, legitimizing decisions already taken and attending to administrative matters. Managers say one thing and do others regarding strategy. This common practice is difficult to explain and makes the process of strategic enactment and its application a tricky business, especially considering the fact that humans are not limited to acting in accordance with predetermined rules (Kurtz and Snowden, 2003). Naturally, humans are not limited to one identity.

These conflicting views that are explained therefore mean that strategy cannot be summarized into broadly agreed on definitions, rules, matrices and flow diagrams that must simply absorb and learn to use. However, notwithstanding the conflicting views, there is a consensus in terms of the fundamental dimensions comprising a strategy. These dimensions are summarized as strategy process, strategy content and strategy context as discussed in Chapter 1. The strategy process is about how the strategy is formulated, people involved including the necessary activities taking place. The strategy content refers to the product of a strategy process and finally, the strategy context is about the organizational environment where the strategy is formulated.

The contradictory opinions in the field of strategy formulation demonstrate that the strategic problem is complex. Most of the strategic issues outlined earlier in the discussion are always present in every strategic problem, thus making the prospect of a simple solution an illusion. Strategy theorists do not agree on the single approach to strategic issues. There is widespread disagreement, indicating that no simple solution can be expected either way. Part of the reason for disagreement is that first, strategy theorists only emphasize a particular aspect of a multi-faceted reality. Each theory is simply like a piece in the bigger puzzle of strategy (Quinn and

Cameron, 1988). Secondly, strategy theorists start from diverse assumptions about strategy formulation processes and therefore logically arrive at different perspectives.

3.4.2 The Linear Model

In the linear model, the strategy formulation process refers to a linear progression through a number of distinct steps (Ketchen, et al., 1996). Generally, the strategy process in the linear model involves strategy analysis, formulation and implementation stages. In the analysis stage, strategists identify the opportunities and threats in the environment as well as the strengths and weaknesses of the organization. In the formulation stage, they determine which strategic options are available to them, evaluate each and choose one. Finally, in the implementation stage, the selected strategic option is translated into a number of business plans which are then carried out.

This linear process in strategy formulation is commonly presumed not only linear, but also largely rational. Strategists identify, determine, evaluate, choose, translate and carry out actions based on rigorous logic and extensive knowledge of all important knowable factors. Furthermore, the assumption is frequently made that the strategy process is comprehensive – strategy is made for the entire organization and everything can be radically changed all at once.

However, the linear model of strategy formulation has been criticized on the basis of rationality, linear analysis and comprehensiveness. The strong emphasis on rationality is argued against on the mere fact that the true nature of strategic thinking is more intuitive and creative than rational. In this view, strategizing is about perceiving strengths and weaknesses, envisioning opportunities and threats and creating the future for which imagination and judgment are more important than analysis and logic. This constitutes a fundamental disagreement about the cognitive processes of the strategizing manager.

Others dismiss the linear analysis with a view that the strategy process is messier, with analysis, formulation and implementation activities going on all the time intertwined with one another. The basis for the argument is the fact that organizations do not first make strategic plans and then execute them as intended. Rather, strategies are usually formed incrementally, as organizations

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think and act in small iterative steps, letting strategy emerge as they go along. This argument presents a different opinion on how strategies are formed within organizations.

The third assumption of the linear model that is argued against is the comprehensiveness of strategy. The contrary view is that it is unrealistic to think that an organization can be redesigned through the orchestration of an overarching strategy as a significant departure point from the current course of action. It is argued that it is virtually impossible to get various aspects of an organization all lined up to go through a change at the same time. In reality, different aspects of an organization will be under different pressures, on different timetables and have different abilities to change, leading to a differentiated approach to change. Moreover, the rate and direction of change will be limited by the cultural, political and cognitive inheritance of the organization. Hence, it is argued that strategic change is usually more gradual and fragmented than radical and coordinated.

3.4.3 Michael Porter's Five Force's Model

Michael Porter's model is based on five forces of industry attractiveness. In this model it is contended that a successful strategy is the one that appropriately positions the company in relation to the key five forces in its industry. These five forces are:

- the power of suppliers,
- the power of buyers,
- industry rivalry,
- the threats of new entrants and
- the threats of substitutes

This model pegs the essence of strategy formulation as coping with competition and extends the conventional notion of competition to include customers, suppliers, potential entrants and substitute products. The model has been very persuasive in focusing managers on their external competitive environment and in so doing has diverted attention from the impact of factors within the internal environment of the organization as a source of competitive advantage (Swain, 1999, p.31). It has made it logical that if the strategy of an organization is to be predicated on the

threats and opportunities in the current external environment, then the information most relevant for organizational success would be the practices which have proved successful for competitors.

Consequently, strategy should be based on detailed information of the market and knowledge of what is perceived to be the 'best' practice in competitors. This has made organizations adopt what in their view are appropriate change strategies such as bench-marking to restructure and copy those best practices. The focus of management strategy became directed to not only outside the organization but at best on the current situation. This kind of strategic thinking as propounded by Michael Porter dominated the debate in the 1980s.

However, although Porter's model dominated the strategic thinking in the 1980's it was not without critics. Firstly, it was designed to be applied to for-profit industries and not the nonprofit sector of the economy as it does not use profitability as a measure of performance. Instead, the nonprofit sector focuses on less measurable qualitative goals as a substitute for evaluation. Also, the five forces failed to tell its users how to define the industry to be analyzed and tended to lead to a single point forecast of what the industry was evolving into which, given the fallibility of forecasts, was likely to be misleading. It could not address adequately two critical issues, namely: Reasons for the success of firms participating in industries with the same level of attractiveness achieving similar performances and secondly, those participating in industries with different levels of attractiveness achieving similar performances. Furthermore, the lack of explanatory power of the dominant market attractiveness approach to strategy in addressing these questions led researchers to suggest that real sources of firm's success are due to the organisation's firm-specific or idiosyncratic resources (Conner, 1991; Olavarrieta, 1996).

Finally, Michael Porter failed in this model to define industry in terms of complexity perspectives. For instance, industry has matters of culture and cultural dynamics which play a significant role in organizational success. Other soft complex issues of which people form part of, are not considered in Porter's Five Forces Model. Therefore, if these other issues are not considered the strategy designed will have limited options for the future survival of the organizations. It is therefore on the basis of such shortcomings that other planning techniques that generate a wider range of future possibilities than the Five Force's Model and other

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traditional approaches evolved. Such techniques include scenario planning. The proponents of scenario planning argue that an organization is a system (Van der Heijden, 1996; Global Business Work, 2004) that exists in a complex world and is subject to blind spots that prevent accurate forecasting. Therefore scenario planning can be used as part of strategic planning at different levels of strategy development to enable decision makers see blind spots and design possible options to minimize their negative impact to organizations as discussed below.

3.4.4 Scenario Planning

Scenario planning evolved as an alternative to strategic management paradigms. Historically, it has evolved from the use by the military in war games, moved to the civil domain and finally took off in the corporate world in the late 1960s. Scenario planning moved through different phases such as the movement from a 'predict and control' approach to planning, probabilistic assessment of different futures, leading to a 'most likely' projection (Wack, 1985).

Scenario planning refers to that part of strategic planning which relates to the tools and technologies for managing uncertainties of the future. It is not about predictions more than the hypotheses created and used in sets of multiple stories on how the future might unfold (Global Business Network, 2004). Scenarios are a way of understanding the dynamics shaping the future. They are imaginative pictures of potential futures but the future is just a means to an end. According to Wack (1985) scenario planning is defined as a discipline for rediscovering the original entrepreneurial power of creative foresight in contexts of accelerated change, greater complexity and genuine uncertainty.

It is derived from the observation that given the impossibility of knowing precisely how the future will play out, a good decision or strategy to adopt is the one that cuts out well across several possible futures. To find that 'robust' strategy, scenarios are created in plural such that each scenario diverges markedly from others. These sets of scenarios are like created stories about the future, each one modeling a distinct plausible world in which the organization might someday have to exist and operate.

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The purpose of scenario planning is not to pinpoint future events but to highlight large-scale forces that shape the future in different directions. It is about making these forces – unthinkable possibilities, visible so that if they do happen, the strategist will at least recognize them. It is about making better decisions today for tomorrow. Scenarios are more like a vehicle for continually questioning one's own assumptions and embracing uncertainty as one goes. They facilitate the ongoing learning and strategic conversation that supports effective growth and change.

One of the first companies to utilize scenarios was Royal Dutch Shell (Botten and McManus, 1999). Royal Dutch Shell (RD/S) use of scenario building was a key factor in them surviving the 1973 energy crises. RD/S continues to use scenarios as a planning technique that teaches managers how to think about unknown future possibilities. They separate what is predetermined from what is known or certain, and they separate what will happen from what is believed will not happen.

The managers at RD/S have come to accept this technique to cope with the necessity to constantly adapt and innovate in today's competitive environment. Scenarios become medium through which change can be envisioned and actualized. They provide a common vocabulary and effective basis for communicating complex, sometimes paradoxical conditions and options.

The other example where scenarios have been successfully used to highlight large scale forces that push the future in different directions was in 1991 during the South African Mont Fleur project (Kahane, et al, 1992). During the tumultuous transition away from apartheid, this project brought together 22 prominent South Africans – politicians, activists, academics and businessman from across the ideological spectrum to stimulate debate, develop and disseminate a set of stories about what might happen in South Africa over the period of 1992-2002 (Deeper News, 1992; www.gbn.org). For a full list of participants, see Appendix 1. The majority of these participants are currently in serving in leadership positions in both private and public sector. However, this study could not go to the extent of locating these participants for interviews in order to make a connection between their learning in the Mont Fleur scenario

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process and their current policies and leadership philosophy. Otherwise, this could be an area for future research.

The Mont Fleur team's departure point was the negotiation process that was already underway. Since there were bundles of uncertainties facing South Africa the team identified those uncertainties and reduced them into some common single spectrum called axis of uncertainties. Then the entire list of related uncertainties was simplified into two orthogonal axes. From the two orthogonal axes a matrix (two axis crossing) that defined four very different but plausible quadrants of uncertainty emerged. Each of the quadrants constituted a logical future that could be explored. The summary of the four quadrants that the team identified is shown in Figure 3.3 below. These four quadrants of uncertainty were all based on an assumption that the major political parties were engaged in negotiations simply because they understood the dangers of going back to the period prior 1990 when political organizations were banned; and that the international climate favoured a negotiated settlement in South Africa.

The team narrowed down its discussion to four possible outcomes (as shown in Figure 3.2 below) depending on the answers to three critical questions. These three critical questions were as follows:

- Will negotiations result in a settlement? If not, a non-representative government (*Ostrich*) would emerge.
- Will the transition be rapid and decisive? If not, there would be an incapacitated government (*Lame Duck*).
- Will the democratic government's policies be sustainable? If not, collapse would be inevitable (*Icarus*). If the new government adopts sustainable policies, then South Africa would achieve inclusive democracy and growth (*Flight of the Flamingos*).

