



**COLLEGE OF LAW AND MANAGEMENT STUDIES**

**STRATEGIC PLANNING PRACTICES IN  
MANUFACTURING FIRMS OPERATING IN ZIMBABWE**

**BY**

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## **DEDICATION**

To king David, the son of Jesse,  
a man who was raised up on high,  
the anointed of the God of Jacob,  
and the sweet psalmist of Israel,

I dedicate this Thesis!

## ACKNOWLEDGEMENTS

*“But shew kindness unto the sons of Barzillai the Gileadite, and let them be of those that eat at thy table: for so they came to me when I fled because of Absalom thy brother.”*

1 Kings 2v7 (KJV)

Beyond any reasonable doubt, this thesis is clear evidence of hard work of a number of people and institutions over the past three years. I owe a great deal to all of them. They made my dream a reality. May the Living God do it for them!

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## **ABSTRACT**

Contemporary organisations from both the developed and the developing markets are increasingly embracing the practice of Strategic Planning hoping to derive superior performance levels. The study was prompted by managerial inadequacies and some gaps embedded in the existing body of knowledge on the Strategic Planning practices in manufacturing firms which have been crafted in the stable western markets. This study represents the first attempt to holistically document information on the Strategic Planning practices of firms in a hyper-volatile emerging economy, thus filling a gap that was embedded in the body of knowledge for a very long time. The study sought to explore how the four broad pillars of Strategic Planning (i.e. Environmental Analysis, Strategy Formulation, Strategy Implementation and Strategy Evaluation and Control) are conducted in Zimbabwe, as well as to determine the value of Strategic Planning to manufacturing firms. The adopted research context is not only unique, it is quintessentially a ‘moving laboratory’ that provided an opportunity to examine the Strategic Planning practices and their resultant impact on firm performance.

Following a positivist philosophy, the research design was descriptive and data collected were quantitative. After the pilot test, a total of 378 closed-ended questionnaires were distributed to a sample of 378 managers in 378 manufacturing firms in Harare, Zimbabwe. Stratified random sampling was used to pick 54 firms from each of the seven sectors under the manufacturing industries. Out of the 378 questionnaires sent out, 172 usable and valid questionnaires were collected, representing a 48% response rate. Some of the questionnaire scales were adopted from some previous classical works. The Cronbach alpha coefficients from the questionnaire’s scales ranged from 0.730 to 0.943. Data was analysed by use of frequencies, means, T-tests, chi-square, regression and correlation analysis.

Major findings from this study show that a significant number of manufacturing firms operating under conditions of increased turbulence have significantly shortened the time required to formulate a strategic plan. More so, the planning horizons have been seriously shortened to just one year. Out of all the Strategic Planning tools at the disposal of management, the study noted that the SWOT Analysis is the most widely used technique thus indicating the relative importance placed on the environment. Factors external to the firms were found to have the greatest bearing on Strategy Implementation initiatives of the manufacturing firms. Concerning the Environmental Scanning practices, Newspapers and Periodicals were the most frequently scanned information sources. The findings show that there is a moderate positive correlation between Perceived Environmental Uncertainty and Competitive Intelligence Acquisition. The results also indicate that Environmental Scanning is a significant predictor of firm performance. Overall, Strategic Planning Intensity is significantly and positively related to Managerial Expertise, Managerial Beliefs, Environmental

Complexity and Level of Managerial Involvement. The relationship between Strategic Planning Intensity and Performance was found to be positive and significant.

The study therefore encourages contemporary firms, both SMEs and large firms, to utilise the strategic management systems as they help them to closely align their operations to the turbulent environment and ultimately attain significant overall firm performances. Rather than maintaining the Strategic Planning initiatives fixed, the study recommends firms to adapt their Strategic Planning practices to their turbulent operating environments by encouraging more decentralisation, flexibility and informality of their Strategic Planning systems. To navigate the troubled turbulent environments and attain superior firm performance, firms need to be thorough and swift in their continuous intelligence acquisition efforts, planning processes, and carry along middle managers. Future research may address the ‘why’ aspects through in-depth investigations using face to face interviews or focus groups and try to incorporate issues like cultural differences and leadership styles in the models. Where it is possible, objective performance measures may be used in similar studies.

Besides filling the gap in the body of knowledge relating to the Strategic Planning practices of contemporary firms operating in turbulent environments, this study revealed practical issues management need to take note of. The study has uncovered a lot of current information on the Environmental Analysis, Strategy Formulation, Strategy Implementation and Strategy Evaluation and Control practices in firms operating in a turbulent developing environment. More so, as a way of contributing to the body of knowledge, study has developed a Strategic Planning model compatible with hyper-volatile environments especially in the developing world. The developed model advocates for what the researcher termed ‘The Advanced Planned-Emergent Model of Strategic Planning’ which acknowledges the presence of both deliberate and emergent strategies in the organisation but demanding visionary leadership, greater flexibility, greater co-ordination, decentralisation, swiftness and adaptation in all the activities involved in the process.



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## **LIST OF ABBREVIATIONS**

COMESA	Common Market for Eastern and Southern Africa
CZI	Confederation of Zimbabwe Industries
ESAP	Economic Structural Adjustment Programme
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GNU	Government of National Unity
RBZ	Reserve Bank of Zimbabwe
SADC	Southern Africa Development Community
STERP	Short Term Economic Recovery Programme
SWOT	Strengths, Weaknesses, Opportunities, Threats
TOWS	Threats, Opportunities, Weaknesses, Strengths
TQM	Total Quality Management
UNDP	United Nations Development Programme
WEF	World Economic Forum
ZIA	Zimbabwe Investment Authority
ZIM-ASSET	Zimbabwe Agenda for Sustainable Socio-Economic Transformation

# **CHAPTER ONE**

## **INTRODUCING THE STUDY**

### **1.0 INTRODUCTION**

This introductory chapter presents an overview of key concepts, the background to the study, the research problem, the study aims, research objectives and research questions. The significance of the study, the study limitations and delimitations will form a further section of the introductory chapter. The chapter ends with the motivation for the study and an outline of the structure of the thesis.

### **1.1 THE KEY CONCEPTS**

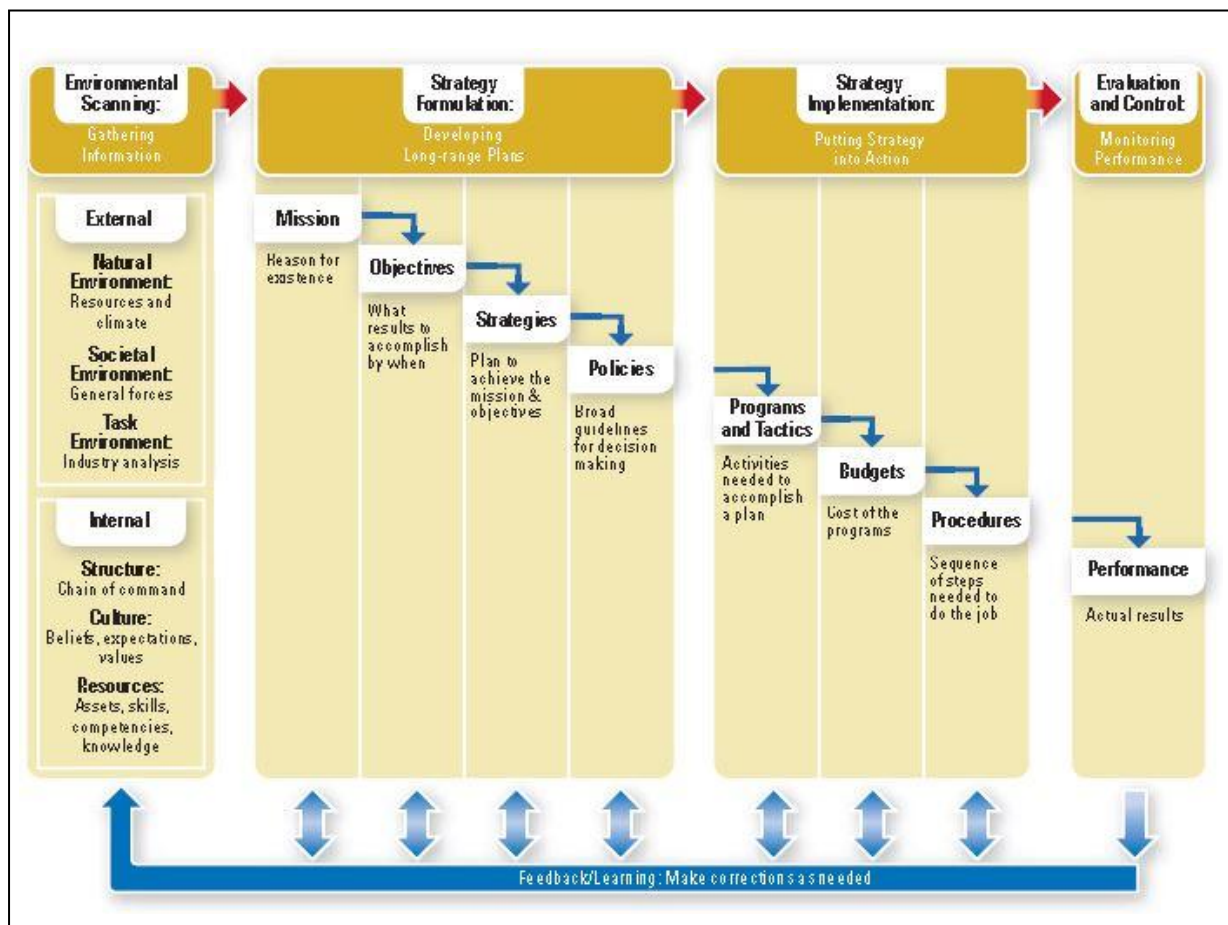
The past four decades have witnessed an escalation of the intensity, depth, and breadth of the debate on Strategic Planning (SP), with seminal contributions by authors like Porter (1994; 1990; 1985;1980) and Mintzberg (2000; 1994) coming under heavy attack. These early principal contributors were also amongst the first to criticise the underlying ideas premising the field of Strategic Planning, especially the inability to predict the future. The debate on Strategic Planning has revolved to this day, perhaps as a result of the visible failure to agree on what Strategic Planning is, what it can do, and how it should be employed under different environmental circumstances. Unlike other mature fields such as medicine and engineering, Strategic Planning is still an emerging discipline (Elbanna, 2007). The seemingly never ending debate, the inconsistencies, and conflicting views, point to the fact that the field of Strategic Planning is still in its infancy stage. This current study is a direct effort aimed at advancing knowledge in this field by examining the Strategic Planning practices in manufacturing firms operating in Zimbabwe.

The nature of strategy formulation in organisations has centred on two paradigms, the Design School and the Process/ Emergent School (Mintzberg, 2000). Stacey (2011) observed that even though the Design School is heavily criticised, it is still the dominant and most widely used theory of strategy and organisational change. The Design School advocates deliberate, formal, systematic and rational strategies emanating from management's preconceived and intentional plans to deal with the future (Mintzberg, 2000; Gold, 1992); emergent strategies are not always supposed to stem from management but they evolve as strategic patterns out of their history (Mintzberg, 2000; Ansoff, 1991). Hence, strategy has been viewed as a consequence of the formal planning process. However, other studies have shown that very important and valuable strategies emerge within the organisation due to accidental discoveries or trials (Hill and Jones, 2009). In line with the argument by Harrington et al.

(2004), it will be a mistake to treat these two schools separately; rather, they must be seen on a continuum because both can be present in the organisation at the same time. The current study will incorporate this perspective. The study will be examined from both lenses because emergent strategies cannot be ruled out due to the level of turbulence in Zimbabwe.

David and David (2015) observe that the process of Strategic Planning can best be applied and studied using a model, which presents a logical, clear and practical approach for strategy formulation, strategy implementation, and strategy evaluation. The core design school model of Strategic Planning was initially developed by Harvard Business scholars in the early 1960s and mainly concentrated on the Strengths Weaknesses Opportunities Threats (SWOT) model. Mintzberg (2000; 1994; 1990a) further refined the model. However, the model did not go beyond strategy implementation. Other scholars like Hill and Jones (2009) have developed Strategic Planning models which start with an evaluation of the existing business mission. The model by Wheelen and Hunger (2012) has been widely accepted in the Strategic Planning literature and utilised by a number of scholars. Lynch (2006), as well as Hill and Jones (2009), argued that the Strategic Planning model is a fit model of strategy making which assumes that the firm's strategies are a result of formal, prescribed, rational and highly structured plans driven by senior management. The Strategic Planning process is dynamic, on-going, and never-ending, and does not wait for year-end or half-year cycles. Strategists do not go through the process in lockstep fashion in practice. The Strategic Planning model advanced by Wheelen and Hunger (2012) is segmented into four sections, as shown in Fig. 1 below;

**Figure 1.1: The Strategic Planning Model**



*Source: Wheelen and Hunger (2012)*

Figure 1.1 above shows the four pillars of the Strategic Management process, i.e. Environmental Analysis, Strategy Formulation, Strategy Implementation, and Strategy Evaluation and Control. These four activities form the basis of the current study. Consequently, the study will investigate the Environmental Analysis practices, Strategy Formulation practices, Strategy Implementation practices, and the Strategy Control practices in manufacturing firms operating in Zimbabwe. Several scholars agree that an organisation's environment is made up of both internal and external factors (Dakare and Oghojafor, 2009; Aluko, et al., 2004; Kazmi, 2002). Environmental Analysis has been widely defined as a process that generates strategic information for the strategists from both the internal and external environments through paying a closer eye on the elements in the environment, evaluating and passing on of information to corporate strategists (Hin, et al., 2013; Wheelen and Hunger, 2012). The environment is scanned in order to determine patterns, trends and projections of factors that will influence the success of the firm. Wheelen and Hunger (2012) argue that during uncertain periods, the top management scans and analyses the external and internal environments, to make decisions on the distribution of resources and manage the firm's relationship with other stakeholders. Besides isolating

the threats and opportunities in the environment, scanning also helps to determine the future path the firm will pursue (Hill and Jones, 2009). Several studies have concluded that at the heart of good strategic decision making lies a rational data gathering effort which solicits huge volumes of information (Daake, et al., 2004). The Strategic Planning Model is premised on the belief that organisations that go an extra mile in scanning their environments accurately, outperform those that do not (Wheelen and Hunger, 2012). This study seeks to investigate how manufacturing firms in Zimbabwe scan their internal and external environments.