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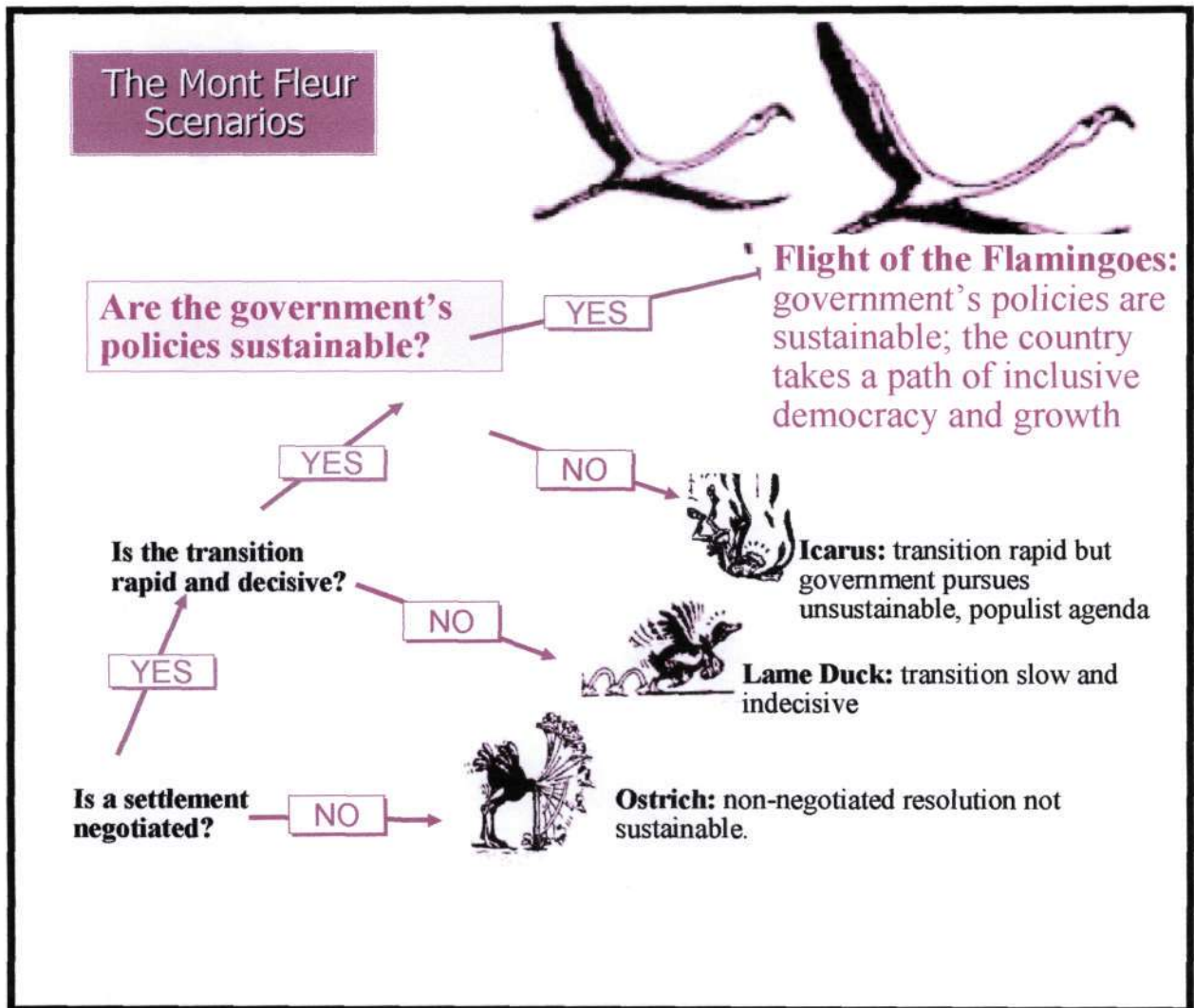
Figure 3.2: The Mont Fleur Scenarios
Source: Adapted from Deeper News, (1992), page 9.

From the four scenarios, the Flight of the Flamingos scenario was chosen. It was a scenario where the new government adopted sustainable policies that would allow for inclusive democracy and economic growth. Figure 3.3 below shows the summary of the four scenarios and scenario "C" is what the new government chose. Consequent to this option there were major policy shifts such as the change from the Reconstruction and Development Programme (RDP) to Growth, Equity and Redistribution (GEAR) to build a successful economy gradually.

The above two examples of scenario planning show that scenario thinking can be used as an approach to strategizing for future in private and public sector organizations. Scenario planning is a technique that can be used to navigate the future of an organization. It can be used in strategy formation processes. This therefore justifies the inclusion of scenario planning in the discourse of strategy enactment processes.

A	B
White government tries to avoid negotiating with Black majority.	Prolonged transition. New government constrained by compromises.
C	D
New government avoids major pitfalls. Gradually build successful economy	Strong majority Black government. Unsustainable spending spree. Crashes the economy

Figure 3.3 : Summary of Mont Fleur Scenarios
Source: Adapted from Deeper News (1992)

However, since there is no model without limitations, scenario planning is no exception. Firstly, not all scenarios always work well. Some can be controversial whilst others may disappear without trace. There can also be a problem of too much information overload and too much uncertainty may confuse people. Although the technique extends boundaries for planning some managers tend to abhor uncertainty. Their attitude is encapsulated in that famous phrase 'give me a one-armed economist that doesn't on the one hand and the other'.

As scenarios portray multiple pathways into the future (Fig. 3.2), in contrast, modern day business is positively Newtonian in approach. It takes a deterministic view of the world and the only thing that is certain is uncertainty. And the common sense in modern day business is why plan for uncertainties when what is certain can sufficiently hold the future of the organization.

They do not realize that scenarios are tools to make an organization thrive well even in unknowable circumstances. This makes scenario planning a suitable technique within the context of a particular environment.

Also, from a human perspective it is difficult to find an individual who will simply look at the unknown from the known unless the known is extremely unpleasant and painful. Venturing into the unknown is always a last resort when all fails. The reason is that human beings derive comfort from what they know and have control of. They prefer an option to remain fixed in a familiar environment (Ilbury and Sunter, 2001).

Besides the scenario planning technique that is predicated on positioning the organization for the unknown, another theory known as the Resource-based theory brings the other dimension in the whole debate of strategy design. It places emphasis on the analysis of the firm's internal capabilities and resources as the primary constants upon which an organization should frame its strategy. This theory on strategy formulation is further expounded upon in the discussion below.

3.4.5 The Resource-based Theory

The Resource-based Theory (RBT) is founded on two assumptions: first, firms within an industry are heterogeneous with respect to the strategic resources under their control and second, that resources may not have perfect mobility between firms. Barney (1991) defines a firm's resources as including all assets, capabilities, organizational processes, firm attributes, information and knowledge controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness. The firm's human capital resources include training, experience, judgment, intelligence, relationships and creativity of individual employees.

The RBT is based on three major postulates, namely, firms as bundles of resources, firms as rent-seekers and the association between a firm's superior resources and superior performance. According to RBT firms are bundles of resources (Wernerfelt, 1984). Firm resources both

tangible and intangible include all inputs that allow the firm to work and to implement its strategies. These resources can be summarized into input factors, assets and capabilities.

Input factors refer to generic resources that can be acquired in the market. When transformed they become part of the firm's assets or capabilities contributing directly to the outputs of the firm. Assets refer to stocks of valuable factors that are owned or controlled by the firm. They are only generated through a process of accumulation, consisting of a path of flows or investments over time. Examples of assets include capital equipment, patents, brand names, articulated and codified knowledge.

Capabilities refer to complex bundles of individual skills, assets and accumulated knowledge exercised through organizational processes that enable firms to coordinate activities and make use of their resources. They are knowledge-based resources that combine action and cognition. The knowledge basis of capabilities makes them firm specific, socially complex and systemic. Social complexity refers to those interpersonal relations within a management team and a firm's reputation among suppliers or customers. Examples of capabilities may include the ability to work in teams, manage supplier relationships, technological abilities, new product development, service delivery and fulfillment.

In addition to a firm's resources, the RBT focuses on the rents that these capabilities generate, which translate into sustained superior performance. There are two types of rents: economic and monopolic performance (Peteraf, 1993). Economic rent is defined as the excess return to a resource over its opportunity cost. In other words, it is the payment received above and beyond that amount necessary to retain or call the resource into use. Therefore, economic rents are excess returns that result from efficiency differences in the utilization of similar resources.

Monopolic rents can be distinguished from economic rents because they result from deliberate restriction of output rather than an inherent (permanent or temporary) scarcity of resource supply. Firms derive rents due to lack of competition rather than from unique and valuable resources. According to Peteraf (1993) a firm's superior performance is likely to be derived

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from both types of rents. This means firms will have superior performance both because they possess more efficient (strategic or distinctive) resources and have some market power.

The RBT considers firms to be rent-seekers rather than profit maximizers. Rent-seeking behaviour emphasizes the role of entrepreneurship and innovation in organizations. Firms continuously seek new opportunities to generate rents rather than contenting themselves with their normal avenues for profit. Thus, there is a constant quest for new competitive advantages to sustain existing competitive advantages. Competitive advantage is commonly defined as a positional advantage derived by a firm which, compared to the competition provides its customers with lower cost or perceived uniqueness (Porter, 1985).

From the discussion above, there is evidence that strategy formulation shows a significant shift from an analysis of the environment to one of the firm's internal capacity (Selznick, 1957; Penrose, 1959). The emphasis on the RBT is more on the significance of the resources and capabilities of a firm in formulating a strategy. In the RBT, resources and capabilities are the primary constants upon which a firm can establish its identity and frame its strategy, and they are the primary sources of the firm's profitability.

However, this theory fails to recognize the environmental forces which can have a significant influence on the future status of the firm. It does not position the firm for uncertainties and circumstances beyond control. The theory places primary emphasis on economic as opposed to social or political issues. Equally, it assumes rationality and views organizational actors as rational beings assessing choices and making decisions which maximize their self-interests. Therefore, any strategy developed on the basis of the RBT has a possibility of not sustaining the organizations when it thrives on the unknown. Also, it has limiting factors regarding the creativity and innovation of individuals as it tends to predict outcomes and assumes that people are always rational in decision-making processes.

Besides the RBT whose strategy design shows the significance of the firm's internal capacity – resources and capabilities, other approaches emerged with different areas of focus. Such approaches include the traditional one to strategy design. What is central in all these approaches

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is the fact that strategy design in an organization is informed by what is perceived to be the core or objectives of the organization.

3.4.6 The Traditional Approach to Strategy

At the heart of the traditional approach to strategy lies the assumption that by applying a set of powerful analytical tools, executives can predict the future of any business accurately enough to allow them to choose a clear strategic direction. But this approach to strategy fails to explain what will happen when the environment is so uncertain that no amount of analysis will allow for any future predictions. Furthermore, it does not tell what makes for a good strategy in highly uncertain business environments (Courtney, et al., 1999).

Under uncertainty, traditional approaches to strategic planning can be dangerous. In this approach, the standard practice is for executives to lay out a vision of future events precise enough to be captured in a discounted-cash flow analysis. Managers can discuss alternative scenarios and test how sensitive their forecasts are to changes in key variables, but the goal of such analysis is often to find the most likely outcome and create a strategy based on it. This kind of an approach serves well in relatively stable business environments but when there is greater uncertainty about the future, it is at best marginally helpful and at worst unsuccessful.

One of the shortcomings is that this approach leads executives to assumptions that the world is either certain, and therefore opens to precise predictions about the future, or uncertain and therefore completely unpredictable. Planning that requires point forecasts force managers to bury underlying assumptions in their cash flows. Such systems clearly push managers to underestimate uncertainty in order to make a compelling case for their strategy.