The Strategy Formulation (SF) process which involves the creation of strategies, has gained prominence over the past five decades (Aaltonen, 2007). The behaviour of Strategy Formulation in organisations is still an area under debate. Some scholars view Strategy Formulation as a descriptive procedure, while others see it as a normative procedure to enhance organisational performance. The other issue that drew the attention of scholars relates to the centralisation of the Strategy Formulation process. The Strategy Planning process can either be individualistic (having the Chief Executive Officer, Business Owner crafting the strategy) or collective (with the involvement of subordinates). A number of scholars (Harrington, 2001; Mintzberg et al., 1998; Nonaka, 1988) show support for the individualistic view, arguing that it has multiple benefits for the organisation. On the other hand, the collective perspective argues that subordinates should also be involved in the Strategy Formulation process (Barringer and Bluedorn, 1999). Sharfman and Dean (1997) as well as Eisenhardt (1989) have noted that the collective approach is particularly useful during periods characterised by increased turbulence and uncertainty. The current study aims to uncover the Strategy Formulation practices in firms operating in hyper turbulent environments, particularly Zimbabwe.

Strategy Implementation (SI) has been conceptualised as a process that involves the execution of the decisions made during Strategy Formulation (Noble, 1999; Alexander, 1991; 1985). Strategy Implementation has been labelled the ‘neglected area in the Strategic Management literature’ (Aaltonen, 2007). Most of the Strategy Implementation literature is normative, thus prescribing that strategy should be implemented in a certain way. Even though Waldersee and Sheather (1996) argue that the implementation actions are influenced by the type of strategy, the context has often been ignored. This is particularly important especially in the Zimbabwean context due to the high levels of dynamism in the environment. How easy is it to implement strategies under conditions of increased turbulence? Strategic plans are written documents spelling out the general direction a firm intends to pursue, how to get there and the expected outcomes. One wonders why these management plans die along the way. According to Myrna (2012), strategic plans which are used are like rolling stones which gather no moss at all. Li et al. (2008) observe that strategy implementation is a real challenge in today’s organisations. Aaltonen (2003) disapproves the idea of distinguishing between thinking and action, arguing that Strategy Implementation is far more than pure mechanical execution, but it requires initiative, cognition and interaction on the part of the organisation’s various stakeholders.



The central question in strategic research has been and still relates to why some organisations excel while others fail (Aaltonen, 2007; Porter, 1991). A number of studies show that a relationship exists between formal Strategic Planning and organisational performance (Ugboro et al., 2010; O'Regan and Ghabadian, 2007; Hopkins and Hopkins, 1997). Recent studies show that firms that utilise Strategic Planning concepts have significant improvements in sales, productivity, superior long term financial performance and they earn above average returns compared to firms without systematic planning activities (David and David, 2015; Volberda et al., 2011; Andrews et al., 2009; Boyne et al., 2006). On the other hand, opponents of the prescriptive school like Quinn in Lynch (2012) and O'Regan and Ghabadian (2007), argue that the future is uncertain and as a result coming up with formal strategies and strategic plans may be a fruitless endeavour equivalent to the traditional ritual of rain dance, which has no influence on the succeeding weather even though the people involved in it believe it does. Strategic Planning has no value if taken in isolation but assumes greater value when spirited management infuses it with greater energy and involvement (Hopkins and Hopkins, 1997; Miller and Cardinal, 1994).

## **1.2 BACKGROUND TO THE STUDY**

During Zimbabwe's colonial era, under the Unilateral Declaration of Independence (UDI), the Rhodesian government implemented the Import Substitution Strategy with aid from South Africa so as to withstand the United Nations (UN) sanctions for a very long time (Mzumara, 2012). The economy experienced very high growth rates due to the close relationship between the government and the private sector (Mzumara, 2012; UNDP, 2008). At independence in 1980, government expenditure was expanded on education, health and a number of other social services (UNDP, 2008), as the economy pursued a socialistic approach (Kanyenze, 2010). The economy enjoyed a 10.7% growth rate in 1980 and 9.7% in 1981. However, the post-independence era did not manage to generate sufficient revenue to match the expanded government expenditure as there was a decline in investments, foreign demand for locally manufactured goods and severe foreign currency shortages. As a consequence, the government had no choice but to settle for the Economic Structural Adjustment Programme (ESAP) initiated by the International Monetary Fund (IMF), and this policy caused Zimbabwe to experience fiscal and current account deficit (Zhou and Zveushe, 2012; UNDP, 2008; Parson, 2007).

Mzumara (2012) noted that very little effort has been devoted to building literature on Zimbabwe's macro-economic environment during the 2000-2008 crisis period. From the turn of the new millennium, Zimbabwe has noticed a downward trend in the Gross Domestic Product (GDP). Negative GDP figures have been noticed between 2002-2008 (Siyakiya, 2014). After the much disputed land redistribution reforms in 1999, the Zimbabwe government has been under attack and criticism from the West. Some Acts of parliament passed in some Western countries succeeded in

isolating Zimbabwe and preventing her from accessing international funding. For example, the Zimbabwe Democracy and Economic Recovery Act (ZDERA) passed in the USA in 2001 intended to dissuade the Zimbabwe government from human and property rights abuses (Siyakiya, 2014). Such Acts like ZDERA prevented companies, individuals and the government from accessing loans and debt relief until there were electoral reforms, rule of law and human rights were observed (Grebe, 2010). The United Kingdom (UK) and her allies imposed an economic embargo on former President Mugabe and his colleagues, thus worsening the situation in a country already crippled by a deteriorating Balance of Payments (BOP) and exchange rates, huge budget deficit, and poor monetary policies. The harsh punitive sanctions ensured that no financial aid came Zimbabwe's way and this economic embargo almost brought Zimbabwe's manufacturing and agricultural sectors to a halt (Siyakiya, 2014).

The Confederation of Zimbabwe Industries (CZI) Survey (2015) noted that Zimbabwe's challenges appear at three levels. At a global level, issues affecting Zimbabwe include depressed FDI levels as compared to other Southern African Development Community (SADC) countries; serious commodity price drop for Zimbabwe's mineral exports thus negatively impacted the external and fiscal accounts. At regional level, there is pressure for local firms to comply with Common Market for Eastern and Southern Africa (COMESA) and SADC Trade protocols. The devaluation of some key regional currencies like the South African Rand and the Zambian Kwacha, influences local competitiveness. Moreover, the porous border posts leading to the influx of cheap low quality imports disguised as coming from the SADC and COMESA region. Finally, at national level, the confusing and contradictory messages sent by different arms of the government and lack of clarity on the Indigenisation and Economic Empowerment Policy continue to deter FDI. Zimbabwe's high country risk premium causes very low investor business confidence and high disinvestment levels. These challenges are also compounded by serious liquidity challenges infrastructure deficits and power shortages; high corruption levels and too many restrictions and licensing requirements.

Gono (2008) provides a long list of the characteristics of the Zimbabwean economy including hyper-inflation, shortage of foreign currency, high interest rates and exchange rate distortions, high unemployment levels, high levels of corruption, sanctions, low FDI and drying up of lines of credit. The Zimbabwean economy continues to slow down with GDP forecasts continuously revised downwards. The UNDP (2010) survey found that Zimbabwe has one of the highest tax rates in the world. The investor protection index was 4.3 in 2010 compared to South Africa's 8.0; in terms of ease of doing business, Zimbabwe was ranked 159 versus South Africa's 34; it takes 22 days to start a business in South Africa while you will require 96 days in Zimbabwe. The World Economic Forum Global Competitiveness Index showed that Zimbabwe's ranking was number 124 in 2014 and is now 125 out of 144 countries on the global competitiveness rankings. The business confidence index

remains negative at -33.9% on a quarter-on-quarter basis indicating serious pessimism. Surely the term 'turbulent' does not adequately describe the prevailing environmental conditions in the nation.

It can be argued that Zimbabwe's economic challenges started in 2000 after the land grabs of 1999 (Wines, 2006). Other scholars like Moyo and Kanyenze (2012) argue that Zimbabwe's challenges began in 1991 after the introduction of the Economic Structural Adjustment Programme (ESAP), which failed to address the inequalities and imbalances in Zimbabwe. Economic Structural Adjustment Programme came with the removal of price controls, trade openness, currency reforms, labour and financial reforms, loss of job security: all these reforms exposed Zimbabwe's manufacturing sector to stiff regional and international competition, thus resulting in the deterioration of the manufacturing sector's output (Mzumara, 2012; Chiripanhura, 2010). Financial and currency reforms caused the rising of interest rates thus deterring investors. On the other hand, Coomer and Thaler (2011) are of the view that Zimbabwe's economic woes were fuelled and propelled by the unbudgeted war veterans' compensations in 1997 and the subsequent 1998 Democratic Republic of Congo (DRC) war adventure which widened the fiscal deficit. This could also be true, because a few months after the disbursements of the war veterans' gratuities, the Zimbabwe dollar plunged by 75% against the United States (US) dollar on 14 November 1997 ('Black Friday'). All these challenges were compounded by the 2002 drought spell which affected the agricultural output, consequently impacting the manufacturing sector's operations. The GDP further declined to -7.4% in 2000; -10.4% in 2003, and an average of -5.9% from 2005 to 2007 (Mzumara, 2012).

The 2000, 2002, 2005, 2008 and 2013 elections have all been marred by political violence and generally lacked credibility and legitimacy on the international scene, causing investors to be sceptical about Zimbabwe. The manufacturing sector continues to decline as investors develop a wait-and-see attitude as the country is labelled an unsafe investment destination (Chiripanhura, 2010). In 2005, the government of Zimbabwe embarked on a clean-up operation commonly referred to as 'Murambatsvina', which saw many urban housing units being demolished, causing the relocation of many low income earners who manned the factories (Siyakiya, 2014). The economic woes of Zimbabwe have also been compounded by the high HIV/AIDS prevalence rate among the youth, thus negatively impacting the economy. Siyakiya (2014) noted that Zimbabwe joined the hyperinflation league in March 2007 when its month-on-month inflation rate surpassed the 50% benchmark contextualised by the definition by Cagan (year). The inflation rate continued to surge at an astronomical rate such that it stood at 231 million percent in June 2008 (RBZ, 2008a). The economic woes prevailed in an environment characterised by shortages of all basic commodities, fuel, electricity, clean water, foreign currency and mass exodus of skilled manpower (Siyakiya, 2014; Mzumara, 2012). In July 2008, the Z\$500 Trillion was equivalent to US\$1 (Koech, 2011). The economy went on its knees and the official Zimbabwe dollar was pulled out from circulation and

replaced by a multi-currency regime. The inflation rates in Zimbabwe from 1998 to 2008 are shown in Table 1.1 below.

**Table 1.1: Inflation Rates in Zimbabwe (1998 to 2017)**

<b>Year</b>	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Rate</b>	48%	56.9	55.22	112.1	198.9	598.7	132.7	585	1281	66212	231m
<b>Year</b>	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
<b>Rate</b>	2.3%	3.1	3.5	3.7	1.6	-0.2	-2.4	-1.6	3.7	42.09	

*Source: ZIMSTAT (2010)*

The enactment of the Indigenisation and Economic Empowerment Act in 2008 was a landmark development that negatively changed the game in the economy. The Indigenisation policy aimed to empower the local indigenous blacks. Foreign-owned firms were required to surrender at least 51% of their stake to the local black Zimbabweans. The Indigenisation policy had serious repercussions on foreign investors into manufacturing. The existing foreign investors in manufacturing are forced by such laws to delay investment in new machinery and injection of additional capital for fear of losing their investments. The post-conflict recovery era from 2009 began with the three major political parties joining hands- ZANU PF, MDC-T, and MDC-M. When the Government of National Unity (GNU) was formed in 2009, there was great relief in the economy as evidenced by the sudden emergence of locally manufactured products on the market. However, the recovery of the manufacturing sector continues to be sluggish. After the adoption of the multi-currency regime in 2009, inflation was tamed since the troublesome Zimbabwe Dollar was phased out as a legal tender. It was during this period that the Short Term Emergency Recovery Programmes (STERP I and II) were introduced to get the economy running again.

Hyperinflation has been noted as an abnormal phenomenon which leads to an economy's complete meltdown, resulting in loss of a national currency (Guerrero and Parker, 2006). During unstable moments, the normal planning activities of firms are disrupted and firms may be forced to come up with stringent strategies to adapt to the turbulent environment. Hyperinflation has been seen as having a disruptive tendency as it fuels confusion and panic. A study on Brazil, Argentina and Bolivia's hyperinflation cases by Swanson (1989) revealed that most of the corporate executives were forced to revamp and reinvent their planning processes and business focuses due to the skyrocketing prices. Nyanga et al. (2013) argue that true entrepreneurs should acquaint themselves with the technological, economic, political and social environments during times of economic pandemonium in order to change threats into opportunities. Under such conditions firms find it increasingly difficult to locate reliable suppliers of materials (Siyakiya, 2014).

### **1.2.1 The Manufacturing Sector in Zimbabwe**

The CZI Annual Manufacturing Survey (2013) as well as Gadzikwa (2013) note that the manufacturing sector in Zimbabwe is in a serious crisis. The capacity utilisation had reached an alarmingly catastrophic level of below 10% in 2008. After the adoption of the multiple currency regime, capacity utilisation started to increase such that in 2011 it was 57.2%. Capacity utilisation dropped from a high of 57.2% in 2011 to 39.6% in 2013, with the Leather and Allied products sector operating at below 25% and the Plastics manufacturers having the largest decline in capacity utilisation level of 12.5% (RBZ, 2014). Only 3% of the manufacturing firms in Zimbabwe operated at full capacity utilisation. From 2006 no company operated at 100% capacity utilisation. The recent CZI manufacturing firms' survey which gathered data from CEOs of both CZI and non-CZI members, shows that the weighted capacity utilisation dropped by 2.2% from 36.5% to 34.3% in 2015. The main causes of the drop in capacity utilisation have remained the same.

The manufacturing sector export sales continued at a depressed rate of 15% of the total sales and Zambia being the chief destination. South Africa continues to pour in the largest amount of imports followed by China, India and Brazil which compete with local firms. Gadzikwa (2013) notes that the playing field is not even for local firms across the value chain. Local manufacturing firms that used to produce secondary goods have been forced to close due to the de-industrialisation of the economy as a result of the cheap imports which are in the majority of cases substandard. The Zimbabwean manufacturing firms are confronted by very tight liquidity constraints, low domestic demand, firming of the locally used US Dollar against the South Africa Rand, negative inflation rate of -3.11%, high energy costs, high cost of finance, high local government charges, low capacity and poor infrastructure. These factors have led to a loss in external competitiveness rendering imports cheaper than domestically manufactured goods (CZI, 2015). This situation has resulted in a \$3.1 billion current account deficit as demand for imports increased against dwindling exports.

The low national demand has been necessitated by the high unemployment rate rendering the populace poor without disposable income. The high unemployment rate of 90% (Gadzikwa, 2013) has been fuelled by increased retrenchments and nose-diving capacity utilisation levels in the manufacturing firms. The national trade deficit continues as a result of one-way trade because the local industry is hand-capped by the high costs which cannot be added into the price in light of foreign competition. The importation of finished sub-standard goods in an economy with very porous border controls by ZIMRA continues to fuel the challenges that local manufacturing firms face in light of foreign competition. More so, this challenge is worsened by goods manufactured abroad which are packaged/ repackaged in the SADC region in order to benefit from the SADC/ COMESA trade arrangements within the region (Gadzikwa, 2013).