Underestimating uncertainty can lead to strategies that neither defend against the threats nor take advantage of the opportunities that higher levels of uncertainty may provide. At the other extreme, assuming that the world is entirely unpredictable can lead managers to abandon the analytical rigor of their traditional planning process altogether and base their strategic decisions primarily on gut instinct. Making systematically and strategic decisions under uncertainty

requires a different approach that avoids this binary view. The challenge of uncertainty has led to the evolution of other theories on strategic enactment in an attempt to position the organisation in a future with uncertainties. Some of such theories include the systems dynamic theory.

3.4.7 Organisations as Complex Adaptive Systems

Recent decades have seen the emergence of various new ways of thinking about organizational life that are better adapted to coping with turbulent environment than the old bureaucratic values that are predominantly narrow and linear in nature as discussed above. Uncertainty and instability have also made carefully researched attempts at rational decision-making impractical. Coping became more important than perfection, leading to a prevalence of improvisatory, intuitive and incremental styles of decision-making, with a greater emphasis on mutual adjustment, persistence, rich portfolio agendas – those in which a range of alternative or complementary options are pursued in parallel, and the creation of choice opportunities. Consequent to organizational uncertainties due to turbulent environments, various theories such as the systems theory evolved.

Stacey (1993) addresses the problems of uncertainty by introducing the theory of systems dynamics, more specifically, the complex adaptive systems. Complex adaptive systems in particular originate from physical sciences as an extension of chaos theory (Ortegon-Monray, 1999). It is not a technique or methodology but rather a perspective that studies organizations from self-organising and adaptive mechanisms.

Central to the systems theory are two basic perspectives, namely, organizations as self-organising systems and organization as complex systems. The argument is that organizations are systems and these systems can be complex and self-organise. Therefore strategy formulation process should be underpinned by this broad perspective of organizations as self-organising systems and complex systems as discussed below.

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3.4.7.1 Organisations as Self-Organising Systems

Central to this argument is that organizations could be more usefully understood as self-organizing systems, totally different from mechanistic or Newtonian view (Morgan, 1993). The reason being that organisations are like parts of living organisms that are not first designed and then assembled into unity of the organism but rather arise as a result of interactions within the developing organism. For example, plant parts emerge as parts, not by prior design but as a result of internal interactions within the plant itself in a self-generating, self-organising dynamic in a particular environmental context. The parts do not come before the whole but emerge in the interaction of spontaneously generated differences that give rise to the parts within a unity (Goodwin, 1994; Webster and Goodwin, 1996). The parts have to be directly related to the production of the whole.

However, in an organization, Stacey (1993) argues that the challenge is with the top managers who cannot control self-organizing networks but can only intervene to influence the boundary conditions around them. Participants decide who takes part in self-organizing networks and what the boundaries around their activities are. Self-organising networks operate in conflict with and are constrained by the hierarchy. Unequal power energizes self-organisation networks through conflict but also operates as a constraint. People in self-organising networks empower themselves. The self-organising process is both provided and constrained by cultural difference.

Therefore, in view of this perspective and organizational complexity as discussed below, a strategy should emerge as a direct consequent of the self-organising systems due to interactions within an organization. This makes strategy an emergent outcome rather than a prior planned ploy, pattern and position.

3.4.7.2 Organisations as Complex Systems

Complexity refers to a zone in an organization management process that is far from certainty and agreement and consequently requires more judgment calls, conceptualization as well as political accommodation, negotiation and compromise. It is a model that calls into question the

soundness of traditional approaches to strategic management. The complexity model invokes a thinking process on executives of whether the old way of doing things and the results they produce are just an illusion or made more of luck than intent (Beckhan, 2001).

The old way of strategic management relies on an assumption of cause and effect. For instance, if one does A, then A automatically results into B. Therefore, having achieved B, undertaking C will automatically result to D. The pursuit of management is more on cause and effect. Even the whole notion of forecasting is built on the assumption of cause and effect. Goals, objectives and budgets represent a cluster of ideas built on the same presumption.

In this model, organisations are perceived as complex models because they are nonlinear network feedback systems. Stacey (1996) argues that organisations are complex adaptive systems with the dissipative structure and self-organising learning systems at the edge of chaos. Complex nonlinear interactions result in a dynamic field which is self-organising (Warneke, 1993; Goldstein, 1994) bounded by instability and emergent order (Stacey, 1995). New patterns emerge from its own dynamics, which involve a mixture of order and chaos of the type which is described as "living at the edge of chaos" (Goodwin, 1994).

Hock (1996), like Stacey (1996); Goldstein, (1994) and Warneke, (1993); Wheatley, (1992) holds a similar view that organisations lie on the knife's edge between chaos and refers to this as cha-ord (Kay-ord). In his view, cha-ord refers to a combination of the first syllable of chaos and order. In this context, chaos is defined as any self-organising, adaptive, nonlinear complex system, whether physical, biological or social. The behaviour of this system exhibits characteristics of both order and chaos, hence called cha-ord. This makes organisations cha-ordic and will forever remain in that fashion. Hock (1996) further argues that institutions have inherent mechanisms for their own continual learning, adaptation, order and evolution and the capacity to co-evolve harmoniously with all other living things to the highest potential of each and all.

The arguments above clearly demonstrate that organisations are part of the complex adaptive system with an inherent self-organising, unpredictable nonlinear order with self-adapting

mechanism located between order and chaos. Furthermore, the argument above seems to suggest that organisations perform better when their order is not far from the transition to chaos so that their dynamic patterns are both robust and flexibly responsive to context. Therefore, organizational life can be seen as complex self-organising systems and that drawing on complexity theory to explain them while necessarily metaphorical is epistemologically justifiable.

Furthermore, the relevance of this perspective in organization strategy is that organizations operate in states of bounded instability, using positive and negative feedback to create new patterns of behaviour – innovations and new strategic directions. Because they operate in this state, they face reasonably predictable short term futures but totally unknowable long term ones. Strategic direction in organizations is not necessarily intentional but sometimes emerges from the complex interaction between people and the organization. Vital strategic outcomes are fostered by spontaneous self-organising groups of managers in engaging in dialogue and facing the conflict. All these considerations highlight as an implication that organizations should welcome disorder and be able to position themselves at the edge of chaos, continuously re-inventing and becoming innovative to succeed. This provides the framework and context for complexity theory in management.

However, whilst a theory of this nature is helpful in providing an ex-post explanation for a situation, it is less helpful to the strategist in making strategic decisions. The other central challenge in this model is for organizations to be both competitors and evolvers at the same time. This effectively means excelling at conflicting goals simultaneously – having strategies that are both focused and robust; seeking competitive advantage by adapting continuously; operating conservatively and innovating radically; maintaining diversity while establishing standards and routines, and optimizing both scale and flexibility. As an alternative approach to managing an uncertain future, new management theories and practices have began to focus on developing an organisation's strategic flexibility to respond more readily to changing technological and market opportunities as discussed below.

3.4.8 Strategic Flexibility Approach

Beckham (2001) argues that durable organizations are those that embody a lot of flexibility. Central to this notion is the fact that changes in one action will give rise to other changes that are beyond prediction because of all the other interactions they set off. Some of those interactions will generate actions that feedback into the original action, setting off a cascade of more change which in turn generates even more change. Such self-feeding interactions can be hugely positive, negative or fall somewhere in between. The unpredictable results from these interactions have led to the adoption of a strategic flexibility approach within organizations.

The term strategic flexibility has recently come into wider use to denote an organisation's various abilities to effectively respond to various aspects of a changing competitive environment. In terms of the strategic flexibility approach, a strategy is perceived as an organizational approach to the opportunities available with various options including partnerships or alliances with the possibility to survive on its own. The purpose of this flexible approach is to help create an environment for the organization to remain flexible in order to adapt to unpredictable environment.

The flexible and adapting approach entails changing positions and postures to be strategically flexible to unpredictable and sometimes uncontrollable forces. In this sense, strategy turns to become like a game as opposed to the notion that it is a response that organizations make to an environment. This game involves people as individuals and groups, departments, business units and management as illustrated in (Fig. 3.4) below. All these game players interact, influence each other and at the same time directly and indirectly respond to the influences of customers, suppliers, competitors and regulators (see Fig. 3.4).

Customers   Suppliers

Other groups of people

Business ⟷ Managers ⟷ Departments
Units

Individuals

Competitors   Regulators
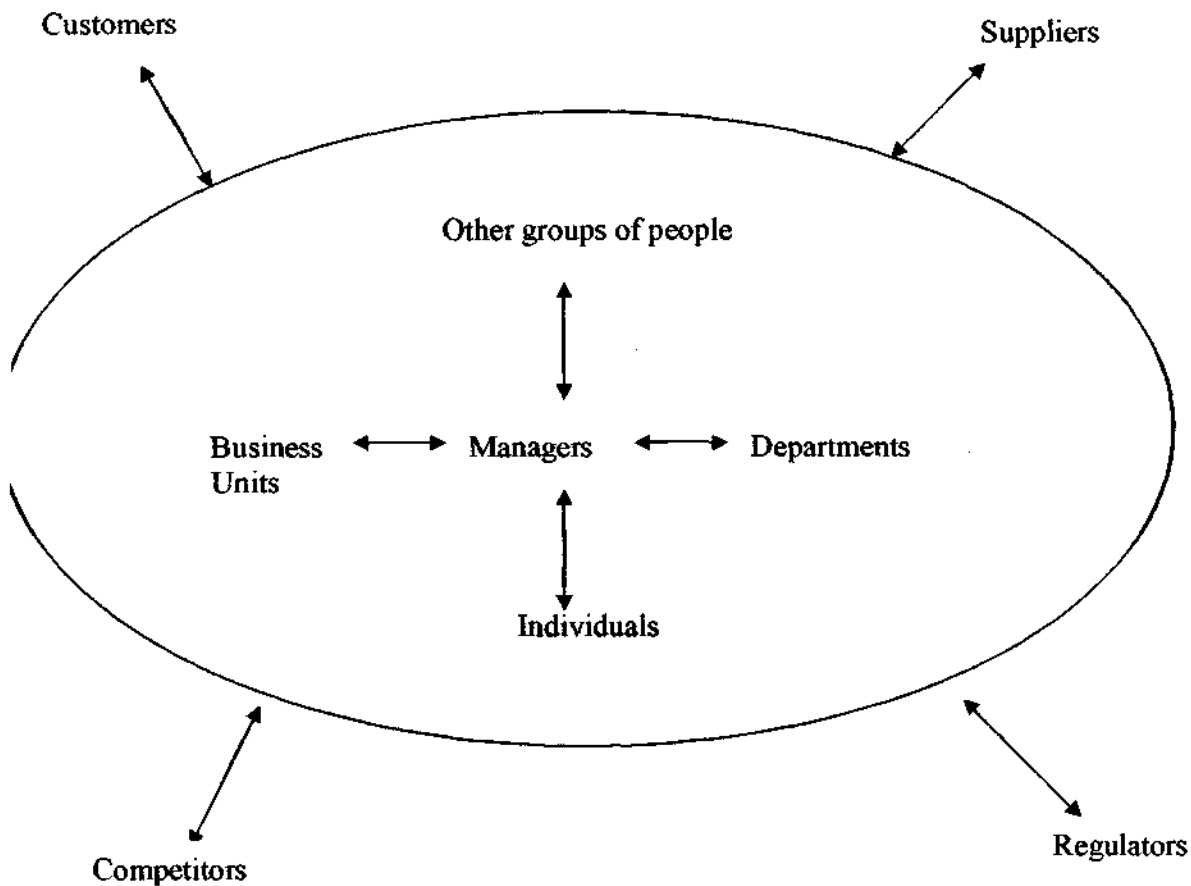
Figure 3.4: Game of Strategy

Source: Adapted from Cyert and March, (1992)

The central argument in the flexibility approach is that if this approach fails to prevail in an organizational strategy, the resultant tendency is depersonalization of strategy and consequently, the mechanical/ Newtonian understanding where one thing moves in predetermined ways in relation to the other. The inevitable and yet obvious result is a lack of insight into real complexities of strategic management because in reality organizations and their environments are not things, one adapting to the other, but groupings of people interacting one with another.