The Zimbabwe Investment Authority (ZIA) (2014) noted that the manufacturing sector in Zimbabwe used to produce over 6000 commodities from a wide variety of sectors. The textile industry has seen a sudden plunge due to technological breakthroughs making it very difficult for the local firms to compete with players from the Far East. Zimbabwe Investment Authority (2014) has also noted that about 3.4 million pairs of shoes are imported from China annually which are supposed to be charged 40% duty, plus \$5/pair and 15% VAT, making \$7/pair the minimum retail price. Surprisingly enough, Chinese shoes are sold at an average price of \$1.50/pair. The question is, 'How is this possible?' Another example is that of imported meat and dairy products from South America and Europe. These food products are being sold at below legal landed costs. Poultry, for example, is supposed to be sold at a price between \$2.80 - \$3/kg, but is being sold at \$2.50. In the Pharmaceutical sector, the challenge is compounded by the exemption of drugs from duty and VAT through the provisions of the Statutory Instrument (SI) 220 of 2000. All this is against the back drop where local manufacturing firms are charged about 40% duty plus 15% VAT on all imported packaging and raw materials. This effectively renders locally manufactured drugs more costly compared to imports. These unfair practices cause the playing field to be uneven, thus exposing many local firms to total collapse. Reserve Bank of Zimbabwe (2014) noted that due to the pressing economic environment, some firms have stopped operations due to viability constraints resulting in substantial job losses. According to the EMCOZ (2013), a total of 4007 employees were retrenched in 2012 alone, and a total of 37 large manufacturing firms were placed under judicial management in 2013 alone!

### **1.3 PROBLEM STATEMENT**

The manufacturing sector in Zimbabwe was considered one of the giants in Southern Africa because of the status it gained at independence in 1980 (Siyakiya, 2014). The Volume of Manufacturing Index (VMI) has, however, followed a continuous downward trend since 2002. During the pre-hyperinflationary era from 2002, Zimbabwe is believed to have lost investments worth \$444 million (Damiyano et al., 2012). This, according to Damiyano et al. (2012), resulted in approximately 90% of the working population being made redundant. It is well documented that large and small firms alike, who used to absorb tens of thousands of employees, are closing down at an alarming rate and some are on the verge of collapse (Nyamwanza, 2013; UNDP, 2010). The *Zimbabwe Independent* of 18 October 2013 noted that a total of 711 large firms had closed by July 2013, rendering 8 336 Zimbabweans jobless in Harare alone. CZI (2014) observed that the de-industrialisation has reached catastrophic levels posing a significant threat to the manufacturing sector. The rate of new entrants into the manufacturing sector has been quite encouraging until the late 1990s; however, the exit door has of late frequently experienced stampede.

Despite the decade long period of hyper-turbulence, some firms continue to excel, riding upon the tides of success, while others have prolonged their stay in the survival mode and worse still, others are

now history. The same environmental context characterised by fierce competition, low domestic demand, unfavourable government, technological changes, liquidity constraints and drying up lines of credit, has other firms like Delta Beverages, Innscor, Lobels, Econet Wireless and Old Mutual, doing very well. What is it that distinguishes superior performers and prevents them from falling off the edge of chaos at a time when others are shutting down? Daft (2011) argues that superior performance of an organisation hardly occurs by mere luck but rather hinges upon the different choices that leaders make.

The contemporary business operating environment has become dynamic and complex, thus presenting unique decision-making challenges so that policy interventions alone could not help manufacturing firms to thrive (Nyamwanza, 2014; Daft, 2011). Policy interventions have achieved minimal or adverse results for business and hence businesses have to strategise in such a life-threatening environment. Despite the numerous blueprints, the government of Zimbabwe has crafted in an effort to revive and revamp the manufacturing sector (like DiMAF, ZETREF, and even the current ZimASSET), it remains distressed. Even at regional level, SADC and COMESA Trade protocols have just helped to create serious pressure for the local manufacturing firms. In light of the contemporary dynamic business operating environment which provides very minimal inspiration, Strategic Planning is therefore seen as playing a key role in the success of manufacturing firms. Individual firms have to chart their way forward and navigate the troubled waters in-order to survive and prosper. According to Hoggetts and Kuratko (2001), Strategic Planning is crucial in an organisation for it contributes to organisational performance by creating relevant facts which enhance a greater appreciation of the environment and thus reducing uncertainty. Manufacturing firms must strategically develop themselves so as to remain competitive, grow and excel in the contemporary dynamic business environment.

While it is true that the model developed by scholars like Wheelen and Hunger (2012) is widely accepted, the model's application has been investigated in the developed stable economies like the UK, the USA, Austria, Japan and Canada. Inasmuch as it would be desirable to have a universal model or practice of Strategic Planning, it may not be practically possible due to continental, national, or regional influences. This heterogeneity makes the wholesale adoption of Western developed theories and methodologies difficult since they are not equally effective at addressing the strategy agenda for emerging and developing economies. The Strategic Planning model was developed in the West, by the West, about the West and for the West (Feather, 1993 in Bond, 2001). There is therefore now a need to challenge and confront conventional wisdom. Emerging and developing economies present significant departures from the assumptions underlying the models developed in the Western world (Burgess and Steenkamp, 2006). The emerging and developing markets provide a new context, fertile ground or natural laboratories to develop new constructs in which to understand the practice and outcomes of Strategic Planning. The prevailing environmental uncertainties, high levels of

government involvement, lack of developed factor markets and institutional constraints, have a bearing on the applicability of strategic options developed in the mature economies. There is therefore an urgent need to address this imbalance in the body of knowledge by developing new Strategic Planning theoretical perspectives compatible with the unique developing markets.

#### **1.4 AIM OF THE STUDY**

The study aims to find out how widespread the practice of Strategic Planning is in the manufacturing sector in Zimbabwe. In light of the turbulent general macro-economic environment prevailing, the study sought to investigate how Strategic Planning practices are being performed in the firms. Is the practice of Strategic Planning possible under turbulent conditions in a broken down economy? The study also aims to develop a model compatible with the turbulent environment. Specifically, the study sought to investigate the Environmental Scanning practices of manufacturing firms, and how these firms engage in Strategy Formulation, Strategy Implementation and Strategy Evaluation and Control. Moreover, in light of the hyper-turbulent macro-economic environment, the study also sought to ascertain the main approaches to Strategic Planning being used, and whether it is the normative or emergent approach to Strategic Planning. How are strategies formed or adapted in manufacturing firms in Zimbabwe through the decision making processes and actions of organisational members? Overall, the study also aimed to find out the relationship between Strategic Planning and performance in such troubled environments. Finally, this study aimed to encourage the executives in manufacturing sector to use strategic planning initiatives and hence aid in building companies that will be able to cope with change. If manufacturing firms formulate relevant, effective strategies and implement them correctly, they can contribute significantly to economic development of Zimbabwe.

#### **1.5 RESEARCH OBJECTIVES**

The study was motivated by the desire to investigate the Strategic Planning practices of firms operating in a turbulent, developing Zimbabwean environment. Specifically, the study was guided by the following objectives;

1. To understand how environmental analysis is conducted in the manufacturing sector in Zimbabwe.
2. To determine the strategy formulation processes employed in the manufacturing sector in Zimbabwe.
3. To investigate the implementation of strategies in the manufacturing sector in Zimbabwe.
4. To understand the evaluation and control methods used in the manufacturing sector in Zimbabwe.
5. To investigate the value of Strategic Planning to manufacturing firms operating in Zimbabwe.



## **1.6 RESEARCH QUESTIONS**

The following research questions emerged as key to this study:

1. How do manufacturing firms in Zimbabwe conduct their environmental analysis?
2. Which strategy formulation processes are employed by manufacturing firms in Zimbabwe?
3. How do manufacturing firms in Zimbabwe implement strategies?
4. How are strategies evaluated and controlled in the manufacturing sector in Zimbabwe?
5. What is the value of Strategic Planning to manufacturing firms operating in Zimbabwe?

## **1.7 JUSTIFICATION OF THE STUDY**

This study is important as it seeks to investigate the strategic planning practices of firms operating in a turbulent, developing Zimbabwean environment. The empirical research context, Zimbabwe, with its extreme inflationary outlook, could be described as a typical hyper-velocity environment. In this regard the adopted research context is not unique, it is quintessentially a ‘moving laboratory’ that provides opportunities to examining strategic planning practices and their resultant impact on firm performance. Additionally, the literature on strategic planning from an African perspective is limited, and the challenges are also unique. This thesis is therefore timely as it has the potential to extend our understanding of the salient variables and potential influence on firm performance in a very volatile environment. This study therefore aims to relate to some of the challenges facing firms operating in a turbulent, developing environment in the African context. Therefore the understudied phenomenon becomes precisely topical for research.

The study contributes to the need of understanding strategic planning processes and makes recommendations for consideration by manufacturing firms, practitioners, scholars and policy makers. A new model to refocus for improved and contextual strategic planning process is also considered in this study. Strategy researchers, practitioners and stakeholders will benefit from the learning of strategic planning for manufacturing firms. The model developed will enable scholars for further study and for managers as a ready to adopt tool. Moreover, the development of the strategic planning model compatible with hyper-volatile emerging markets makes the original contribution to the field of knowledge. The study contributes to knowledge on strategic management process including environmental scanning in the manufacturing sector and contributes to new strategies and innovations for continuous improvements in strategy and planning tools for both large and SME manufacturing firms.

Moreover, this study contributes to the body of knowledge for continuous improvements in strategic planning process in the African context and the international platform at large. The current study is imperative as little is known about the SP processes and the model application in the manufacturing

sector of a hyper-turbulent Zimbabwean developing economy. Studies in the area of strategic planning which have focused on manufacturing sector in particular, are scarce in general and more so in this geographical context, hence this study fills the much needed-gap. This study is also of significance as it identifies the challenges of strategic planning in terms of effectiveness and for enhancing the firm's performance which is important for both the organisation and the economy to succeed and grow. The results of the study are firmly rooted in the sphere of strategic planning for achievement of economic and overall goals of the firm. The findings from this study are useful to organisations embarking on strategic planning process and manufacturing sector development.

Other than addressing the historical downward slide of manufacturing firms in Zimbabwe, this study's significance lies in its findings which will greatly benefit both large and SME manufacturing firms, policy-makers and other strategy researchers. This study aims to encourage the executives in manufacturing firms to use Strategic Planning initiatives and hence aid in building companies that will be able to cope with change. If manufacturing firms formulate relevant, effective strategies and implement them correctly, they can contribute significantly to economic development of Zimbabwe. This study is crucial to private sector firms, policy-makers, scholars and students alike for it contributes to the existing body of knowledge on the Strategic Planning of manufacturing firms in developing turbulent environments and Zimbabwe particularly.

### **1.7.1 Importance of the Manufacturing Sector**

A number of scholarly articles have investigated the importance of the manufacturing sector in an economy. During the 17<sup>th</sup> Century Industrial Revolution, the lives of Britons greatly improved due to the availability of goods produced cheaply (Siyakiya, 2014). The manufacturing sector is indispensable in any economy as it is the backbone of development and economic growth, given its linkages with other sectors of the economy (Thirlwall, 1983; Kaldor, 1995). Kaldor (1995) found a positive correlation between a country's manufacturing base and GDP increases. Countries with high growth rates in the manufacturing sector have the highest overall economic growth. If the manufacturing sector is disturbed, one can be sure that other sectors of the economy like services and agriculture will be influenced. A country will also suffer from reduced BOP and high unemployment rates (Siyakiya, 2014). This position appears very true for Zimbabwe as the economic woes worsened during the hyperinflationary period, when capacity utilization rate dropped to below 10% in 2008 from an average of 75% before the hyperinflation period (CZI, 2009). The disturbance in the manufacturing sector had an impact on the downstream and upstream firms in other sectors of the economy.

Siyakiya (2014) observes that the manufacturing sector is an important development source in most economies. However, the overall GDP contribution of the manufacturing sector declined between

2007 and 2009 in Zimbabwe. Chiripanhura (2010) argued that Zimbabwe's manufacturing sector managed to make 25% contributions to GDP after independence because the sector drew its strength from the colonial era when the country devised policies to safeguard the economic embargo imposed on the country during the UDI era. The ILO (1993) as well as the World Bank (1995) noted that Zimbabwe's manufacturing sector was, according to African standards, one of the most diversified and largest in the 1970s to early 1980s in Sub-Saharan Africa. Zimbabwe's manufacturing sector was rated second in terms of GDP contribution and employment creation between 1980 and 1990. The manufacturing sector in Zimbabwe contributed 50% of the total export earnings. According to the CZI Survey (2007), the manufacturing sector made a significant contribution to GDP and foreign currency earnings, attracting new investment opportunities and creating new employment. The survey also noted that the manufacturing sector remained the greatest contributor to Zimbabwe's earnings until 2006. Unarguably, the manufacturing sector has been one of the key driving forces of Zimbabwe's economic growth since the end of the armed struggle in 1980.

### **1.7.2 The importance of the SME sector**

The SME sector has been widely acknowledged as important in the vitality of modern economies in innovation and creation of employment. In view of the high failure rate of the SME sector, it is therefore important for scholarly research to focus more on what should be done to ensure survival of the SMEs and enhance their performance. Strategic Planning has been noted as one such key organisational aspect that influences organisational performance. The study aims to help in enhancing the understanding of managers in Zimbabwe's manufacturing firms, thus contributing to the improvement of the performance of the firms through embracing appropriate Strategic Planning approaches.

The government's Indigenisation and Empowerment programmes have led to the birth and mushrooming of numerous Small-to-Medium Enterprises (SMEs) dotted around Zimbabwe. Current government efforts are directed at strengthening and transforming the SME sector into the nerve centre for Zimbabwe's economic growth (UNDP, 2010). This comes from the realisation that this sector occupies a critical and strategic position in revamping the ailing economy. The role that the SMEs play in economic development can never be underestimated. However, recent research findings show that SME performance has continued to be marginal in Zimbabwe (Nyamwanza, 2013). Businesses have to be rescued from the current situation. Strategic Planning is the way to go for Zimbabwean SMEs if they are to adapt, survive and minimise the effects of the adverse operating environment. Strategic initiatives have been noted as helpful in assisting SMEs to navigate the turbulent environments (Bracker et al., 1998; Litvak, 1992). Sexton and Van Auken (1985) found SMEs practising Strategic Planning with very minimal failure rates compared to those that do not.

Some noted that Strategic Planning gives SMEs a competitive advantage (Michalisk et al., 1997), while others found that organisational growth can easily be attained in SMEs with formal Strategic Planning (Veskaistri et al., 2007) and facilitates survival (Mc Kiernan and Morris, 1994). This study seeks to find out the nature and effectiveness of Strategic Planning practises in SMEs operating under uncertain conditions and also investigates what they must do to survive and adapt to the turbulent environment.

### **1.7.3 The uniqueness of Emerging and Developing Markets**

The numerous incompatibilities of the existing western developed theories to the emerging market contexts include Agency Theory (AT), Resource Based Theory (RBT), and Institutional Theory (IT). Jensen and Meckling (1976) argued that the applicability problems of the AT in the emerging markets relates to the weak institutional infrastructures emanating from political and economic uncertainties and the absence of market based management skills. More so, Meyer and Peng (2004); Barney et al. (2001) have noted that the contemporary emerging markets organisations continue to experience unparalleled resource scarcities and obsolescing of some key competitive resources under the former institutional arrangements. The current study is important for it will go a long way in addressing three key issues.

Firstly, little is known about the model's application in the manufacturing sector of a hyper-turbulent Zimbabwean developing economy. Despite all the recent research efforts on the Strategic Planning processes in developing countries (Falshaw and Glaister, 2005; Elbana, 2009; Ugboro et al, 2010; Nyamwanza, 2013), from the literature reviewed, none has attempted to uncover the practice of Strategic Planning in the context of manufacturing firms in Zimbabwe. Secondly, this study will ultimately develop a model scholars studying and managers practising Strategic Planning can use in turbulent developing environments. Finally, the research will provide guidance to strategists and Strategic Planning practitioners intending to design Strategic Planning systems and processes that are effective as tools to navigate uncertain turbulent environments of developing markets.

## **1.8 DELIMITATIONS OF THE STUDY**

The researcher gathered data from managers in both large and SME manufacturing firms operating in Zimbabwe. The study focused on the manufacturing firms since they have been seen as the engine that drove the Zimbabwean economy successfully until the last one and half decades. The choice of both large and SME firms was prompted by the need to do comparisons and also due to the dwindling number of large manufacturing firms in Zimbabwe. Moreover, the sample under investigation is made up of firms from different sectors in the manufacturing industry so that the impact of the sectors on

the practice of Strategic Planning may be isolated. Such an approach of including firms of different sizes and from different sectors will enhance the ability to generalize the findings of the study.

Senior executives were chosen as they have a much broader, eagle's view of the management of the firms and they are the ones who sit in key company meetings which influence the direction of the companies. Moreover, they have more experience in management, and are more seasoned, experienced and hands-on when it comes to management issues. Middle and junior managers have an indispensable role in the Strategic Planning initiatives of the firms as they are the ones charged with Strategy Implementation. Moreover, numerous scholarly articles have recommended that their views and contributions should be carried along from Strategy Formulation up until the end. The sample of manufacturing firms was picked from Harare, the capital city, as most of the manufacturing firms are headquartered there. The study covered the period from 2015 to 2017.

## **1.9 PERSONAL MOTIVATION**

As the researcher, I gained the inspiration and motivation to undertake a study on Strategic Planning practices from personal, practical and theoretical sources. Ever since the time of my undergraduate Strategic Management (SM) courses, my interest in Strategy Management grew significantly, to the extent that I suspected that there is much knowledge that has to be explored beyond what was learnt in class at that time. This then influenced the decision to pursue a Masters Degree in Strategic Management. I somehow found myself trapped in a snare difficult to breakout of, as I spent much time meditating on Strategy Management concepts. Moreover, as a Bindura University lecturer in the Faculty of Commerce, my publications have been focusing on Strategic Management (SM) issues. As a sequel to such publications, my colleagues have engaged me academically to debate Strategic Planning concepts. Practically, through community engagement, real life strategic challenges have been presented to us, to craft survival and turnaround strategies for some of the firms operating in Zimbabwe.

I was puzzled by the continued closure of hundreds of firms annually when it is an open secret that Zimbabwe has a highly skilled and competent workforce. It has been widely held that Zimbabweans are good at Strategy Formulation (Dandira, 2011). As a researcher, I really desired to look inside this situation to uncover the exact missing link and reasons for such an undesirable state of affairs. Is it that Strategic Planning has completely failed in these firms or has been neglected or sidelined? Still, other firms are excelling; I asked, what is it that they are doing that is not done in other firms? How are they managing their enterprises so that they can defy all odds?

More so, as I have been reading through the Strategy Management literature, I noted that the debate on Strategic Planning is still on-going and strong. A number of issues remain puzzling in the Strategic

Planning literature. The rational versus emergent school of thought; the best approaches to Strategic Planning, Strategy Implementation and Strategy Evaluation and Control, are areas still not agreed upon. Worse still, the debate on the relationship between formal Strategic Planning and firm performance is in full force. The study was motivated by the need to closely look at the exact nature and value of Strategic Planning practices in the uncertain developing world context. Moreover, the Strategic Planning models (for example, the one by Wheelen and Hunger, 2012) have, as mentioned, been developed in the West, for the West and by the West. I wanted to see if these Western developed models are fully applicable in the context of the turbulent developing world. If not, then my goal was to start to work on an applicable model for the developing world.

## **1.10 STRUCTURE OF THE THESIS**

This thesis is an investigation of the Strategic Planning practices of manufacturing firms in Zimbabwe. The study was premised on the Strategic Planning Model by Wheelen and Hunger (2012). The model has four building blocks i.e. Environmental Scanning, Strategy Formulation, Strategy Implementation, and Strategy Evaluation and Control. Since the first three elements are very broad, they were allocated a chapter each. The other chapters covered the methodology, data analysis, and then discussion and conclusions. To accomplish the study's aims in an effective and orderly manner, the thesis was structured as follows:

### **Chapter 1**

The opening chapter is an introductory chapter meant to expose the research problem at hand. The chapter opens with the key concepts under investigation, the background to the study, statement of the problem, study aims, together with the research objectives and questions. The justification for the current study is also given, as well as the delimitation, assumptions and personal motivation.

### **Chapter 2**

The second chapter covers the literature review on Environmental Scanning. Environmental scanning is the first objective of the study as it aimed to investigate the Environmental Scanning practices of manufacturing firms operating in Zimbabwe. The chapter looks at environmental scanning issues like scanning modes, frequencies, information sources, the relationship between Competitive Intelligence Acquisition and the Perceived Environmental Uncertainty. The chapter ends by considering the impact of increased turbulence on Strategic Planning practices and also investigating the link between Environmental Scanning and a number of variables like firm size, Strategic Planning, Strategic Planning formality, and firm performance.

### **Chapter 3**

The whole of Chapter Three is devoted to Strategy Formulation. Issues surrounding strategy, its evolution, approaches, levels and other related issues like the Industry-Structure, the Resource Based View and contemporary matters beyond Porter, are all reviewed. The crafting of vision statements, objectives, strategies using the SWOT Model and strategic plans form the last section of the chapter.

### **Chapter 4**

The most problematic area in the Strategic Planning process, Strategy Implementation, is covered in chapter 4. An overview of Strategy Implementation and a discussion of the existing Strategy Implementation Models are presented. The chapter also covers the barriers to effective Strategy Implementation together with the strategies designed to overcome them. Performance measurement, control measures and the Balanced Score Card conclude the chapter.

### **Chapter 5**

The fifth chapter brings the four pillars of the Strategic Planning process into perspective. The chapter opens with an overview of the Strategic Planning process and then discusses the relationship between Strategic Planning and a number of independent variables like firm factors, environmental factors, managerial factors and the industry-sector influences. The chapter ends with the presentation on the proposed Strategic Planning Model in a turbulent environment and the mathematical model underpinning the Strategic Planning Intensity-Performance relationship.

### **Chapter 6**

Chapter 6 is on Methodology. The chapter covers a number of issues like the research philosophy, approach, type and design. The sampling design together with the data collection technique issues and the research variables are also discussed. The chapter ends with a brief discussion of how data was analysed and the ethical issues involved in the study.

### **Chapter 7**

Descriptive and inferential data analyses are covered in Chapter 7. The descriptive data related to the background characteristics of both the respondents and the manufacturing firms, Strategy Formulation, Strategy Implementation, Strategy Evaluation and Control, and Environmental Scanning issues. A number of relationships, associations, links, and impacts between two or more variables were investigated and analysed using inferential statistics like chi-square, t-tests, regression and correlation.

## **Chapter 8**

The final chapter starts by reviewing the discussion of the findings and the conclusions. Discussion of the findings is offered in light of existing empirical evidence and theoretical underpinnings embedded in the existing Strategic Planning literature. The study also makes recommendations concerning further research and also directs comment to practising managers.

### **1.11 CHAPTER SUMMARY**

The first chapter was an introductory chapter. The chapter opened by a look at the key concepts underpinning the study, the background to the study, statement of the problem, the aim of the study and its justification. The importance of both the manufacturing sector and the SMEs sector to the economy were both looked at together with the uniqueness of the emerging economies. The research objectives, research questions, delimitations, assumptions and the limitations of the study were also presented. The last section of the chapter offered the researcher's personal motivation in pursuing this research. The next chapter will cover literature review on Environmental Scanning. Environmental Scanning generates useful information which feeds into strategy formulation.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **ENVIRONMENTAL ANALYSIS**

##### **2.0 INTRODUCTION**

The previous chapter was introductory and laid down the foundation upon which the entire study is premised. The current chapter reviews the literature on Environmental Scanning practices. The first section of the chapter opens with a look at issues to do with the general and task environment, the scanning modes, scanning frequencies, and sources of information. Literature relating to the relationship between Environmental Scanning and firm size, Strategic Planning, and firm performance, follows. The final section of the chapter looks at the impact of increased environmental turbulence on Strategic Planning together with a review of Industry Structure as well as the Strengths Weaknesses Opportunities and Threats (SWOT) Analysis.

##### **2.1 THE ENVIRONMENT AND PERCEIVED UNCERTAINTY**

Numerous scholars (Aldehayyat, 2015; Haase and Franco, 2011; Kourteli, 2000; May et al., 2000) have observed that the contemporary business operating environment has become increasingly uncertain, non-linear, turbulent and complex. The large scale changes in the environment may result in maladjustment with the prevailing conditions (May et al., 2000). In-order for contemporary business organisations to maximise their chances of survival, they should be able to predict changes in their external environments and utilise this information in strategy formulation (Aldehayyat, 2015; Franco et al., 2011; Zhang, et al., 2011; Ngamkroekjoti and Speece, 2008; Saxby et al., 2002). The environment is an information pool and firms are viewed as unitary rational actors (Elenkov, 1997) deriving competitive advantage from important sectors' information (Aldehayyat, 2015; Elenkov, 1997; Dutton and Freedman, 1984; Pfeffer and Salanak, 1984). A firm which is able to identify and quickly adjust to changes in the environment well ahead of rivals will enjoy competitive advantage (Wheelen and Hunger, 2013). Management's ability to identify and understand external strategic factors vary from firm to firm and explains why other firms are better able to adapt to the environment than others (Wheelen and Hunger, 2013).

As far back as 1972, Duncan observed that a firm's environment involves the relevant social and physical elements beyond the organisation's boundary and are taken into account when making with decisions. Elenkov (1997) argued that to study the influence of environmental scanning behaviour, the

various environmental sectors must first be categorised. There are two classifications of the firm's external environment: the general environment and the specific/task environment (Aldehayyat, 2015; Wheelen and Hunger, 2013; Lynch, 2012; Zhang et al., 2011; Okumus, 2004; Ma, et al., 2000; Elenkov, 1997). The specific environment, is much closer to the firm, and has direct contact with the firm and suppliers, customers and competitors (Wheelen and Hunger, 2013; Elenkov, 1997). Industry analysis involves an in-depth analysis of the main elements in a firm's task environment. The general environment has been viewed as composed of those forces without a direct bearing on the operations of the firm and includes such forces as Political, Economic, Socio-Cultural, Technological, Legal, Ecological and Global (PESTELG) factors (Wheelen and Hunger, 2013; May et al., 2000; Ngamkroeckjoti and Johri, 2000; Elenkov, 1997). These sectors have an individual influence on the vision, mission, decision making, performance and actions pursued by an organisation (Ngamkroeckjoti and Johri, 2000). Wheelen and Hunger (2013) argue that these external environmental variables have to be closely monitored in order to ascertain the future strategic factors likely to have a strong bearing on firm success or failure. The environment poses both challenges and opportunities to a firm (Wheelen and Hunger, 2013; Temtime, 2004).

Elenkov (1997) has observed that the environment is taken for granted as a major source of uncertainty for managers. Environmental uncertainty relates to technological uncertainty, resource uncertainty and marketing environment uncertainties (Ngamkroeckjot et al., 2005; Moorman and Miner, 1997). The basis for corrective strategic action is problem sensing by management, which is made up of noticing, interpreting and incorporating environmental stimuli (May et al., 2000). The study by Bourgeois (1985) provides concrete evidence showing that the closer the alignment between true volatility and perceived environmental uncertainty of managers, the greater the firm's economic performance. Absence of an alignment between the firm's environment and its structure and strategy, may result in a drop in performance and the surfacing of other challenges in the organisation (Aldehayatt, 2015; Weick, 1987; Lindsay and Rue, 1980).

Calof and Wright (2008) noted that the process of Environmental Scanning is the Competitive Intelligence (CI) predecessor, which is concerned with information gathering. Competitive Intelligence can be seen as both a product and a process. Competitive Intelligence includes the ethical and legal approaches for gathering, developing, analysing and communicating information which can be auctioned relating to customers, suppliers, competitors, business itself and the entire business environment which affects the firm's operations, decisions and plans (Yap et al., 2011). As a product, Competitive Intelligence involves information relating to the current and future behavioural ways of government, suppliers, customers, competitors, market, the general business and technological environment. The overall objective of the Competitive Intelligence initiative is to assist in better decision-making which results in actions. Other terms which are used synonymously with Competitive Intelligence include strategic intelligence, marketing intelligence, competitor intelligence

and corporate intelligence (Yap et al., 2011). Most organisations have established formal Competitive Intelligence departments out of the desire to systematically gather and analyse intelligence from both the external and internal environments. While it is true that empirical evidence exists on the Competitive Intelligence studies in the developed world, it is still very limited in the developing world especially Zimbabwe. As a consequence, this current academic effort aims to investigate the contemporary Competitive Intelligence practices of Zimbabwean firms.