When strategy is viewed as a flexible process, the focus shifts to how success or failure flows from the circular processes of moves a player makes that elicit responses from other players, in

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turn feeding back into counter responses from the first, from day to day. In other words, a strategic choice in this instance is as a result of success or failure that has emerged from the dynamic process of interactions between players within and outside the organization. During this process of interactions there is feedback.

This then makes it difficult for the choice of any strategy to be predetermined. It is rather an emergence from a process of actions and discoveries. It is therefore this process that determines the organizational performance, position and posture. Discovery is about that creativity that enables one to venture into unknown or new territories. It is characterized by novelty, non-linear approaches and consideration of alternatives and discontinuities.

In essence, this means that the focus is on the feedback process and the dynamics it generates, and this leads to a sharper insight into the nature of strategy. For instance, if there is an understanding of the dynamic patterns of interaction between suppliers, competitors and customers, managers could design successful moves. This requires a determination of which patterns of moves lead to success and which do not. And this is only possible if too much attention is on the dynamics from within and outside the organization. These dynamics invariably make an organization dynamic too.

In organizational dynamics, the concern is with the ebb and flow over time in the game managers in an organization are playing, and with how they constitute an interactive system. The focus is on how the players elicit responses from each other and whether their moves are regular and predictable or not. The dynamic part of an organization is concerned with the stability or instability of a system and the conditions that produce stability or instability.

Any successful strategy is confronted by the problems of uncertainty and ambiguity. The strategy formulation process is a turbulent one where everything keeps on changing – people's attitudes, their requirements for goods and services, their tastes and fashions change all the time, as do technologies, government policies and other factors. Therefore managers have to make decisions and take actions that sometimes have uncertain consequences. There is never a certainty about future changes at the initial stage of a decision making process. People decide

and act in one way when they operate close to certainty but when they find themselves far from certainty, they decide and act differently.

This makes strategy a perceived pattern in actions or yet to come. This means, a strategy is not tangible – cannot be touched or felt. It is rather an interpretation made on what has happened or expected to happen in the near future. It is a category into which certain patterns of action are put in place such as product diversification or differentiation. Strategy is a label applied in action. The patterns in action are generated by the circular loop between discovery, choice and action as shown in (Fig. 3.5) below.

Opportunity

Discover

Act - Implementation of the plan

Choice- Strategic positioning

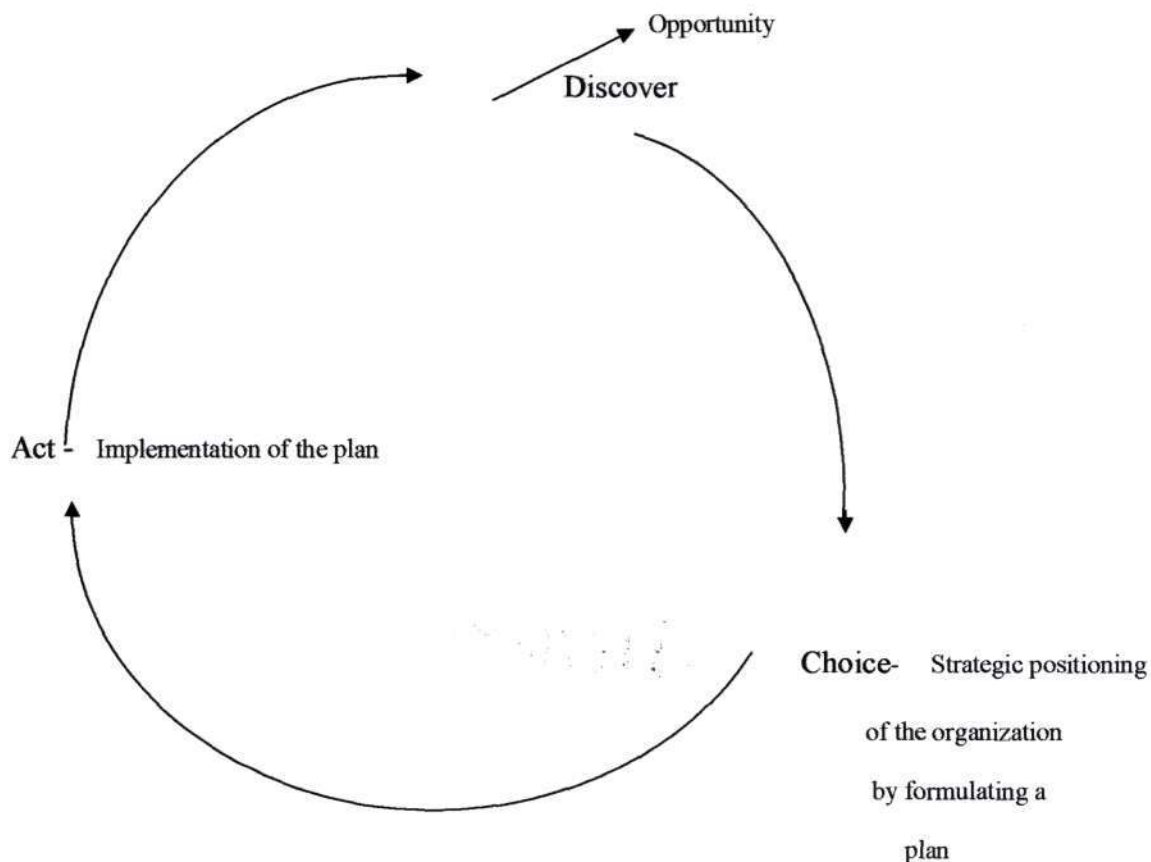of the organization

by formulating a

plan

Figure 3.5: Patterns in Action

Source: Adapted from Stacey, (1996)

Strategic management is a feedback loop connecting discovery, choice and action (Fig.3.5). Stacey (1996) further puts an emphasis in this debate that strategy should be understood in terms

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of patterns over time and strategic management in terms of the feedback generating those patterns. However, contrary to this view is a dominant perception of strategy as a path established by managers to go for next few years in order to achieve specified outcomes.

However, in Strategy Safari, Mintzberg, et al., (1998) identified 10 schools of strategy which should be used as a framework to categorize the field of strategic management. These ten schools have been summarized in Chapter 1 and now are discussed in details below.

3.5 MINTZBERG TEN SCHOOLS OF STRATEGY FORMATION

3.5.1 The Design School

The design school sees strategy formation as a process of conception formulated in a deliberate process. In this process the internal situation of the organization is matched with the external situation of the environment. It aims for a 'strategy fit' between internal and external environment. The main contribution of this school in the field of strategic management is that it is orderly, simple, less ambiguous and useful in relatively stable environments. Also, it does support strong and visionary leadership. However, its simplification may distort reality because strategy has many variables and is inherently complex. The design school is also inflexible, bypasses learning and weak in fast changing environment.

3.5.2 The Planning School

In this school, strategy formation is perceived as a formal process that is mechanical in nature like a machine. Its approach to strategic management is a rigorous set of steps taken from the analysis of the situation to the execution of strategy. The planning school's contribution to strategic management is that it can give clear direction, enable resource allocation and analysts can pre-screen the facts and judge the crafted strategies. However, its limitation is that strategy can become static and predicting is difficult. Also, strategy formation becomes a prerogative of top managers. They have to formulate the strategy from an ivory tower.

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3.5.3 The Positioning School

In the positioning school, strategy formation is seen as an analytical process. In short, when a strategy is designed the main focus is on the analysis of facts. In its approach, the positioning school places the business within the context of its industry. It looks at how the organization can improve its strategic positioning within that particular industry. It focuses on hard economic facts and is usually useful in early stages of strategy development when data is analysed. But this school has similar limitations to the planning school in that it neglects other elements at play during strategy formation such as power, politics, culture and social elements. Also, it is biased towards large firms and is number-oriented.

3.5.4 The Entrepreneurial School

The entrepreneurial school sees strategy formation as a visionary process. The visionary process takes place within the mind of the leader of the organization. The school puts emphasis on the innate of mental states and process-intuition, judgment, wisdom, experience and insight. In summary, the basis for strategy formation in this school is that the leader of the organization is the architect of organizational strategy and therefore has to envision the strategy. The advantage of the entrepreneurial school is that if the leader of the organization has a sound vision it will enable the organization to sail cohesively through turbulent times. However, sailing a predefined course can blind someone for potential unexpected dangers or developments.

3.5.5 The Cognitive School

In the cognitive school, strategy formation is perceived as a mental process. It approach to strategy formation is to analyse how people perceive patterns and process information. It concentrates on what is happening in the mind of the strategist and how it processes the information. In other words its basis is more on the psychology of the strategist. However, this approach to strategy formation is not useful to guide collective strategy processes and may not be practical beyond the conceptual stage.

3.5.6 The Learning School

The learning school sees strategy formation as an emergent process. The management pays close attention over time to what does work and what does not work and incorporate lessons learned into the overall plan of action. The underlying purpose for this incremental approach to strategy formulation is that the world is complex to allow strategies to be developed all at once. Therefore strategies have to emerge in small steps as the organisation adapts and learns along the way.

The advantage of the learning school is that it offers a solution to deal with complexity and unpredictability in strategy formation. More people can learn than just the leader. But the disadvantage may be with the costs associated with learning. Also, this approach may not be useful during crises situations.

3.5.7 The Power School

This school perceives strategy formation as a process of negotiation. The strategy is developed as a process of negotiation between power holders within the organization and/ or between the organization and its external stakeholders. The advantage of this school is that it is participatory, realistic and useful to understand joint-ventures, strategic alliances and to do stakeholder analysis. But power politics during negotiation process can be divisive in this school and also it is time consuming and can be costly sometimes.

3.5.8 The Cultural School

The cultural school focuses on a collective process in strategy formation. It tries to involve the various groups and departments or business units within the organization. Strategy formation is viewed as a fundamentally collective and cooperative process. The strategy that is developed is a reflection of the corporate culture of the organization. The advantage of the cultural school to strategy formation is its emphasis on the crucial role that social processes, beliefs and values play in decision-making and in strategy formation.

3.5.9 The Environmental School

This school sees strategy formation as a reactive process. Strategy is a response to the challenges imposed by the external environment. Where other schools see the environment as a factor, the environmental school sees it as an actor. By implication, the school gives a central role to the environment in strategy formation. However, since the dimensions of the environment are often vague and aggregated, this renders the school less useful for strategy formation.

3.5.10 The Configuration School

In the configuration school, the strategy formation is perceived as a process of transformation. This process is aimed at transforming the organization from one type of decision-making structure into another. It assumes that strategy and organizational development are closely integrated and should therefore be reconciled. In the configuration school, an organization can be described in terms of some stable configuration of its characteristics which it adopts for a period of time in a particular context. This makes the organization to behave in particular ways that give rise to a particular set of strategies. The periods of stability are interrupted occasionally by the process of transformation. According to this school what is central to strategic management is to sustain stability or adapt to strategic change. But periodically there is a need for transformation and the way of strategy formation is that it must adapt to its own time and context. Therefore, strategy formation itself has transfigurations.