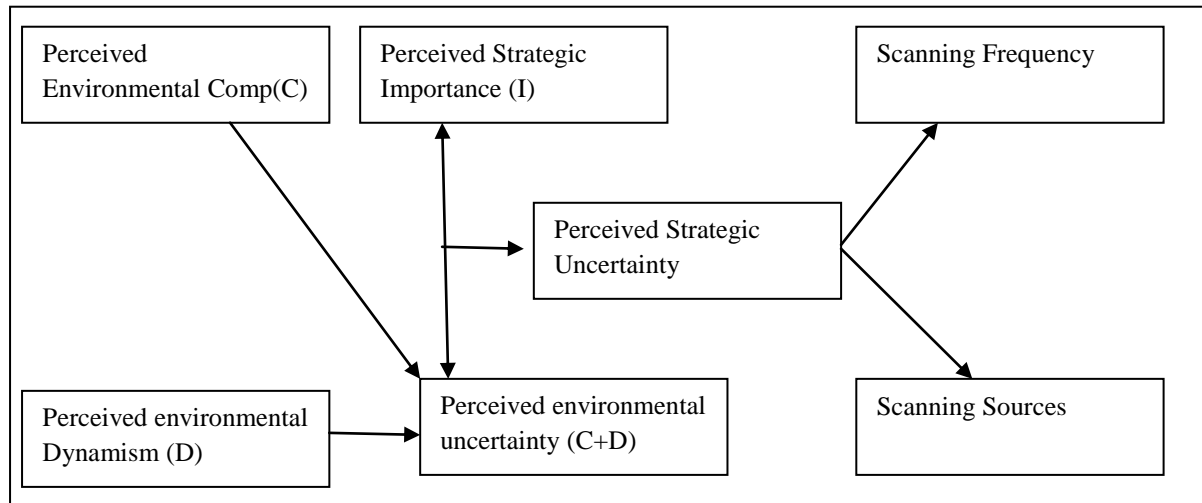
The Information Processing Theory (IPT) attempts to demonstrate and forecast how stimuli is perceived, given meaning, stored and retrieved and how information is sent, judgements generated and problems solved (Larkey and Sproull, 1984). Uncertainty in the environment has been noted as increasing the managers' need for information processing as they must identify external opportunities and threats, and pursue necessary courses of action and structural adaptations (Daft et al., 1998; Hambrick, 1982). According to the organisational theory perspective, the decision-making process comprises environmental information search and making the correct choice (Simon, 1976). Choo (2002) observed that managers are not always presented with challenges to solve or even the alternative solutions for them to select from. Decision-makers must actively identify problems, do solution searches and develop methods for generating and evaluating alternatives. This means that decision-makers have the role of searching for information which is not readily available. The decision-makers' failure to recognise change that turns out to be important or if they misinterpret the changes in their environment, may lead to failure to make the required adjustments to the strategy or structure of the organisation (Elenkov, 1997; Weick, 1987; Lindsay and Rue, 1980). As early as 1985, Bourgeois provided evidence showing that the greater fit between the managers' Perceived Environmental Uncertainty and true volatility in the environment, the higher the organisation's financial performance.

The study by Miles, Snow and Pfeffer shows that managers respond to elements/trends they perceive. What the firm scans is a picture of the part of the environment it notices (Saxby et al., 2002; Jennings and Lumpkin, 1992). As a consequence, strategic actions depend upon managerial perceptions and interpretations of the environment (Elenkov, 1997; Schneider and De Meyer, 1991). Managerial perceptions are subject to a number of distortions and biases (Kahneman and Tversky, 2000). Studies by Miller (1993) and Hambrick and Mason (1984) show that perceptions are influenced by several levels of analysis, like individual personality, group dynamics and the environmental context. Wheelen and Hunger (2013) concur with previous thoughts when they noted that factors like personal values, success of existing strategies and functional experiences of managers are all likely to influence what managers perceive as important to monitor, and their likely interpretations of the perceptions. The perceived environmental uncertainty reflects a manager's ability to perceive or predict the firm's environment (Temitime, 2004; Milliken, 1987). May et al., (2000) as well as Gilbraith (1977) define Perceived Environmental Uncertainty (PEU) as the difference that exists between the quantity of

required information to execute the assignment and the existing quantity of information. Perceived Environmental Uncertainty occurs when managers are not sure that they really comprehend the major trends or events in the environment or when they feel they are not able to correctly assign estimates to the chances of occurrence of a particular event or changes (Miliken, 1987), due to complexity and fast-paced changes (May et al., 2000).

Left alone, Perceived Environmental Uncertainty (dynamism and complexity) does not lead to scanning behaviour because decision-makers may not be interested in it, unless the events in the external environment are seen as very crucial to firm performance (Temtime, 2004; Elenkov, 1997). Dynamism has to do with the rate of changes that take place in the environment (Temtime, 2004). When dynamism is too high, decision-makers fail to have accurate information about the trends and events which will be shifting rapidly. As the rate of change increases, perceived uncertainty of the sector also increases. Duncan (1972) had earlier discovered that as the level of dynamism and complexity in the sectors of the environment increase, the amount of Perceived Environmental Uncertainty increases. It is when Perceived Environmental Uncertainty is combined with sector importance that the need to scan selected environmental sectors by managers is generated (May et al., 2000; Elenkov, 1997; Daf, et al., 1988). Managers are able to perceive external trends and events through Environmental Scanning (Hambrick, 1982; Culnan, 1983) which helps to minimise strategic uncertainty (Elenkov, 1997). Strategic uncertainty shows the strategic value of information from the environment to organisational performance (Daft et al., 1988). Perceived Strategic Uncertainty is the main determinant of management's behaviour (Elenkov, 1997). Perceived Environmental Uncertainty and Perceived Strategic Importance (PSI) create perceived strategic uncertainty (PSU) for managers, leading to scanning the events in the sectors selected (Hambrick, 1983). A model of scanning behaviour is shown in Fig. 2.1 below.

**Figure 2.1: A Model of Scanning Behaviour**



*Source: Temtime (2004)*

Empirical evidence that investigated the relationship between information processing activities and environmental uncertainty is found in the existing body of knowledge (Yap et al., 2011). Scholars like Daft et al. (1998) investigated the link between environmental uncertainty and Environmental Scanning behaviour. Their article was the first to incorporate the strategic importance dimension in the operationalization of the environmental uncertainty construct. Daft et al. (1988) looked at the Environmental Scanning practices of 50 SME manufacturing firms and noted the task environment changing more rapidly and being more complicated than the general environment. As a result, the operating environment creates greater Perceived Strategic Uncertainty for senior managers. Their study also found the relationship between Perceived Strategic Uncertainty and both information sources and scanning frequency to be significant. In Canada, Auster and Choo (1994) found the technology and customer sectors to reflect the greatest Perceived Strategic Uncertainty. The study also showed the economic, customer and technological sectors being the most frequently scanned sectors in the environment. Their study failed to establish a significant relationship between the rate of change/ complexity and the firm's scanning behaviour. A similar study in Bulgaria by Elenkov (1997) investigated the relationship between Perceived Strategic Uncertainty and Environmental Scanning behaviours. The study found managers having a tendency of relying more on personal modes of scanning and they used external sources of information when Perceived Strategic Uncertainty increased. Elenkov (1997) failed to establish a relationship between Perceived Strategic Uncertainty and the frequency of scanning across all sectors of the environment.

In the US, the study by Subramanian, et al. (1993) found that the economic environment was ranked as the most important sector confronting the industries. Other studies (May and Stewart, 1998; Elenkov, 1997; Sawyerr 1993) found no significant difference in terms of Perceived Strategic Uncertainty between the task and general environmental sectors. Scholars like Boyd and Fulk (1996);

Milliken (1987) have argued that the Perceived Strategic Uncertainty construct must be dismantled or disaggregated so that individual components may be examined separately because they have unique scanning implications for the firm. However, the appropriateness of relying on this proposition has raised many questions since there are no other empirical tests that investigated strategic uncertainty using a disaggregated approach. It can be seen from the reviewed literature that the task environment was perceived to be more strategically uncertain than the general environment. When we consider the Zimbabwean situation, just like most developing countries, it can be noted that elements of the general environment tend to be talked about more. As result, there is need for empirical investigation to ascertain the exact relationship between the Perceived Strategic Uncertainty and Environmental Scanning behaviours in the Zimbabwean context.

## **2.2 ENVIRONMENTAL SCANNING**

Existing literature on Environmental Scanning dates back to over half a century (e.g. Aguilar, 1967; Etzion, 1967; Burns and Stalker, 1967). The literature has evolved from merely focusing on the systems large firms employed to examination of scanning practices under environmental contexts and to the relationship that exists between Environmental Scanning and firm performance (Wong and Hung, 2012). Subramanian et al. (1993) concluded that the bulk of earlier studies have been devoted at coming up with theoretical models of scanning and prove perspectives on the state-of-the-art scanning practices. Existing literature shows that Environmental Scanning is the starting point of Strategic Planning systems for it informs the strategies and direction the firm should take (Agyapong et al., 2012; Karami, 2012; Porter, 1980) and it represents the principal mechanism that ensures the firm's adaptation to the environment (Daft and Weick, 1984; Daft, 1981). Complexity in the operating environment has prompted the widespread increase in the interest in research on Environmental Scanning (Ngamkroeckjoti and Johri, 2000). Firms must possess the ability to forecast changes in the external environment and incorporate the signals in its strategy (Franco et al., 2011; Zhang et al., 2011).

Environmental Scanning is a search endeavour of acquiring useful and relevant information for managing the organisation (Aldehayyat, 2015; Wheelen and Hunger, 2013; Karan and Chen, 2010; May et al., 2000; Lester and Waters, 1989; Ghoshal, 1988), to minimise uncertainty (Fabbe-Costes et al., 2014). Environmental Scanning goes beyond acquisition of information on relationships, trends and events to the use of this environmental intelligence in the mapping of the organisation's future courses of action (Aldehayyat, 2015; Lester and Waters, 1989). Environmental Scanning provides the answers to the firm's quest to respond to changes in the environment. Karami (2012) and Agyapong et al. (2012) concur when they argued that the Environmental Scanning process involves soliciting, gathering and using business information pertaining to trends, events and external environmental changes to inform the future path to be pursued by the organisation. Under the contemporary complex

and volatile environments, Environmental Scanning assumes greater value (Fabbe-Costes et al. (2014) and organic processes become appropriate (Saxby et al., 2002). Environmental Scanning has a bearing on the design and the outcomes of the strategy at all levels in an organisation (Hax and Majluf, 1994). Several scholars (Wheelen and Hunger, 2013; Ngamkroeckjoti and Johri, 2000; Hax and Majluf, 1994; Thompson and Stricklan, 1992) observed that Environmental Scanning is usually done at the corporate level, with the business and functional levels charged with implementation. Top management scans the macro-environmental trends more often during periods of rapid change than in periods of stability (Saxby et al., 2002; Ngamkroeckjoti and Johri, 2000; Daft et al., 1988).

Despite the widely held importance of Environmental Scanning in organisations, research has shown few firms to have embraced a structured and systematic approach to Environmental Scanning (Subramanian et al., 1993). Scholars like Stubbart (1982) concluded that difficulties in implementing the scanning process is the chief cause. Ngamkroeckjotiet al. (2005) observed that managers must possess extensive understanding and skill of how to practically implement Environmental Scanning. Scanning implementation does not just include establishment of environmental monitoring procedures which are appropriate in gathering relevant and timely information, but also involves to the communication of this information to the appropriate users (Subramanian et al., 1993). Subramanian et al. (1993) argued that collecting 'relevant' information shows that the scanning effort is based on managers' subjective judgements of the Environmental Scanning function. Lynch (2012) argues that if elements in an organisation's environment are exceptionally turbulent, it is difficult to employ analytical techniques rendering future prediction difficult due to novelty and complexity.

There are divergent views on the scanning focus. On the one hand, scholars like Srinivasan et al., (2011) recommend an accurate, broad and thorough scanning in volatile and uncertain environments. On the other, theorists (Slaughter, 1999; Ahituv, et al., 1998; Prescott and Smith, 1989; Jain, 1984) suggest that scanning efforts should be focused and advocate for the use of lists of micro-environmental elements incorporating individual and collective cognitive perspectives and Porter's model to define the micro-environmental forces. Prior to any data collection, decisions must be made concerning the purpose, use and scope of information. Other scholars are of the view that broader scans may be proactive, provide greater knowledge of the environment and may allow or facilitate a better strategic fit (Subramanian et al., 1993). Ghoshal's (1988) study in Korea found Environmental Scanning practices of Korean and US managers to be similar.

May et al., (2000) observed that there is overwhelming evidence that Western organisational and environmental theories suffer from a very weak fit in the developing environmental contexts due to cultural differences affecting managerial perceptions of the environmental factors. Western developed theories require re-examination and refinement in the developing world context, especially where the level of environmental turbulence is too high due to the high degree of political and ideological

influences on business. Studies from the developed world replicated in the developing world produced conflicting results (Elenkov, 1997; Sawyerr, 1993). Moreover, the scanning systems have been observed as evolutionary as a function of the firm's Perceived Environmental Uncertainty (Daft et al., 1988; Jain, 1984). Consequently, contemporary studies must re-examine and update findings that have been explored in earlier studies to factor in learning dimensions and time (Subramanian et al., 1993).

Despite the numerous studies which have gone to greater lengths examining the Environmental Scanning practices of firms around the planet earth (Aldehayyat, 2015 in Jordan; Fabbe-Costes, 2014 in France; Barron et al., 2014, in the UK, France, and Sweden; Franco et al., 2011, and Costa and Teare, 2000, in Portugal; Ebrahimi, 2000, in Hong Kong; Stewart, 2008, in the USA and India; Kourteli, 2005, in Greece; Rouibah, 2003, in Kuwait; Analoui and Karami, 2002, in the UK), this area still remains an unexplored domain in the Sub-Saharan Africa region, and particularly Zimbabwe. Moreover, information on the Environmental Scanning practices of manufacturing firms in this region is scarce. To the best knowledge of the researcher, this current study is the first attempt to comprehensively study and document the Environmental Scanning practices of manufacturing firms in Zimbabwe. The focus of this study is unique in that the study is dealing with issues that have not been investigated before in the Zimbabwean context. Hence the study aims to fill this gap in the body of existing knowledge and also to shed new light relating to the empirical evidence on the nature and value of Environmental Scanning practices of firms operating in Zimbabwe.

## **2.3 THE PURPOSE OF ENVIRONMENTAL SCANNING**

Firms engage in Environmental Scanning for varied reasons ranging from minimising environmental uncertainty to coming up with effective response strategies aimed at enhancing corporate performance (Maheran et al., 2009). Wheelen and Hunger (2013) observed that Environmental Scanning aims at preventing strategic shocks and ensures that the long-term is sound. Environmental Scanning is conducted to isolate and pay a closer eye on the contemporary and potential trends which may result in business opportunities to be exploited or the threats that must be avoided or minimised (Aldehayyat, 2015; Saxby et al., 2002), thus resulting in better Strategic Planning results (Kor and Mesko, 2013). Further, Fabbe-Costes (2014) as well as Coulter (2013) observed that the Environmental Scanning effort is useful to the corporate strategists for it helps them to have an appreciation of the events taking place in the external environment so that they may be abreast of the changes in the environment and also map the future path to be pursued. Other scholars have found that strategic decision-making is enhanced by a thorough, insightful external Environmental Scanning effort (Bischoff et al., 2012; Haase and Franco, 2011) which enhances adaptation of organisations to their external environments (Aldehayyat, 2015; Ngamkroeckjoti et al., 2005). Environmental Scanning enhances a firm's understanding of the changes in the environment, its markets and the industry it operates in. Competitive intelligence prevents companies from assuming the risk of diving



into the market with eyes shut (Wheelen and Hunger, 2013). Competitive intelligence helps firms to build industry awareness and have the foundation upon which to build the Strategic Planning process. Recent US studies show that about 78% of the large US firms to engage in competitive intelligence activities (Wheelen and Hunger, 2013).