Through the above ten schools Mintzberg, et al., (1998) have attempted to give an introduction and overview to the entire field of strategic management. They have attempted to provide a general framework for various approaches used to strategy formation. However, there are other possible classifications of the field of strategy formation such as strategy dynamics, resource-based view and competitive view of strategy formation which have been discussed in this Chapter. This shows that the field of strategic enactment is never exhaustive and is dynamic.

3.6 CONCLUSION

From the above discussion, it is clear that there are many ways in which the concept of strategy and approaches to strategy formulation can be of use to an organization. However, what needs to be examined is how a particular approach (formalized or emergent) adopted 'fits' into the sole purpose for the existence of the organization. Furthermore, it remains critically important to explore whether some strategies produce better results than others. And if so, can these strategies be identified through formalized, analytical approaches to strategy formulation. All these areas are equally important for exploration as there are many reasons for organizational existence and success such as resources, good products and/ or services, innovative management and luck. This makes it difficult to attribute organizational successes to strategic enactment and its application alone. Other factors as well, as mentioned above act as enablers and or/ provide opportunities for organizational success.

Also, it is always difficult to draw a line between an individual, organization and environment during strategic enactment. The other challenge is how possible is it for executives to stand outside their action and instead adjust themselves to trends instead of their actions setting up trends. There is another challenge of whether adaptation can be stated prospectively or is stated retrospectively. Finally, it remains unclear as to whether can there be other ways of strategy formulation processes.

Therefore, in this study an attempt is made to provide a solution to this dilemma by seeking to explore people's perception and organizational view on whether strategy should be designed and implemented in the light of mechanistic approach and/ or an emergent or both. Secondly, in this study an attempt is made to examine any possible alignment between strategy and organizational operation processes. Furthermore, a conclusion is drawn on whether the organizational success depends on its strategy or other factors. Mintzberg, *et al*, (1998) taxonomy of strategy processes is used as a broad theoretical framework to provide a context for the analysis of results and findings below. Chapter 4 which follows deals with the results from interviews conducted with managers from the four organizations under study as mentioned in Chapter 1.

CHAPTER 4: DATA ANALYSIS AND SUMMARY OF THE RESULTS

4.1 INTRODUCTION

Chapter 3 of this study has mainly dealt with how the field of strategy has evolved over time from predominantly rational and analytical approaches to recently emergent approaches drawn mainly from the theory related to organizational learning. However, the literature shows that there is still overemphasis on strategy as a rational and analytical phenomenon in an organization. The purpose of this study is to inter alia test the prevalence of such theoretical debate in the four organizations sampled in this study. In pursuit of this, a structured questionnaire has been used to solicit responses from managers about strategy design and related issues to strategy. The main focus has been on how strategy is defined, designed and implemented in each of the four organizations under study and finally, the independent opinion of managers regarding the definition and formulation processes of strategy.

The intention of this is to identify if there is any difference between the organizational view of strategy and independent view of individuals within the organizations. In other words, is the strategy a distinct entity from its own 'supposed' drivers or an integral part. In essence, is the strategy an emergence of the thinking-in-action or merely a theory-in-action and/ or a combination of the theory-thinking in action? The intention here is to get to know whether strategy needs to be seen as something that is contained within people or something limited to a document.

Other aspects of organizational strategy that are examined in this study include organizational leadership, learning and culture, people management and development and finally, organizational resources. All these aspects are identified as some of the key influential factors in strategy formulation and implementation processes. They are partly explained in Chapter 3 of this study but an in depth discussion is presented here below.

4.2 ORGANISATIONAL STRATEGY AND INDIPENDENT INDIVIDUAL PERSPECTIVE ON STRATEGY

Initially, the plan was to interview all managers from each of the four organizations under study but not all of them were willing and available due to various reasons. But it remained interesting to observe the skepticism that those managers who could be interviewed displayed upon hearing that the interview was about the organizational strategy and their independent opinion on strategy formulation and implementation processes. Some appeared intimidated by the study whereas others were frankly bored by it. This reaction all depended on the individual perception of strategy.

4.2.1 Individual Perspectives on Organizational Strategy

It transpired that strategy is regarded as one of the sacred documents for the organization that must be protected from outsiders. Also, one observed uneasiness from interviewees due to perhaps fear of being incompetent in articulating organizational strategy. Otherwise, had time permitted it would have been interesting to hold further discussions with the rest of the employees below managerial level. And in addition, to monitor the action versus the theory employees have on strategy. Perhaps this could be an area for future research. But the foreseeable challenge is gaining confidence from the organizational leadership to allow freedom for interaction with employees at all levels.

From the interviews held, there is no doubt that strategy is regarded as the key to the existence and success of an organization. Every organisation used in the study has a strategy. It is well documented and is so highly esteemed in that it is understood as the fundamental reason for which the organisations exist. The organization strategies range from three to five years. They are carefully worded in a manner that depicts the beginning and an end. They are suggestive of the steps to be taken to achieve organizational goals. There is no indication of strategy as everyday practice in business at the level of individual interactions, organizational dynamics and social context.

Strategy is perceived as theory in action upon which the organization is founded. The organization itself is seen as a pre-given reality established for a specific well defined predictable cause in a predictable environment. The strategy formulation process fails to acknowledge the plurality of perspectives and multiple realities as perceived by different actors. There is zero room for flexibility by giving space for creativity and innovation at the strategy formulation and implementation levels of the organizations. In all four organizations there is a general perception that an organization is an entity functioning in a predictable environment and therefore is no need to preempt the unknown when the known is presumably certain.

What is also of notable interest is that even though some of these organizations such as Daimler Chrysler and LEONI Wiring Systems are international, their strategies remain the same. Their existence in diverse environments is not a deterrent to the sameness of the strategy. This seems hard to believe as each organization faces different external and internal forces. They exist in different environments. The organizational leadership and customers are not the same. Culturally, they are different and the way each learns differs from one branch to the other as environment within which each exists is not the same.

In terms of who formulates the organizational strategy there is a common approach of being a prerogative of management executives in all the four organizations. However, it is institutionalized through education, training and consultancy. Middle managers and general employees are charged with a responsibility to internalize the strategy as designed from the top. It comes as a straight jacket from top to bottom. The dominant role of general employees and middle managers is to actualize strategy in a manner prescribed to them.

This approach to strategy formulation invariably requires managers to master a strategy tool-kit in order to be instrumental in devolving it down to other levels of the organization. This method of strategy formulation is in sharp contrast to other views of strategy such as the one of strategy as 'everyday practice' (De La Ville and Mounoud, 2005). Central to this argument is that strategy is embedded in everyday routines such as corporate planning and budgeting, writing documents or making presentations. Therefore, strategizing according to this view includes all meetings, form-filling, dialogue of practitioners and other forms of interactions.

When strategy is everyday practice strategy formulation becomes an ongoing process that involves all role players at all levels in both structured and unstructured ways. In this context, employees do not necessarily have to all espouse, adhere to or share the vision or strategic intent of their managers. Instead, employees in their everyday activities actively interpret, criticize, learn and experiment with micro-decisions to implement or resist some of the strategic changes imposed upon them. This means giving room to middle managers and general employees to use and transform strategy, thereby redesigning the future of the organization. The creative bricolage through which the practice of strategy develops consists of the process of association, building connections between actions and events and negotiating them with organizational members.

When the interviewees were asked about their own perspectives of what strategy should be and how it should be formulated and implemented, there were two dominant parallel views namely, a view that defines and implements strategy as dictated to by the so-called organizational 'strategists'. This view shows a lack of independent insight into what strategy should be and how it should be formulated and implemented. Consequent to this lack of independent understanding is a dominant practice by managers to master strategy content in order to enforce it to their subordinates. Strategic ability is depicted as the capacity to impose a 'grand strategy' on stakeholders and spread it across the organization. To them, strategy holds a commanding position in the organization. Adherence to strategy becomes a standard against which individual's performance can be measured. Performance appraisal systems are developed as some of the tools to acknowledge and reward adherence to strategy by the individuals.

When further probing this strategy perspective, it appears to be a normal and commendable phenomenon. To them, if there are problems encountered during the implementation, expert knowledge is sought. Sometimes, teams are sent to other organizations that appear to be doing well to learn from. Workshops, trainings and seminars are also conducted to further assist management on mastering strategy design and implementation. But if there was more time, follow-ups could have been done to identify and assess success factors of this practice.

According to this practice it simply means that the organization is viewed as a configuration of internal features such as its structures and systems with features of its external environment like market and industry structures. Strategy as posture may refer to the scope of an organization in an environment. The disadvantage of this approach to strategy is that it takes away the inherent nature of strategy as a dynamic process. Instead, it views the strategy as a posture of the organization at a single point.

The second dominant view on strategy, based on independent opinion of some of the interviewees is that:

> ....strategy should not be defined by exact terms. This narrows the view of people.
> Strategy should be understood and used in an undefined ...out of the box method.

The respondents qualified their argument that every instance within a business is different and requires different strategies and tactics. This therefore calls for an element of adaptation in strategy design and implementation. The respondents used 'adaptation' and 'out of the box method' interchangeably and synonymously.

This approach means to them that when strategy is formulated and implemented there should be freedom for a creative interpretation and implementation of organizational rules in relation to a specific context. The adaptive approach allows for an ongoing process of improvisation. Improvisation in their context refers to a peculiar behaviour only suited to very specific organizational contexts. This allows for a collective and individual exploration to take place in the organization. In many a times this collective and individual exploration enable employees to solve unusual problems or to create a novel activity. But they admitted that the challenge in their respective organisations has always been on seeing this novelty and creativity as an impediment to achieving strategic change rather than a process that contributes to the success of the organization.

In terms of strategy formulation and implementation, the proponents of the 'out of the box/ adaptive' approach have argued that the two sub-processes of strategy: strategy formulation and implementation should not be treated separately and sequentially though linked but as

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organizational structural design that anticipates strategy type. This dichotomy – formulation and implementation in their view is problematic and unrealistic in most instances. Therefore, an alternative to this problem could be to pay more attention to the process that links strategy formulation and implementation. They argue that the two should not be separated as each is inherently embedded to the other. In other words, within the process of strategy formulation is aspects of implementation and vice versa. Therefore if the two are not separated, this will unveil the realization of three interconnected activities in strategy formulation-implementation. These three symbiotic activities are process, emergence and co-aligning.

According to Piercy (1998) and Noble (1999) a process perspective in strategy formulation-implementation widens the traditional focus on structure and control systems by including behavioural and interpersonal process elements. These include psychological issues such as individual motivation and commitment and issues relating to social and political processes. Examples of social and political processes include organizational culture, leadership and learning. The process approach therefore brings into consideration the complex interrelationships of behavioural and interpersonal elements with organizational structure and control systems.

The thrust of a process approach to strategy is that there is no segmentation of formulation and implementation. The two are intertwined. Furthermore, this process approach embraces the complex interrelationships between strategy designers, organizational structure and the systems of control that are put in place. This in effect means that effective strategy formulation-implementation does not simply rest on techniques of action planning, budgeting and resource allocation, as well as administrative systems design. It predominantly rests on the beliefs and attitudes of organizational participants and the dominating management interests and culture in the organization (Piercy, 1998).