In rapidly changing environmental contexts, Costa (1995) observed that Environmental Scanning helps the organisation in various ways including;

- i) Helps the organisation to grab opportunities early and enjoy the first mover advantages.
- ii) Provides useful information of the changing tastes of the customers.
- iii) If there are likely implementation problems, Environmental Scanning exposes them.
- iv) Environmental Scanning efforts give confidence in the general public that the organisation is sensitive and responsive to the environment.
- v) The Environmental Scanning results are an integral ingredient of the strategic decision making process.

Environmental changes pose greater challenges to large firms compared to smaller ones and as a consequence they need greater coordination among members to enhance the information processing capacity (Ngamkroekjoti and Johri, 2000).

## **2.4 SCANNING FREQUENCY**

Strategic uncertainty is a predictor of the firm's scanning behaviour, both frequency and scope (Auster and Choo, 1993; Daft et al., 1988). These studies provide evidence that high levels of Perceived Strategic Uncertainty will lead to an increase in scanning frequency across environmental sectors. Another key explanatory factor in the body of knowledge on scanning activity is the perceived information accessibility construct (May et al., 2000). Culman's (1983) study shows that the frequency of usage of all important information sources has a positive relationship with their perceived accessibility. However, the study by Auster and Choo (1993) failed to support the proposed relationship between the perceived accessibility of information and scanning mode frequency. Scholars like Elenkov (1997) observed that the frequency of Environmental Scanning initiatives of top management are positively related to Perceived Strategic Uncertainty across the environmental sectors. Developing countries lack systematic information sources, political and social infrastructure required to support Environmental Scanning (Ma, et al., 2000). May et al. (2000) further argue that accessibility should also be viewed an issue of individuals knowing where and how to access information. Aldehayyat (2015) in the Jordanian study found the political-legal sector being the most frequently scanned sector which was followed by the economic. The Zimbabwean scenario is unique.

There is therefore need to examine the scanning behaviours of managers in manufacturing firms operating under conditions of hyper-turbulence.

## **2.5 SCANNING MODES**

Environmental Scanning is regarded as a difficult management process due to environmental complexity, limited capacity and management's lack of comprehensive understanding of the environment (Elenkov, 1997). These limitations necessitate management's need to choose scanning alternatives (modes). Scanning modes are monitoring, viewing, investigation and research, in the information acquisition process (Ghoshal, 1988). The choice of scanning approach is heavily influenced by the level of information availability and the level of knowledge about the environment (Choo, 2001). Firms engage in the active or aggressive approach when they invest in information search and manipulating the environment. Lynch (2012) argues that the proactive search endeavour will identify positive opportunities and negative threats. On the other extreme, Saxby et al. (2002) noted that firms engage in a passive (reactive) approach when they attach environmental meanings basing on available information (there is little or no scanning). Mintzberg (1988) observed that managers process information intuitively or using tacit knowledge; while other scholars like Thompson et al. (1993) argue that managers deliberately seek out and screen huge amounts of data seeking new strategic information. Korean managers use all the four scanning modes at varying degrees (Ghoshal, 1988). For example, the Textile and Heavy engineering companies were found to be using significantly more research and less viewing compared to other industries. The study by Subramanian et al. (1993) found that the majority of the sampled US firms had advanced scanning systems, which is contrary to the findings by Jain (1984). Specialised scanning function was seen as a specific number of dedicated distinct and separate groups of people involved in continuous year-round environmental scanning (Subramanian et al., 1993).

## **2.6 SOURCES OF INFORMATION**

Information is an indispensable tool in decision- making for it paints a picture of the changing environment within the organisation and it bridges the gap between the firm and its environment (Aldehayyat, 2015; Babalhavaeji and Farhadpoor, 2013). Scholars like (Aldehayyat, 2015; Wheelen and Hunger, 2013; Maheran and Muhamad, 2009; Ma, et al., 2000; Elenkov, 1997; Ghoshal, 1988 and Aguilar, 1967) identified two broad categories of information sources as external and internal sources. External sources include all information like government publications, competitors, suppliers and customers which originate outside the firm (May et al., 2000; Elenkov, 1997; Ghoshal, 1988). Wheelen and Hunger argue that many firms rely on external sources of information. The internet continues to impact upon the way top management engages in Environmental Scanning (Wheelen and

Hunger, 2013). However, internal sources have information originating inside the firm like superiors, subordinates, and board of directors members. The two broad categories can further be sub-divided into personal sources (like business associates, subordinate managers, industrial espionage) which originate from direct contacts or communication with other individuals within or outside the organisation and impersonal sources (like memos, podcast media, circulars, newspapers) are non-personal sources (Aldehayyat, 2015; Wheelen and Hunger, 2013; Maheeran and Muhamadi, 2009; May et al, 2000; Elenkov, 1997; Aguilar, 1967). Saxby et al., (2002); Narver and Slater (1990) observed that for a firm to have sustainable competitive advantage, it must simultaneously keep track of the several sources of information. An information source's reliability is influenced by the perceptions of the managers (Ngamkroeckjoti and Johri, 2000).

While divergence in the scanning behaviours of managers was found in terms of external and internal sources of information (May et al., 2000; Sawyerr et al., 2000; Elenkov, 1997), convergence was found in all studies in terms of personal and impersonal sources of information (Aldehayyat, 2015; Barron et al., 2014; Stewart et al., 2008; Kourteli, 2005; Analoui and Karami, 2002; Ebrahimi, 2000). Numerous studies have found that there is greater use of personal internal sources of information by senior managers especially in changing environments (Aldehayyat, 2015; May et al., 2000; Elenkov, 1997; Puffer and McCarthy, 1995; Eistenhardt, 1989; Aguilar, 1967), and under such complex and dynamic conditions managers tend to prefer verbal over written sources of information (May et al., 2000). Elenkov's (1997) Belgium study supports this position because Eastern Europe is dominated by a culture inclined towards heavy reliance on personal sources of information. Moreover, information sources across sectors showed that services sector utilized consultants more while manufacturing firms pay greater attention to rivals as information source (Elenkov, 1997). The study by Subramanian et al., (1993) found trade journals and trade publications were widely consulted (move towards specialised sources), which is contrary to Jain's (1984) study which found newspapers to be the most important source. In Korea, Ghoshal (1988) found that managers devote the bulk of their time to acquiring competitive and market information using more external sources. Daft et al., as well as Auster and Choo (1994), found higher levels of strategic uncertainty related to increased scanning frequency of both impersonal and personal sources. However, the study by Sawyerr (1993) provides a link between increased Perceived Strategic Uncertainty and increased scanning frequency of impersonal sources among Nigerian managers. Elsewhere, May et al., (2000) found that amongst the Russian managers, the rates of change and complexity are not only insufficient but also not necessary for predicting scanning behaviour. Russian managers have little interest in external events unless they are considered important to organisational performance. Having reviewed all this literature from other countries, nothing is known about the information sources used by Zimbabwean managers under such high levels of turbulence and it becomes very interesting to examine such Environmental Scanning issues in the Zimbabwean context.

Scholars like May et al. (2000); Miller et al. (1997) and Griffin et al. (1995) observed that in the West, when managers are confronted with threatening, unique and unfamiliar conditions, they become more rigid, resulting in tightened centralised decision-making and control with restricted flows of information. They further argued that the West considers the cost and time needed for external information search as part of a comprehensive decision process, and consequently managers may be forced to forego rational, comprehensive analysis. The managers' proximity to personal and impersonal sources and the knowledge they possess concerning these sources influences the degree to which the impersonal and personal modes of information are used (May et al., 2000). The study by Auster and Choo (1994) on the Environmental Scanning practices of Canadian managers found internal and personal sources of information to be more important than the external impersonal sources. In the USA tourism industry, Okumus (2004) investigated the executives' needs of information and found daily newspapers and trade journals as frequently scanned information sources. This study therefore proposes that perceived source accessibility is likely to moderate the relationship between strategic uncertainty and the use of both impersonal and personal sources of information by managers of manufacturing firms operating in Zimbabwe.

## **2.7 THE SCANNING-PERFORMANCE RELATIONSHIP**

Organisations that effectively interact with their surrounding environments have been observed to be more successful (Aldehayyat, 2015; Subramanian et al., 1993; Hambrick, 1982). Effective Environmental Scanning is key in aligning the firm to rapidly changing external environmental forces through the provision of the required intelligence by decision-makers for use in strategic adaptations and ultimately improving performance (Aldehayyat, 2015; Wong and Hunger, 2012; Subramanian et al., 1993; Duncan, 1972; Burns and Stalker, 1967). The quality of the scanning effort has a bearing on firm performance (Venkatraman, 1989) as superior performers engage in more comprehensive and broad Environmental Scanning activities (Subramanian et al., 1993; Daf, et al., 1988). Environmental Scanning solicits for external environmental intelligence which top management uses in strategic adaptations (Kumar et al., 2001; Subramanian et al., 1993). Boyd and Fulk (1996) as well as Subramanian et al., (1993), argue that the 'alignment' or 'fit' between the firm and its surroundings is the chief determinant of survival and consequently performance. Temtime (2004) as well as Avermaete et al., (2003) observed that successful product innovation, including new product developments, rely heavily upon Environmental Scanning.

Numerous scholarly articles support the view that Environmental Scanning enhances organisational performance (Aldehayyat, 2015; Adeoye and Elegunde, 2012; Karam, 2008; Ogunmokun and Ng, 1999; Elenkov, 1997; Olsen et al., 1994; Subramanian et al., 1993; Daft et al., 1988). The study by Daft et al. (1988), which examined the Environmental Scanning practices of CEOs in both low and high performing organisations, found that CEOs of high performing organisations scanned the

environment more frequently and more broadly than their counterparts in low performing organisations. Low performers have been viewed as being reactive (fire-fighters) and pay attention to narrow issues (Subramanian et al., 1993). The study by Elenkov (1997) found that Russian firms that employed more sophisticated Environmental Scanning systems had better performance levels and gained more competitive advantages. Goal setting is heavily influenced by the output of the Environmental Scanning effort (Dess and Davis, 1984). As it is now clearly shown by the summary of some of the leading previous studies investigating the relationship between Environmental Scanning practices and performance, none has attempted to look at Zimbabwe.

## **2.8 ENVIRONMENTAL SCANNING AND FIRM SIZE**

Aldehayyat (2015) as well as Costa (1995) observed that size comes with increased complexity and hence the need for formalised Strategic Planning approach and it begins with the conducting of systematic Environmental Scanning. Firm size needs to be controlled in Environmental Scanning studies (Harrington, 2004). This implies that Environmental Scanning practices of SMEs may have marked differences from those of large firms. Large firms frequently and broadly utilize Environmental Scanning more than SMEs. Liao et al. (2008) as well as Ngamkroekjot, et al. (2005) observed that smaller firms often lack the infrastructure and financial resources to gather information from the environment in a suitable manner and consequently they rely on information coming from other forms of networks and associations. SMEs have limited human capital bases and access to knowledge (Haase and Franco, 2011). Previous studies provide overwhelming evidence that CEOs of the smaller manufacturing concerns may not have time for frequent scanning of their external environments due to their daily involvement in the firm's operations. The study by Aldehayyat (2015) found that large firms scanned their environments more frequently than smaller firms and large firms also use more information sources than smaller firms. A study by Franco et al. (2011) found SMEs firms not scanning as frequently and broadly as large firms. Contrary to these results, other previous empirical evidence (Karami and Alavi, 2009; Beal, 2000) have found size of a firm not as a determinant of environmental scanning activities. This area on the influence of firm size on the Environmental Scanning practices has not been confirmed in literature relating to the Southern Africa region, and Zimbabwe in particular.

## **2.9 ENVIRONMENTAL SCANNING AND INDUSTRY-SECTOR INFLUENCES**

Very little empirical evidence exists that considers the impact of industry-sector influences on the practices of Environmental Scanning (Aldehayyat, 2015; Haase and Franco, 2011; Xu et al., 2003). The bigger number of the studies on Environmental Scanning have basically focused on a single industry, for example, Ngamkroekjoti and Speece (2008)- food industry; Karami (2008)- high

technology; Adeoye and Eldgunde (2012)- food and beverages and Davis et al. (2008)- health care. Studies which consider industry differences had exciting findings. Hambrick (1982) for example, found insurance companies conducted more Environmental Scanning than colleges or hospitals. The study by Haase and Franco (2011) noted that Portuguese retail and manufacturing sectors concentrated more on exhibitions and fairs compared with services sector. The services sector was found relying more on external consulting than the retail trade industry. In a nutshell, the reviewed literature shows that very few studies have attempted to incorporate the effect of industry-sector in their Environmental Scanning investigations and worse still; all these studies were conducted in the developed world context, leaving the Southern African context with a perennial knowledge gap. This study sought to answer the question on the influence of industry-sector influences on the practice of Environmental Scanning in the Zimbabwean context.

## **2.10 THE LINK BETWEEN ENVIRONMENTAL SCANNING AND STRATEGIC PLANNING**

Environmental Scanning is not conducted for its own sake, but rather it is an integral input into the Strategic Planning process (Temtime, 2004). There is overwhelming consensus in literature that Environmental Scanning is a basic input for the formal Strategic Planning process (Wheelen and Hunger, 2012; Temtime, 2004). The effectiveness of Strategic Planning rely more on the capacity to do Environmental Scanning. Some empirical evidence shows that there is a direct positive relationship between formal Strategic Planning and Environmental Scanning activity (Termite, 2004). As the firm's need for formal Strategic Planning increases, the need for Environmental Scanning increases.

## **2.11 THE IMPACT OF ENVIRONMENTAL TURBULENCE ON STRATEGIC PLANNING**

Studies on the impact of environmental uncertainty on organisational aspects like decision-making, organisational design and Strategic Planning have stretched over many decades but the definition of uncertainty still remains debatable amongst scholars. The implication of uncertainty on strategic planners is rather ambiguous. The neoclassical and the socio-ecological approaches have been the two basic perspectives from which uncertainty has been studied in the field of Strategic Planning (Ramirez and Selsky, 2015). The neoclassical approach is the conventional Strategic Planning perspective which relates to predictable uncertainty and encompasses things like fluctuations in demand, supply and internal processes which maybe cyclical. The neoclassical view of Strategic Planning concerns itself with the single actor focus on competitive and commercial challenges, even though they can lead to serious rivalry or game-changing possibilities (Christensen, 1997). The counter responses of

actors tend to be the same in the industry raising the level of competitive rivalry as if nothing had altered. The socio-ecological approach stems from the systems theory and it concerns itself with unpredictable uncertainty which is higher than predictable uncertainty (Taleb, 2007). Scholars like Ramirez and Selsky (2015); Selsky et al. (2007) have argued that when strategic planners are mainly concerned with unpredictable uncertainty, the Strategic Planning would have transformed into a different mode due to the turbulent texture. The neoclassical approach has been criticised by Selsky et al. (2007) as being unable to adequately respond to the contemporary landscape of strategy that characterises most industries. The Positioning school and the Resource Based View (RBV) are typical examples of the neoclassical school.