The second aspect of strategy formulation-implementation to that of process is emergence. An emergence view of strategy includes deliberate blurring of the distinction between formulating and implementing strategy. From an emergence perspective, strategy formulation and implementation are interactive and reciprocally causal processes that are intertwined in a higher

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level process of strategy emergence, adaptation or improvisation (Moorman and Miner, 1998; Sashittal and Jassawalla, 2001). Farjoun (2002) also argues that realized strategies can be as a result of prior plans but can also be an emergent stream of actions recognized as a pattern rather than being distinct processes of formulation and implementation. Formulation and implementation should therefore better seen as constantly co-evolving – following and affecting each other through a process of strategic learning and control. Chakravarthy and White (2002) go even further to argue that strategy formulation and implementation are closely intertwined to the extent that there is but one process for both.

In terms of the co-aligning process, it refers to the co-alignment of the organization with its environment. This process is indicative of strategic intent and involves the purposeful, adaptive coordination of organizational goals and actions overtime (Farjoun, 2002). It is an essential part of a dynamic concept of strategy. This dynamic concept relates to an identifiable adaptive coordination of its goals and action overtime to respond to and influence changing environmental conditions. The essential meaning of dynamic in this context attempts to show the importance of strategy overtime rather than at a point in time.

The inclusion of a dynamic concept of strategy is necessary if the strategy field is to have a credible claim to relevance in a context of densely-connected, fast-changing business environments. Therefore, co-aligning in this context implies that formulating and implementing strategy over time is a purposeful process of incessant change that influences diverse intermediate performance outcomes in the realms of organizational scope, competitive position and competencies as well as influencing financial performance outcomes.

The symbiosis between formulating-implementing strategy and incessantly making organizational change is explicitly recognized by Chakravarthy and White (2002, p. 184) when they argue that:

> Similarly, we do not see it particularly useful to distinguish between steady state processes and processes of change......the task ahead of us is to develop a holistic

understanding of a process that bridges the artificial divide between formation and implementation, and steady state and change.

Process, emergence and co-aligning therefore provide a coherent basis for the view of strategy formulation and implementation being intertwined sub-processes. These sub-processes, first start from within a higher order process of strategy emergence, followed by the hierarchical network of processes that involve incessantly making organizational changes with the purposeful strategic intent of co-aligning the organization and its environment. Then, the organizational changes influence performance outcomes through complex interplay between behavioural and interpersonal processes shaped by organizational structure and systems and by the organisation's external environment.

After deliberations on these two dominant and prevalent organizational and individual perspectives on strategy: a 'straight jacket' and adaptive process perspective, the level of probing continued to cover the review mechanisms of these strategy perspectives. Here the focus was more on whether the strategy in the four organizations is ever subjected to any review process and if yes how, by whom and how often. This probe was done still within the context of determining whether strategy processes are viewed as interwoven or disintegrated as discussed below.

4.2.2 The Strategy Review Mechanisms

All the people interviewed in the four organizations attested to the fact that indeed strategies in their organizations have a review period. The issue of strategy review is not a questionable phenomenon. It is instituted as one of the mechanisms to identify gaps – what works and does not work in the strategy implementation. What could be gathered from strategy review is a clear admission that although commendable and significant as the organization strategy may look like, its designers and implementers have shortcomings.

These shortcomings are in the form of the inability to see and plan for all blind spots in the organization and its uncertain environment. Therefore, the review process is meant to assist the

organization to have a plan of survival during such turbulent times. The premise of this approach is that the organization itself lacks an inherent flexible mechanism to enable it to adapt for various circumstances. The review process is a predetermined way and rational approach to regulate processes in the organization. This shows the value attached to rigid control of processes in the organizations used in this study.

However, in terms of the period of strategy review, the respondents suggest no uniform review period. The period of the review processes vary from a month, quarter and year. For instance, LEONI Wiring Systems, Amatola Water and Daimler Chrysler hold their strategy reviews annually whereas Mvula Trust holds it quarterly. These review periods also differ from department to department in each organization. Depending on the deliverables of each department or unit, an appropriate time is determined for the review of the pattern of things. In this regard, the respondents argue that when each unit develops its own strategies from the organizational one, they do not necessarily take into full consideration all the dynamics on the ground. Therefore a developed plan has a tendency of being overtaken by unforeseen circumstances and hence the review.

Also there is acknowledgement of the fact that when strategy is designed, it more often than not fails to take into cognizance the changing environment. Predictions can be made on the dynamics of the environment but there is always no certainty in all respects. Therefore, the strategy review process creates that opportunity to do appropriate and opportune adjustments to the strategy accordingly. It is a means through which the organisations' performance is ultimately enhanced.

Besides the strategy review process as a means to identify gaps and respond to the changing environment to improve organizational performance, the respondents also see the strategy review process as a means to assess the existing of the alignment between strategies, business plans and business outcomes. The argument of the respondents in this respect is that organizational strategies determine the business plan of the organization. In other words, from the organizational strategies business plans will emerge. The two therefore should be aligned. They should inform each other. The respondents believe that strategy review in this context is an

evaluative mechanism for the state of stability in an organization. A state of stability in this sense refers to the perfect alignment between strategies, business plan and outcomes. They believe that the linear relationship between strategies and business plan determines whether goals and targets set are met or not.

The review process is also undertaken to assess whether the needs of clients, customers and shareholders are met. It is a process to evaluate customer satisfaction. This is a common response to the four organizations used in this study. Linked to customer satisfaction is the dynamic nature of market forces. The respondents claim that sometimes market forces change from their initial position and thereby demand for a strategy review. In other words, strategy review in this instance is used as an opportunity to respond appropriately to market forces. This appropriate response enables the organization to undertake essential adjustments for its future survival.

But what remains a common challenge to the respondents is the notion of fixed periods for strategy review process. This becomes apparent especially when for instance, the market forces demand strategy review at the period not yet deemed to be appropriate in relation to the organizational plan. For instance, some organizations review their strategies annually and the question is always what if necessary adjustments have to be made prior the said period. By implication, this mean that the organization remains fixed to its irrelevant and inappropriate strategies at that given time.

This dilemma resulted in further enquiry from respondents on whether in their own view the strategy review has to be systematically planned or inherently incremental through out the entire process of strategy formulation-implementation. None of the respondents from the organizations claim to have the review process built into the strategy formulation-implementation. Some of the respondents from the four organizations think that this idea is far fetched whereas others see it as a good idea. Those who see it as good idea argue that the absence of pre-planned strategy review process can save organizations from the costs incurred during the strategy review process. They further argue that this would pave a way for the cascading of the review process to all members of the organization at all levels. It would make it mandatory to all individuals to do

adjustments whenever it is appropriate to do so. But this remains a challenge as none of the organizations under study has a plan of this nature. However, it remains interesting to find individuals thinking beyond and outside the confines of their organizations. The next level of engagement was on measures used to evaluate the performance of the individual employees in terms of the strategy implementation.

4.2.3 Measures used to Review Performance of Employees on Strategy Implementation

At this stage of the enquiry from respondents, further questions were raised regarding how employee performance is reviewed and measured during the roll out of the strategy plan. This was raised after it became clear that employee performance and reward system is based on the success of the organizational strategy. In other words, employees are all expected to meticulously follow the step by step of the organizational strategy. And it transpired that all four organizations do have a performance management system although designed differently and conducted at different periods. The period in which it is done ranges from month, quarter and year and is done at different levels such as organizational and individual levels.

In measuring performance, these organizations use different systems starting from key performance indicators, targets, reports and Balanced Scorecard. One of the organizations uses safety, quality, delivery, cost and morale (SQDCM) as a formula against which performance is measured.

When the performance is reviewed, the focus is more on the plans in place and the outcomes thereof. If the outcomes are the ones espoused in a plan, then the conclusion is that the plan is perfect. The implementers of the plan have followed the detailed implementation procedures to the latter. Therefore the assumption is that it is the results that determine the flawlessness of the plan. There is the invariable symbiotic relationship between what has been planned and the outcomes. But what remains unaccounted for is the innovative and creative role of the individuals in the entire process of the execution of the plan.

In other words, to what extent can the individual's initiatives play towards the success of the organizational plans. The fundamental question remains, is it the perfect or superb nature of a

plan that guarantees the success or the creative innovative ability of the individuals or a combination of both. This can be an area for future study if both the planners and implementers are observed over a time to determine any relationship that may exist and the outcomes of that relationship.

As the dialogue progressed with the respondents, they were also asked about their perception on the usefulness of the designed strategies. All the respondents attested positively on the usefulness of strategy as an instrument to measure organizational success. Strategy is perceived as the bedrock for organizational success. But the following dominated their response on the aspect of the usefulness of strategy in an organization:

- Keeps the organization focused on its goals and future,
- Controls the future of the organization,
- Serves as a tool to achieve business goals
- Shows any deviation from the plans,
- Serves as an instrument for continuous analysis of performance and to adjust performance accordingly,
- Used to identify gaps in the training needs of employees

At this stage the dialogue shifted to the aspect of leadership and strategy within each organisation

4.3 LEADERSHIP AND ORGANISATION STRATEGY

Leadership is one of the buzz words when one deals with strategy and organization. Generally, it is perceived as the backbone of the organization. Everything is made to rise and fall with leadership. The strategic enactment process in an organization is engineered by the leadership. Strategy design becomes an end product of the calibre of leadership within an organization. According to de Vries (2005, p.15) leadership is a concept that can be looked at as both a property and a process. As a property, leadership is a set of characteristics, behaviour patterns and personality attributes that make certain people more effective at attaining a set of goals. As a

process, leadership is an effort by a leader, drawing on various bases of power (an activity with its own skill set) to influence members of a group to direct their activities towards a common goal.

In this perspective of leadership there are two important things that are key and central. Firstly, that leadership has an aspect of the embodiment of one's self-behaviour pattern and personality attributes and secondly, leadership comprises of one's efforts towards certain goals or targets. In essence, leadership has a combination of one's inner abilities and external endeavours. These two are central in strategy enactment. More often than not, the individual's efforts are a resemblance of inner abilities and convictions. This therefore justifies the importance of examining leadership within the context of strategy enactment.

Lewis and Ferrel (2005, p.363) and Pretorius (2005, p.8) describe leadership as the ability to envision and communicate a changed future and foster a dynamic that mobilizes and catalyzes the efforts of many towards that end. Even in this definition, the issue of one's behaviour patterns and personality attributes are central. However, successful leadership is generally not measured by how many people one controls but by the people one liberates to realize full potential. In a nutshell, effective leadership is about influence and coaching.

In this study, three aspects of leadership were looked at during the interviews. They are the leadership role, relationships in exercising the leadership roles and leadership review mechanisms or evaluation. In the leadership role, the main focus is on who exercises the leadership role in each of the organizations used and the leadership type that governs operations within the organization. In terms of the relationships the main focus is on the levels of interaction and relationship between leaders and subordinates in strategy design and implementation. The purpose here is to determine the extent to which members of the organizations at various levels do exercise their leadership roles in shaping the future of their organizations. This is critically important in the light of the general perception of strategy as an exclusive domain of the organization top management. The last aspect under leadership which focuses on leadership review is intended to find out whether in the first instance leadership is perceived as static or dynamic. And also, whether the leadership is periodically subjected to

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scrutiny and if yes, who is involved in that process. The rationale behind this is that people and the organization are in an environment that is dynamic and people too are dynamic organisms.

4.3.1 Strategy and Leadership Role

From the four organizations under study, the role of leadership in strategy enactment is mainly influenced by the nature of the organization – whether it is a branch or a stand alone organization. For instance, two of the organizations used in this study are only branches that are controlled at head offices that are located elsewhere. Consequently, it is the responsibility of their respective head offices to craft and give strategic leadership direction to their branches in East London. The top management at branch level is the one that interacts with management at head offices on matters of strategic importance. The head office set targets, mission and vision and the branches have to be implementers. They have to align their thinking and operations to the dictates of their respective head offices. Their success does not depend on how innovative and creative the individuals are but more on the extent to which there is mastery of the plan as imposed by the head office. This type of set-up results in a top-down approach. Communication between branches and head offices is mainly based on reports of target agreements.

In the other two organizations which have no branches there is still hierarchical leadership. This leadership style values the expertise of staff only at the top. Structurally and operationally there is a clear distinction between top, middle management and general employees. Leadership is from top to bottom.

Therefore, there is a need for shared leadership in all four organizations. Shared leadership creates an environment of interdependence that values the expertise of staff at all levels. Its basic tenet is that every member of the organization is a leader in his/ her own right. Lines of communication are such that everyone's idea is encouraged. Shared leadership is very participatory in nature.

In terms of the relationship and interaction levels within these organizations there is a defined formal way of interaction. There are regular meetings on both weekly and monthly basis. These

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meetings vary according to units although general meetings would sometimes be held. The four organsations pride themselves on their open-door policy. This policy is not documented but often emphasized to encourage members to share their views and concerns. But when further interrogating the usefulness of the open-door policy on matters of strategic importance, it became clear that it is more of an avenue opened for members to share their grievances. Otherwise it is not perceived as a policy that seeks to promote dialogue on matters of creativity and innovation for the improvement of worker performance.

The interaction level is not only through regular meetings but also through one-on-one between managers and their subordinates. The one-on-one meetings are used particularly for matters pertaining to discipline and performance evaluation. In these one-on-one meetings, it is always the supervisor and the subordinate. These meetings do not yield good results in terms of improving relationships in the workplace. They adopt a hierarchical kind of a relationship.

The interviewees were then asked whether this leadership style is ever reviewed or not. It was common to all the organizations that there are review mechanisms in place. These review mechanisms include the 360 degree review by peers and subordinates, appraisals by subordinates, training workshops and target agreements. However, when probing the effectiveness of these review mechanisms, there was a general feeling that they are done in a compromised manner. They are compromised in the sense that subordinates are made aware that they cannot know better than their supervisors. Therefore, they cannot over score them in performance appraisals. Also, it is a sensitive issue because the promotion of subordinates depends on their supervisors.

This shows that leadership and strategy in an organizational context are intertwined. If the organization is subjected to a hierarchical leadership that in a way determines the role and the extent of involvement of staff in matters of strategy. In fact, strategy design becomes a matter of leadership style. However, the interview went to further cover the issue of organizational learning and culture as discussed below.

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4.3.2 Strategy and Organizational Learning

According to Kotze (2002) the concept of the learning organization generally refers to the creation of circumstances, climates and conditions in organizations that encourage, provide support and reward the development and learning of its people. However, Hamel and Prahalad (1996) view organizational learning as a way in which an organization private or public is able to navigate its course with success through an increasingly inconstant environment. Organisational learning is strengthened by a culture that tolerates and encourages mistakes and competition.

Central to organizational learning is the argument that all organizations learn for their sustained existence. This learning may be by conscious or unconscious decision. Some organizations deliberately advance organizational learning, developing capabilities that are consistent with their objectives; others make no focused effort and therefore acquire habits that are counterproductive. Nonetheless, all organizations learn.

An organizational learning perspective in strategy design and implementation pays explicit attention to those areas that are ambiguous and uncertain concerning the future of the organization. This is the dimension that traditional approaches to strategy ignore. This learning perspective should be introduced into the very heart of strategic planning. It brings a notion that strategy is about preparing the organization for an essentially unknowable future. The learning perspective then turns the future from a one-off episodic activity into an ongoing proposition. At the center of learning is conversation as discussed in Chapter 3.

But the fundamental question is on the meaning of a learning organization. In the context of this study, a learning organization is used as a metaphor derived from the understanding of individual learning. It is premised on the fact that organizations learn through their members as individuals and as a collective. They then transfer their learning to the organization through their various business units. It is therefore this transfer of learning that is at the center of organizational learning. Organisational learning is then the process through which individual learning becomes embedded in an organisation's memory and structure (Starkey, et al., 2004). Therefore, a learning organization is the one that creates opportunities for individuals to learn in order to

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transfer this learning to the organization. Beyond that, learning in this study involves creating opportunities for innovation, creativity and new mistakes that have inherent learning lessons as organizations venture into unknowable future.

With regard to a learning organization the interviewees were asked whether their organizations promote learning and reward it. Also, there were questions as to who is involved in organizational learning. The interviews included the type of learning the organizations allow such as formal and informal learning types. Finally, there were questions on whether learning is separated from normal operational processes or is inherently part of it.

It transpired that the four organizations under study do promote learning in their own definitive terms. In their perspective, learning refers to the formal training that employees receive in order to improve on certain deliverables of their organizations. This kind of training is acknowledged through certificates of attendance and completion of certain modules. The organizational learning is formal and consciously designed to achieve specific preconceived outcomes. It is episodic as opposed to the type of learning that is ongoing and inherently embedded in the planning process. Furthermore, it is limited to the budget available.

Concerning the value of this learning to the organization and individuals, the interviewees recommended it. They argue that it is specific and purpose driven. It is the kind of learning that is fairly easy to measure, evaluate and control. But had time allowed, it would have been interesting to find out from general members of the four organizations themselves whether this formal learning is relevant and effective to them as individuals and different teams. Also, whether the learning attained is transferable to the organization or not.

Since this is a controlled type of learning, the managers have more to say on what to be learned, how and by whom and the duration of learning. The approach to this learning process is top-down. Due to this type of learning, none of the four organizations have opportunities for individuals and as a collective to informally share their expertise and how they resolve problems that could not be anticipated during formal learning.

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Although the interviewees appeared attached to this type of learning, no one amongst them denied the possibility of individuals and groups learning from one another whilst in the process of doing their work. They all acknowledged the possibility of such learning but also the difficulty to easily recognize it for acknowledgement and reward purposes.

As these four organizations are service providers to different customers, clients and stakeholders, attempts were made to see whether there is anyway in which they learn from them. They hold regular meetings with these structures with an aim to deliver service and evaluate the quality of the output. Even this type of learning, is formal and sometimes causes major changes in the normal operations of these organizations.

From the discussion above the interviewees confirm that their organizations need to create a community of learning amongst its members. They have to conceptualise the fact that their organizations are a product of interactions between various components, unit or departments (Taylor, 2004). Therefore it is imperative to consciously create that environment for interaction and platforms for dialogue at all levels. Also, there has to be programmes in place to help members improve on effective communication. This will help members make best use of such opportunities created for exchange of ideas to enable the organizations to learn.

As part of strategy and organizational learning, the interview further covered the aspect of people development as one of the mechanisms that can be used to improve people participation in the development of their organization through learning. The reason is simply because people development plays a key role in any change initiative within an organization. However, its effectiveness depends on the level at which it operates in the organization. For instance, if the role of people development is seen as supporting change from the periphery, operating in isolation and not as part of any strategic plan, the skills attained remain unused. This frequently leads to increased frustration when members get back to their work only to see their new acquired skills unutilized. Such development venture fails to effect change in the organization. As a matter of fact, it becomes irrelevant and at worst, inhibits change by promoting skepticism (Beer, et al. 1993). People development is therefore only effective if it is operating at the core of the organization.

People development is often perceived as challenging people's ingrained beliefs by encouraging their commitment to new ideas and change. It enables and support personal development of employees so that they are continually developing their skills to achieve both personal growth and task flexibility. Both personal growth and task flexibility lead to organizational learning and change as discussed above.

Regarding people development, the focus of the interview was to find out whether it is part of the four organizations, how it is linked up with the utilization of knowledge and skills and finally, the extent to which it is used to enhance people's initiatives in business units. The premise for these focus areas on people development is that organizations generally do prioritise people development through skills development programmes. Skills development is a legislative requirement that organizations are called upon to consider. It is meant not only to increase knowledge but also improve individual initiatives in the workplace. The interviewees in the four organizations were then asked whether this is applicable in their organizations within the context of strategy formulation-implementation.

The respondents from the four organizations equally attested to the fact that they do budget for skills development on an annual basis. The main purpose is to enhance people's skills and knowledge. The anticipated outcome is improvement in job performance. What is also common is that the approach for people development is top-down. It is the managers' prerogative to determine the skills development needs of the subordinates. The skills development plan is a preconceived plan with clearly stipulated outcomes. The plan is tailor-made for deliverables that are target performance specific. This approach lacks participation of the people it is aimed for. This obviously limits the scope of knowledge enrichment and application of new knowledge in the workplace. Had time allowed, an evaluation of these skills development initiatives could have been done to test their relevance and impact thereof.

With regard to how people development programmes are facilitated, the four organizations rely on different approaches. Their approaches range from workshops, appraisals and continuous improvement process. Workshops are generally facilitated by the so-called 'experts' in various

fields of training that have been identified. But appraisals and continuous improvement process are internally-driven.

4.4 SUMMARY OF THE RESULTS

The literature review in this study shows that the field of strategic management is still dominated primarily by two paradigms, namely, the rational analytical and emergent approaches. Examples of the rational analytical approach include the linear model, Michael Five Force's model and other traditional approaches such as the Resource-based Theory. The literature review further shows a gradual shift from the rational analytical approaches into an approach that incorporates perspectives and ideas about emergent strategy. Such a paradigm shift came, inter alia, through the introduction of the Systems Dynamics Theory. These approaches have all been discussed in Chapter 1 and 3, respectively. However, a summary of their basic tenet is presented below.

Rational Analytical Approach	Emergent Approach
a. Strategy is a preplanned rational thought and analytical approach based on logic and factual information.	a. Strategy is generative, emergent and incremental based on intuitive and holistic approach with more emphasis on the characteristics of a learning organization (Vermaak, 1992).
b. Strategy is market-driven e.g Michael Porter's Five Force's Model.	b. It is capability-driven.
c. Strategy is predominantly a competition among discrete business units.	c. It is rather a cooperative among networked driven interdependent entities.
d. It is the triumph of leadership control within organizations.	d. Strategy is a result of instabiliy from which a new order later emerges (Stacey, 1993, 1996).
e. Strategy focuses on measurable quantitative forces.	e. Its focus includes qualitative organizational and power-behavioural factors.

These strategy paradoxes have been the main thrust in the discourse of this study. They have been broadly examined under two main focus areas namely, organizational strategy and independent individual perspective on strategy and, strategy and leadership role.

In strategy and individual perspective on strategy, the results show that strategy is still a phenomenon that is understood differently both at organizational and individual levels. At an organizational level, strategy is not seen as something that is contained within people and not limited to a document. Consequently, individuals at strategic management level do not see, know and think of themselves as strategists in their own right. The strategy design and everyday practice in business at the level of individual interactions, organizational dynamics and social context are not seen as phenomenon that should be intertwined and interrelated with inherent feedback processes. There is a dichotomy between strategy design and implementation. The strategy design is seen as an exclusive domain of the so-called strategy 'experts' and implementation to be a sole responsibility of the individuals at lower levels.

However, even amongst the so-called 'strategists' the results show different views of some individuals. These individuals argue that strategy formulation and implementation are inherently embedded to each other. They have a symbiotic relationship. Therefore the two sub-processes should not be treated separately and sequentially though linked but rather as organizational structural design that anticipates strategy type.