The neoclassical school has been viewed as being influenced by bifurcations and discontinuities (Bernard, 2008) and by environmental jolts (Selsky and McCann, 2008). This emanates from the fact that the neoclassical approach depends on the patterns of competitors' behaviour which are extrapolated into the future as predictions (Mintzberg, 1994). The other assumption of the neoclassical view is that the broader, macro context which envelops the industry will stay unchanged because of the individual players' intensified competitive actions (Ramirez and Selsky, 2015). The changes are foreseen in the operating environment, firms engage in what is called strategic renewal so as to reinvent themselves and become adept at the changes. As a result the routines they use change to dynamic capabilities which are utilised over and over again in their strategic processes (Ramirez et al., 2013). On the other hand, the socio-ecological perspective which has its roots in the open systems perspective of the organisation's strategic system and the focal point of analysis is the inter-organisational action. The socio-ecological approach concerns itself with positions and behaviours of firms acting even beyond their industries, vertical value chain partnerships or horizontal partnerships. Here collaboration involves actors and other stakeholders from diverse fields in which the firm operates so as to collectively confront broader forces that may potentially affect all firms in the field (Ramirez and Selsky, 2015; Normann and Ramirez, 1993). Organisations confronted by turbulent environmental conditions (Ramirez et al., 2011, 2008) are encouraged to reorient the way they view uncertainty in their Strategic Planning processes (Ramirez and Ravetz, 2011).

Grant (2003) noted that even in the traditionally stable developed economies like the US, turbulence had rocked the economies during the last two and half decades of the twentieth century. The rapid emergence of highly industrialised and technologically advanced economies characterised by rapid technological changes and transfer, revolution in the electronics industry, exchange rate volatility, globalisation, codification of knowledge and the rapid innovation of new products and business models among other factors, have made forecasting of things like prices, demand, exchange rates, and interest rates difficult, thus rendering Strategic Planning less attractive (Vecchiato, 2015; Roveda and Vecchiato, 2008; Grant, 2003). Under such chaotic conditions, firms die, emerge, evolve, split, collide (Vecchiato, 2015) and to succeed, they must develop the ability to cope up with the increasing

uncertainty through sensing, seizing and also handling the changes from outside (Teece, 2007). Such conditions forced strategic scholars to rethink the art of Strategy Formulation and strategic issues within the organisation (Grant, 2003). Thorpe and Morgan (2006) observed that the increased environmental turbulence has caused a shift in the traditional Strategic Planning practices. As environmental turbulence increases, it is also expected that Strategic Planning systems must change over time (Whittington et al., 2015; D'Aveni et al., 2010). Contemporary Strategic Planning practices resemble greater flexibility and decentralisation of power and responsibilities (Thorpe and Morgan, 2006; Balogun and Johnson, 2004; Grant, 2003). Earlier on, Hamel and Prahalad (1994) had predicted serious downsizing of the traditional Strategic Planning departments in the contemporary turbulent operating environment. Whittington et al. (2015) found the demand for centralisation falling with rising level of environmental turbulence. However, Grant (2003) argued that the empirical evidence in support of the changes by strategic planners in light of the rising turbulence is still fragmented and limited.

Mintzberg (1994) noted that the field of Strategic Planning emerged in the 1960s when the economic environment was stable. Scholars like Galbraith (1967) observed that the Strategic Planning model developed was premised on such pillars like planning, forecasting and centralisation. Strategic Planning has traditionally been hierarchical, analytical and the firm's coordinating function which was centrally carried out by a group of elite staff able to effectively strategise for their firms. Turbulence in the environment has emerged to challenge this traditional approach to Strategic Planning (Whittington et al., 2015) from the period 1980 onwards (Bettis and Hitt, 1995). According to D'Aveni et al. (2010), the Strategic Planning models in existence were originally conceived and developed for conditions of stability. As a direct consequence, Strategic Planning is likely to fail under fast paced changing environmental contexts characterised by numerous unexpected changes. Whittington et al. (2015) argued that firms need to go beyond the old-fashioned formal planning systems to engaging in continual evaluation of their actions, crafting strategies as they go by watching the actions which bring about the results.

Scholars like Grant (2003) noted that empirical evidence on the influence of environmental turbulence on Strategic Planning is limited including information on how Strategic Planning systems have been adapted to increasing volatile operating environments. Despite the limited and fragmented empirical evidence on the impact of turbulence on Strategic Planning systems, Grant (2003) found that increasing turbulence has a significant impact on the Strategic Planning systems of firms especially on the issues relating to the centralisation of the planning systems, the range of the planning processes and the planning processes. These three characteristics represent the widely studied aspects of the contingency theory in relation to Strategic Planning even though consensus hasn't been reached on the exact impact of turbulence on the three dimensions of location, process and range (Whittington et al., 2015). A closer look at the Strategic Planning practices of major US firms shows that there is a



change in the way in which Strategic Planning is undertaken (Grant, 2003). Increased environmental volatility has been noted as having the following effects on the Strategic Planning systems of a company:

**1. *Decentralised Authority***

Increased turbulence encourages the decentralisation of strategic decision making authority from the corporate to the business level (Grant, 2003; Grinyer et al., 1986; Lindsay and Rue, 1980) and diminishing role of staff planners relative to that of line managers so as to quickly and effectively respond to the turbulent environment (Winston, 1994). Grant (2003) noted that the oil majors in America formulated their strategic plans bottom-up. The business level formulated individual strategic plans which shows that there was a shift of Strategic Planning responsibilities from corporate management to business management. Zimbabwe is going through serious turbulence, and it becomes necessary to find out what the impact of increased turbulence is on the planning location.

**2. *Shorter planning horizons***

The argument here is that due to greater uncertainty and inability to predict the future, the planning horizons should be shortened. As early as 1986, Grinyer et al. (1993) had observed that increased environmental turbulence increases uncertainty about the future, thus prompting organisations to shorten their planning horizons and also reduce their forecasting activities, because increasing turbulence renders prediction difficult. Grant (2003) as well as Kukalis (1991), noted shorter planning horizons in unpredictable markets characterised by high levels of competition and innovation. The study by Javidan (1984) failed to establish a significant decrease in the firm's planning horizons. Similar findings were noted by Lindsay and Rue (1980) who noted no existence of a relationship between turbulence and large firms' planning horizons. Grant (2003) found that most of the firms which engaged in systematic Strategic Planning process built around an annual planning cycle even though the main plans covered a period between four to five years. Overall, it can be seen that the existing empirical evidence relating to the influence of increased turbulence on planning horizons is mixed. It can be argued that the definition of turbulence seem to be the source of the mixed findings. Some of the environmental contexts like the USA which have been labelled in some studies in the 1980s and 1990s as turbulent could be seen as very stable when compared to the developing world context especially Zimbabwe. Therefore it becomes interesting to determine the exact impact of increased environmental turbulence on the planning horizons in the Zimbabwean context.

**3. *Less formality of the planning process***

A number of scholars argue that unstable environments should be characterised by more flexible and less bureaucratization of decision making (Courtright et al., 1989; Burns and Stalker, 1961). Formality of the Strategic Planning process relates to the dependence upon written reports and

extensive documentation, fixed planning cycle time scales, use of standardised approaches and the utilisation of planning specialists. Scholars like Mintzberg (1994) as well as Wilson (1994), found environmental instability to be associated with greater informality of Strategic Planning; while other scholars (Grant, 2003; Brews and Hunt, 1999; Kukalis, 1991) noted that increased environmental complexity leads to increased flexibility of the Strategic Planning practices. However, Eisenhardt, (1989) and Lindsay and Rue (1990) found no correlation between turbulence and flexibility in the Strategic Planning systems. Priem et al. (1995) put forward that the implication of increased environmental turbulence would be the need for firms to engage in comprehensive Environmental Scanning and analysis. Existing empirical evidence is still mixed on the impact of increased turbulence on the formality of the Strategic Planning systems. From the reviewed literature, no study has attempted to investigate the impact of increased environmental turbulence on the level of Strategic Planning formality in the Zimbabwean context.

Grant (2003) noted that over the years, scholars have attempted to reconcile the formal Strategic Planning with turbulent unpredictable operating environments through the following;

### **2.11.1 Multiple Scenario Planning (MSP)**

Unlike a situation of trying to predict and forecast the future, Multi-Scenario Planning calls upon managers to have distinct configurations of the future, to envisage alternative configurations of key variables in the environment as a way of predicting the future (Grant, 2003; Schoemaker, 1993). Multiple scenario planning allows for alternative options thus emphasising greater strategic flexibility by abandoning single point plans. Effective planning in organisations goes beyond crafting the plans to challenging and changing assumptions and mental models which corporate strategists hold. SP is viewed as a process that assists corporate strategists to share and synthesis the diverse knowledge, assumptions held and exposes their implicit mental models (Grant, 2003). Scenario planning has been employed during uncertain times in military, policy and corporate strategy from the middle of the twentieth century (Wright et al., 2013; van der Heijden, 1996).

### **2.11.2 Strategic Intent and the Role of Vision**

Environmental uncertainty calls for strategy to be more concerned with clarity of direction and less of the specific actions. At Apple, Jobs was more concerned with the vision or direction of the company. In other words, the long range strategic goals must be established, expressed via the ‘mission’ and ‘vision’ statements (Van Der Heijden, 1993), but committed to, through what Hamel and Prahalad (1989: page) referred to as ‘strategic intent’. These strategic decisions must be closely married to short term flexibility.

### **2.11.3 Strategic Innovation**

Scholars like Mintzberg (1994); Baden-Fuller and Stopfor (1994) and Grant (2003) observed that Strategic Planning may potentially be a source of the unwanted institutional inertia rather than innovation. Frederick (1998) as well as Burns (2009) observed creativity and growth to be at their peak when a complex system operates at the edge of chaos. Today's organisations that travel the highway of continuous creativity and innovation excel because they inject so much change and novelty into their normal operations, they constantly risk falling over the edge. Continuous innovation is necessary for survival. Burns (2009) argues that managers operating in complex environments have to reconsider the nature of hierarchy, control systems, permit processes to self-organising and learn the techniques of how to attain large effects from small changes. Experimentation and diversity of views, operating in new ways, thinking innovatively, and rule breaking must all be encouraged in organisations. Moreover, managers need to recognise that employees require the freedom to own their power. The key to this is a flexible and decentralised structure. Other writers like Bechtold (1997) contend that operating on democratic principles is the way to go for organisations - giving employees the freedom to self-organise for them to innovate, need a balanced distribution of power, strong customer focus, greater employee involvement, a strategy to learn continuously and a shift towards community service. Hamel (2000) argued that top management team must have diverse genetic characters including the younger organisational members far from the firm's headquarters.

### **2.11.4 Complexity and Self Organisation**

Anderson (1999) as well as Stacey (2012) noted that evolutionary theories in biology have been adapted in organisational evolution. Such models have interesting implications for strategy in organisations. For organisations operating in constantly changing fitness landscapes, maximisation of survival would imply constant probes, simultaneous probing efforts by different organisational members and a combination of adaptive walks with frequent major leaps (Bemhocker, 1999). Brown and Eisenhardt (1997) found that for organisations to survive in such complex environments, they require limited explorations into the future which include transition processes which are time based, strategic alliances and experimentation.

### **2.11.5 Strategic Planning Tools**

Over the years, some Strategic Planning techniques have been developed to support strategic planners operating in turbulent environments so as to cope up with uncertainty (Vecchiato and Roveda, 2010). The most popular and widely used techniques are capital budgeting policies, real options analysis, Environmental Scanning, product and technological mapping and scenario analysis (Courtney, 2001;

Boyd and Fulk, 1996; Schoemaker, 1993). Such tools are designed to help decision makers identify the key drivers of change in the external environment and investigate their likely evolution and influence on the firm. Scholars like Mintberg (1994) have, however, criticised the ability of such techniques to predict the future accurately under such high paced environmental changes. Because of this inability to forecast the future accurately, Mintzberg (1990) as well as Wiltbank et al. (2006) have supported reactive approaches that are premised on strategic agility and flexibility rather than the traditional planning and forecast-based approaches to Strategic Planning. Proponents of the adaptive approaches to Strategic Planning advocate for avoidance of prediction to a very large extent and then focus on responding to change events which will be unfolding in the environment and then concentrate continuous experimentation and speedy reaction to the dynamic environments (Van der Heijden et al., 2002; Mintzberg, 1990). There is very limited knowledge on the usage of Strategic Planning tools in the Zimbabwean context.

Despite the wide acknowledgement of the importance of strategic planning tools and techniques by both academics and practising managers, very little scholarly work has been devoted to investigate the awareness and usage levels of the strategic planning tools and techniques in the southern African region, especially Zimbabwe. Studies from other regions which have attempted to look at the strategic planning tools have done so treating tools as a part or a section of the broader strategic planning processes (e.g. Elbanna, 2007; Pun, 2004; Stonehouse and Peniberton, 2002; Glaister and Falshaw, 1999). Such studies have clearly spelt out that firms use strategic planning tools, without isolating the actual tools and giving any other relevant details. Moreover, the relationship between the strategic planning tools and firm performance has not been sufficiently investigated in previous studies. Some studies provide evidence for the existence of a relationship between some strategic planning tools and firm's financial performance. For example, the study by Friedl and Biloslavo (2009) found a positive relationship between the usage of strategic planning tools like the Balanced Score Card and Activity-Based Costing, and financial performance of Slovenian firms. Other previous scholarly articles have attempted to list the existing strategic planning tools and techniques, for example, Lisinski and Saruckij (2006) listed 28 strategic planning tools and techniques, while the list by Webster et al. (1989) had 30 techniques and tools. Despite the existence of such long lists of these tools and techniques, not all of them are utilised by firms, worse still in a hyper-volatile environment like Zimbabwe. The question that must be addressed is: which of these tools are relevant and utilised under conditions of increased turbulence? Are the tools of any material value to firms operating under such conditions of increased uncertainty and volatility? There is therefore an urgent need to fill this gap in the body of existing knowledge by investigating these issues in the Zimbabwean context.

Several strategic planning tools have been developed to address strategic decisions by assisting managers to transform valuable data from the external and internal environments into a state that permits decisions and ultimately appropriate actions (Aldehayyat and Anchor, 2008). Strategic

planning tools and techniques have been widely seen as useful for they help managers to take a number of alternative options into perspective thus reducing the risks associated with such decisions (Aldehayyat and Anchor, 2008). Besides being valuable communication devices, Frost (2003) argued that the strategic planning tools and techniques are important analytical tools.