The results in the study also show that the dichotomous view of strategy design and implementation has an impact on strategy review processes. Pre-planned periodic review processes are not always appropriate at the time they are conducted due to dynamics of the environment within which the four organizations exist. Pre-planned periodic reviews do not always see all blind spots in the organizations and its uncertain environment.

Considering this dichotomy of strategic management at organizational level and the emergent view from the individuals within the same organizations, it becomes difficult to attribute organizational success to one approach. Also, it is difficult to quantify the extent of overlap and influence to the success of the four organizations. This dilemma leaves each group attributing

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success to its approach at the expense of the other. There is therefore a need for strategists to consider an approach to strategic management that combines both the two main approaches. Both of them have gaps but can complement each other.

The results also show that this dichotomous view of strategy design and implementation affects strategy review processes. Pre-planned periodic reviews are not always relevant and fruitful at the time they are done. This is mainly due to the dynamics of the environment within which the organizations exist. They do not always see blind spots in the organization and its uncertain environment.

In terms of strategy and leadership, findings show that the four organizations have a hierarchical leadership type. This type of leadership relies heavily on a top-down approach. However, those individuals who spoke on their capacity from the four organizations unequivocally expressed a need for shared leadership due to its flexible and participatory nature. They believe that shared leadership enhances opportunities for innovation and creativity. Also, inherent within shared leadership is learning which results to growth and improvement. Learning takes place through formal and informal interactions of individuals within business units whilst doing their work. Shared leadership makes all individuals leaders in their own right and if this philosophy underpins organizational approach to strategic management, everyone in the organization automatically becomes a strategist and a leader in his or her own right. And if this philosophy of everyone being a leader, strategic management will become a responsibility for all and individuals will learn as they do their work and work as they learn. Learning will become part of doing the work and vice versa. Consequently, a notion of strategy becoming a theory in action will be realized.

Considering the data analysis and summary of results discussed above and the literature used in this study in relation with the ten schools of strategy discussed in Chapter 1 and 3, there is evidence that if one follows the idea of categorizing strategy processes into schools, there will be more than ten schools. Furthermore, the discussion above shows the difficulty in drawing up a boundary between one strategy process and the other. Strategy processes are intertwined and they take place in a dynamic environment where not everything is predictable. There is therefore

a need perhaps not to confine strategy process to one school of thought. But these ten schools do help provide the theoretical basis for discussion on strategy processes.

4.5 CONCLUSION

The ontological and epistemological basis for this study is that strategy has been and still is a somewhat 'bed rock' for the existence and success of an organization. This philosophical consideration has led to different stages in which the field of strategic management has evolved from rational and analytical approaches which do not embrace a more organic, dynamic and emergent nature of strategic enactment process. Consequently, a new philosophical consideration based on an inter-disciplinary perspective of strategy subsequently evolved as an alternative to the rational and analytical approaches. This inter-disciplinary perspective of strategy is mainly drawn from organizational learning, systems dynamics, complexity theory, foresight, modeling, creativity and decision-making. These two main perspectives – the rational analytical and emergent perspective became the two considerations for strategic management. Both Chapter 1 and 3 reviewed the literature on these perspectives.

In the light of the above, the study attempted to examine the understanding and application of the two philosophies from the four organizations selected with regard to organizational success. Particular attention was paid to the strategic management in relation to operations within these organizations. The results demonstrate dominance of the rational and analytical approach at organizational level but a desire for a shift to the emergent approach at an individual level. This is a conflicting view between individuals within the organizations and the organizational approach to matters of strategic management. May be it would have been equally important to examine the understanding of what an organization is because as it stands now, there is a perception of an organization as an objective, pre-given reality without any social construct.

A lesson learnt from this study is the symbiotic relationship that exists between what people understand to be an organization and the form of strategising thereof. Strategic enactment process is people-driven and is influenced by their understanding of what an organization is. Therefore a shift to plurality perspectives and multiple realities as perceived by different actors

can only be realized once there is an understanding of an organization as an entity that is not devoid of the social construct. That knowledge will make strategizing process part of the daily practice and value the tacit knowledge and other knowledge that practitioners have (Whittington, 2004; Whittington and Melin, 2003).

Also, it will result in the de-emphasis of 'expert' knowledge and the recognition and acknowledgement of 'ordinary' knowledge. Ultimately, the conventional dichotomy of strategy formulation and implementation will become irrelevant because the organizational world will be perceived as a social construct and strategizing process as a consistent and coherent pattern of actions based on emergence from a complex systems perspective. The strategy design and implementation will remain inherently embedded to the other. Within strategy design process will be implementation and vise versa. Strategy design and implementation processes will become intertwined processes with feedback, each influencing the other to such an extent that it becomes difficult to separate them. The two sub-processes will instead remain interactive and reciprocal, constantly co-evolving – following and affecting each other through a process of strategic learning and control. But in the four organizations used in this study where there is dichotomy of strategic management processes it would have been of interest to examine the effects of such perspectives in the success of the organization. This could be an area for future research.

Finally, a new approach to strategy enactment process requires the re-definition of an organization as a world entity that is socially constructed in an environment that has its own dynamics. This will invariably result to a pluralistic approach to strategy enactment process. Such an approach will be characterized by consistency, coherence, flexibility, creativity, innovation, adaptation, learning, feedback and self-organising.

Therefore, even an attempt to classify strategy processes according to Mintzberg et al (1998) ten schools is not all conclusive. These ten schools of strategy design have been used to provide the theoretical context for this study as discussed in Chapter 1 and 3. But considering all these ten schools and their basic tenets, one can draw a conclusion that firstly, it is difficult to categorise strategy processes strictly according to each school. In each strategy process, there are elements

of other schools. Strategy processes cut across the boundaries of more than one school. For instance, in both the literature used in this study and the results from interviews there is evidence of the fact that in each process discussed, there are elements of more than one school. Therefore, strategy processes cannot be limited only to the ten schools of Mintzberg and others. There can be more than ten schools. But the ten schools of strategy are necessary for consideration as they provide a basis for discussion. May be strategy processes do not necessarily have to be limited to schools due to the dynamics involved in the processes of strategy design and implementation as discussed above.

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APPENDIX 1

Participants in Mont Fleur Scenarios: What will South Africa be like in the year 2002?

NAMES OF PARTICIPANTS	THEIR AFFILIATIONS AT THE TIME
Dorothy Boesak	Administrative Coordinator for Mont Fleur Scenarios
Rob Davies	Research Professor and Co-director of the Center for Southern African Studies at the University of the Western Cape
Howard Gabriels	Project Officer at Friedrich Ebert Stiftung; previously with N.U.M
Adam Kahane	A world expert in scenario-based strategic planning
Koosum Kalyan	Manager of Social, Political, Communications and Media Department of Shell in Cape Town
Michiel le Roux	Manager of Distillers Company in Stellenbosch
Pieter le Roux	Professor in Development Studies and Director of the Institute for Social Development, University of the Western Cape
Johann Liebenberg	Senior General Manager, External Relations of the Chamber of Mines
Saki Macozoma	Member of the National Executive Committee of the ANC Head of the Media Liaison Unit of the Department of Information and Publicity of the ANC
Tito Mboweni	Economist in the Department of Economic Planning of th ANC
Gaby Magomola	Ex-director of the FABCOS and presently chairman of Inter-Africa Group
Mosebyane Malatsi	PAC economist, senior policy analyst at the Developmen Bank of Southern Africa in the Centre of Policy and Strategic Analysis

Thobeka Cikizwa Mangwana	Teaches social planning at the Institute for Social Development at the University of the Western Cape
Trevor Manuel	Member of the National Executive Committee and the National Working of the ANC Committee; Head of the ANC's Department of Economic Planning
Vincent Thabane Maphai	Associate Professor and Head of the Department of Political Studies, University of the Western Cape
Philip Mohr	Professor of Economics and Head of the Economics Department, University of South Africa
Nicky Morgan	Associate Professor and Dean of the Faculty of Economic Management Sciences at the University of the Western Cape
Patrick Ncube	Senior research fellow at the University of Cape Town and research consultant in economics in the University of the Western Cape
Gugile Nkwinti	Director of the Eastern Cape Development and Funding Forum in Grahamstown; regional secretary (Eastern Cape Region) and member of the National Executive Committee of the ANC
Brian O'Connell	Director of the Peninsula Technikon School of Education in Cape Town
Mahlomola Skosana	First Assistant Secretary General of NACTU
Viviene Taylor	Director of the Southern African Development Educatio Program (SADEP) at the University of the Western Cap
Sue van der Merwe	Member of the Black Sash National Executive Committ
Dr Winfried Veit	Director of the South African office of the Friedrich Eb Stitung (FES) in Cape Town
Christo Wiese	Member of the Economic Advisory Council of the President; executive chairman of Pepkor

Source: Adapted from Deeper News, (1992), p 21

APPENDIX 2

STRUCTURED QUESTIONNAIRE: STRATEGY PROCESSES

Introduction

My Name is Khaya Maphinda. I am a student at the University of KwaZulu Natal, doing a Master's degree in Commerce (M Com) in Strategy and Organisational Dynamics. This is my final year and to complete the program I am required to do a dissertation. This questionnaire is a step towards completing it. I therefore kindly request you to spare about 20 Minutes of your time to respond to the following questions pertaining to study I am doing.

For follow-up purposes may I know the following?

1. Position in the Organisation/ Company:_____
2. Contact details (if possible)_____

Please Note: All the information is treated confidentially.

Thanks

QUESTIONNAIRE

SECTION 1: STRATEGY PROCESS

1. 1. Does your organization have a strategy?

1. 2 How is strategy defined in your organization?

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1.3 How is strategy formulated in your organization?

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1.4 In your opinion, how should strategy be defined?

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1.5 How should strategy be formulated in your own opinion?

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1.6 Does the organization communicate strategy to its entire people? If Yes, How? If No Why'

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1.7 Does the organization review, update and improve strategy? If Yes, How? If No, Why?

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1.8 Would you refer to strategy as a useful instrument for your organization to be where it is now? If Yes, How? If No, Why?

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1.9 Is there a 'fit' between your organisation's strategy and operations?

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SECTION 2: STRATEGY AND LEADERSHIP

2.1 Do leaders in your organization give strategic direction and seek future opportunities for the organization? If Yes, How? If No, Why?

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2.2 How do leaders interact with people at their level and levels below?

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2.3 Do leaders in the organization review and improve the effectiveness of their own leadership If Yes, How? If No, Why?

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SECTION 3: ORGANISATIONAL LEARNING AND PEOPLE DEVELOPMENT

3.1 Does the organization promote learning?

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3.2 What type of learning does it promote?

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3.3 Who gets selected for participating in organizational learning?

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3.4 Who decides about the content for learning?

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3.5 What criteria are used to choose the learning content?

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3.6 What value do you think learning has on your organization?

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3.7 Does the organization use appraisal and promotion systems to support improvements and involvement of employees? If Yes, How? If No, Why?

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3.8 Do leaders in the organization become involved with customers, partners and supplier chains to understand and respond to mutual interests? If Yes, How? If No, Why?

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3.9 Does the organization evaluate and improve its approach to listening and learning from customers and stakeholders? If Yes, How? If No, Why?

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3.10 Is people development part of the organizational activities?

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3.11 What methods do you use to develop staff?

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3.12 How is people development linked up with the utilization of knowledge and skills?

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3.13 How is people development used to enhance staff's initiatives in business units?

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Thanks for your time to respond.