Very little scholarly work is in existence exclusively focusing on the strategic planning tools and techniques. In Bahraini, Kan and Alburki (1992) conducted a study examining the usage of strategic planning tools and techniques. Their findings show that 22% of Bahraini firms regularly use the strategic planning tools and techniques. According to their findings, the most popular tools were the SWOT analysis, financial analysis, Gap analysis and SPACE analysis. A similar study by Al Ghamdi (2005) noted a 10% usage of the strategic planning tools and techniques in Saudi Arabia. The most popularly used techniques included the critical success factors, benchmarking and the what-if analysis. Tools like the Product Life Cycle, SWOT, and Stakeholder analysis were moderately used. The Delphi, Porter's 5 Forces analysis, Cognitive mapping, the value chain analysis, portfolio analysis and experience curve were the tools with the least usage levels. Closer home, in the Egyptian context, the study by Elbanna (2007) found the Pro forma financial statements, cost-benefit analysis, SWOT analysis, as the widest used tools of strategic planning. The same study noted tools like PEST analysis, cognitive mapping, value chain analysis, experience curve analysis, balanced score card and Porter's 5 forces analysis being the least utilised tools in SP in the Egyptian context. The next section looks at some of the most widely debated and documented strategic planning tools.

#### **2.11.5.1 The SWOT Model**

The SWOT analysis must go beyond the identification of a company's distinctive competencies, to the identification of opportunities that the firm can't currently exploit due to resource limitations. Distinctive competencies relate to the specific capabilities and resource endowments that a firm has and the superior deployment it utilises. Distinctive competencies alone are not a guarantee of competitive advantage because weaknesses in other areas can hinder strategy from being successful. The SWOT analysis has stood the test of time as a widely applied Strategy Management analytical tool (Cristiana and Anca, 2012; Grant, 1997). Previous studies (McKinsey and Company, 2007; Competitive Intelligence Professionals, 2005) found above 80% usage rate of the SWOT analysis. The essence of strategy is external opportunities divided by capacity (Strategic Alternative = Opportunities/(Strengths – Weaknesses) (Wheelen and Hunger, 2010). The mere availability of opportunities in the environment not coupled with capacity to exploit the opportunities has no real value. Grant (1997) noted that low or absence of consistency between the pursued strategy and the firm's external and internal environments is a common source of failure. Managers must answer the question: 'Are we supposed to invest more resources the firm's strengths to make them even stronger (distinctive competence) or are we invest in our weaknesses to at least make them competitive?'

When considering alternative strategies, the SWOT analysis considers the strengths and opportunities only (Wheelen and Hunger, 2010).

Wheelen and Hunger (2010) observed that the SWOT analysis has been criticised for the following:

1. The failure to assign weights to factors to reflect priorities on the length lists generated.
2. The SWOT analysis utilises unclear phrases and words.
3. An identified factor may be assigned to two different categories (Wheelen and Hunger, 2010).  
The SWOT analysis is heavily handicapped by the failure to distinguish strengths from weaknesses and opportunities from threats (Grant, 1997)
4. It requires a single level of analysis.
5. The absence of a logical link to Strategy Implementation.

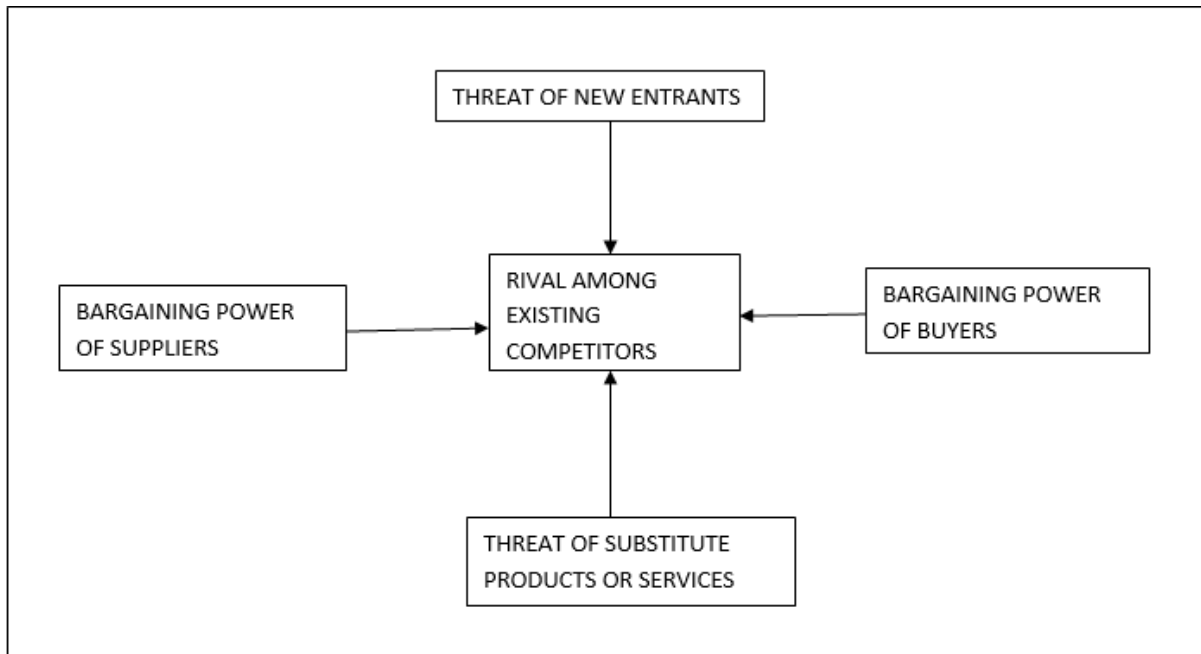
The development of the Strategic Factor Analysis (SFAS), Internal Factor Analysis (IFAS) and External Factor Analysis (EFAS) Matrices were prompted by the desire to deal with the limitations of SWOT Analysis (Wheelen and Hunger, 2010). When these strategic analytical tools are used collectively, they represent a powerful set of tools for Strategic Planning. The SFAS Matrix calls upon the strategic decision maker to review and condense these factors into fewer than 10 strategic factors by assigning weights to each of the factors. The ultimate goal of strategic factor analysis is the identification of a niche where the firm may deploy its core competencies to take advantage of a particular market opportunity. An unsatisfied need existing in the market represents a niche (Wheelen and Hunger, 2010). The objective is seizing of favourable opportunities ahead of rival firms in ways they can't and try to retain dominant market share. This propitious niche, also referred to as a 'strategic sweet spot', must be sufficiently huge for the organisation to meet the market demand. A company's management must always be on the lookout for strategic windows and enter through ahead of competition.

#### **2.11.5.2 Porter's 5-Forces Framework**

The model has been widely tested, applied and contributed both to theory and practice. This industry structure framework is applicable at the industry, strategic group, or even the individual organisation (Grant, 1997). The framework is aimed at explaining the sustainability of a firm's profitability in an industry with the presence of bargaining and competition. While it is true that the market strategy is capable of determining the specific firms capable of capturing value, an individual firm is capable of utilizing its conduct to influence the 5-forces (Clegg et al., 1997). Porter argues that there is a reciprocal influence between conduct and structure, unlike the traditional view. Porter's model can be argued to be one that is an industry attractiveness tool which is very practical for it permits the firm to

build a cogent competitor analysis. The other four forces of the model have a bearing on the 5<sup>th</sup> one, the level of rivalry in an industry. The Porter's 5 forces framework is shown in Fig. 2.2 below.

**Figure 2.2: Porter's Five Forces Model**



*Source: Michael E. Porter (1980)*

As shown in Figure 2.2 above, the Porter's Five Forces Model comprises the following:

**i) The bargaining power of customers**

Clegg et al. (2011) observed that the level of customer demand is the chief determinant of the force. If too many suppliers are competing for few buyers, then the force is great especially when customers can switch easily and compare prices. Numerous factors are at play to influence the strength of this force and these include the price sensitivity of customers, the volume of goods the customer usually demands, switching costs, information availability about products, buyer concentration relative to supplier concentration in an industry (Clegg et al., 2011; Grant, 1997; Porter, 1985).

**ii) The bargaining power of Suppliers**

Suppliers have greater influence and power in an industry especially when they have exclusive, unhindered access to key inputs like knowledge, technology, and raw materials. When suppliers have an influence in an industry, they may dictate the volume, price and quality of the goods/ services (Clegg et al., 2011; Grant, 1997; Porter, 1985). Factors influencing the bargaining power of suppliers include suppliers' switching costs relative to the firm's switching costs, the degree of differentiation of inputs, the threat of supplier forward integration, importance of buyer volume to the suppliers, supplier concentration in relation to firm concentration, availability and presence of substitute products (Clegg et al., 2011; Grant, 1997; Porter, 1985).

### **iii) The threat of new entrants**

Clegg et al. (2011) noted that strategists must critically evaluate the easiness of entering or exiting the specific industry by competitors. Industries with high entry barriers coupled with low exit barriers are considered most attractive (Porter, 1985). Entry barriers may include government policies, access to distribution channels, buyer switching costs, brand equity, capital requirements, experience, product differentiation, profits based on economies of scale, and other cost advantages. Existing firms in the industry will try to protect these most profitable areas and preventing new competitors from entering the market. Rival firms may temporarily cooperate to keep new competing firms outside. Exit barriers have an equal impact on the intensity of competition in the industry for they prevent the firms from leaving the market when they want to, e.g. asset specificity, like the highly specialised plant and machinery (Clegg et al., 2011).

### **iv) The threat of substitute products**

Readily available substitute products capable of satisfying the same need have an influence on the strategic context. Substitute products increase the intensity of competition in an industry if they become more affordable and available as alternatives for the customers. Such alternatives have a bearing on the firm's ability to increase prices and enhance profit margins (Clegg et al., 2011; Grant, 1997; Porter, 1985). The threat of substitute products is determined by factors such as the propensity of buyers to substitutes, the perceived level of differentiation within an industry, and the buyer switching costs. Strategists must be careful not to benchmark themselves to existing competitors within the industry neglecting the real threat emanating from somewhere, like the case of typewriters and emergence of PCs (Clegg et al., 2011; Grant, 1997).

### **v) The intensity of competitive rivalry**

This is at the core of Porter's 5-Forces framework. The number and relative size of players are significant in the industry. Rivalry increases as the number of players jostling for the same customers and resources increase. There is a struggle to grab a leading market share among competitors of the same size. Also, slow market growth leads to increased competitive rivalry as compared to growing market firms in expanding markets (Clegg et al., 2011; Grant, 1997; Porter, 1985).

As can be seen, the great works by Michael Porter were developed in the West, analysing industries in the West, run by the West under Western cultures. Very little is known about the applicability and effectiveness of such models in the developing world context, especially Zimbabwe.



## **2.12 RELATIVE POSITION**

Grant (1991) argued that the purpose of engaging in Strategy Management is for the firm to attain superior organisational performance as sustainable competitive advantage is being developed in the operating environment. Sustainable competitive advantage is what permits a firm to maintain and improve its competitive position in a market against rivals over an extended period. Some firms perform better than others in the same industry, not out of randomness or chance, but as a result of the application of Strategy Management concepts (Grant, 1997). Other studies (Barnett and Kendrick, 2004) argue that organisational attributes like firm size are responsible for competitive differences within an industry. Grant (1997) also noted that a firm's relationships and interactions within an industry also help to shape strategic outcomes.

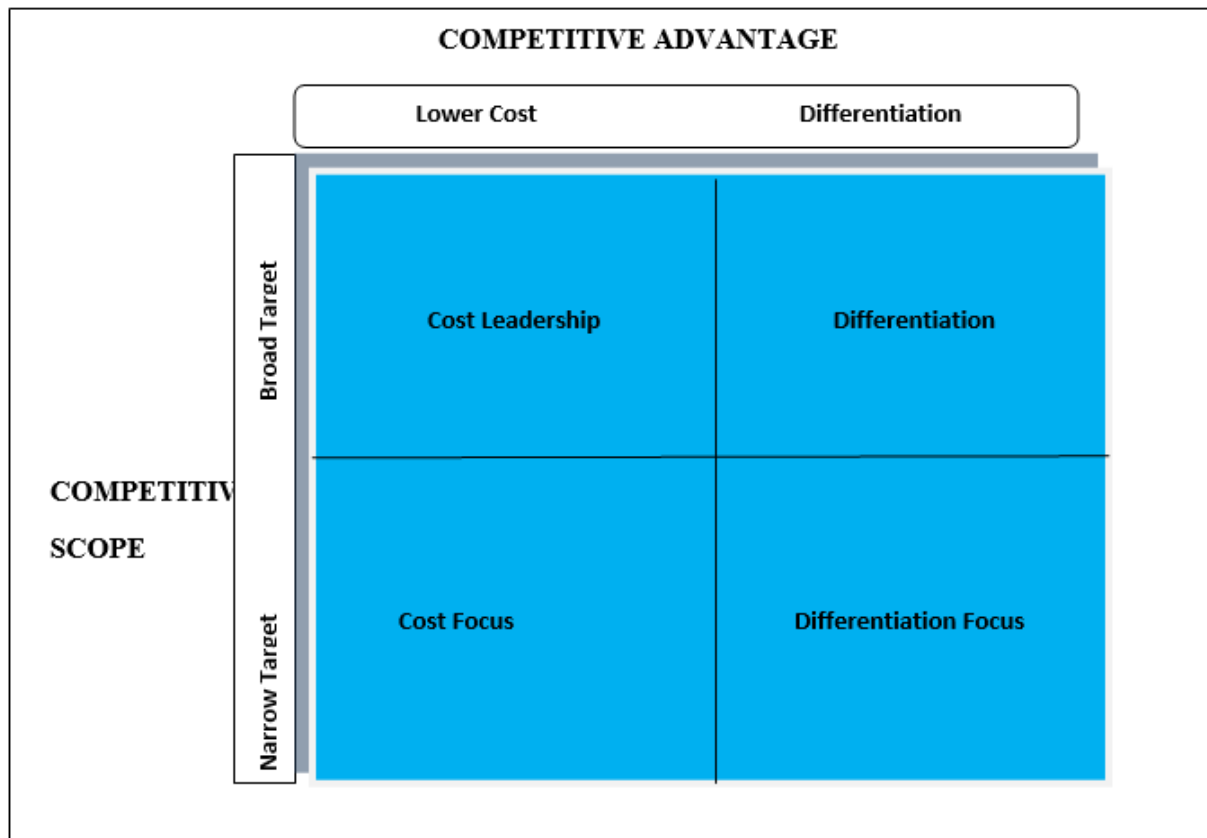
A firm holding an attractive relative position, holding the industry structure constant, is likely to succeed (Grant, 1997; Porter, 1985). Porter (1991) argues that an attractive position is not a cause but an outcome of the firm in possession of a sustainable competitive advantage compared to its rivals. Porter's argument is that a correctly positioned firm may likely gain superior returns even if the industry generates below-average profitability. According to Porter, competitive advantage has two dimensions; (1) lower cost compared to competitors, or (2) the ability of the firm to charge a premium price that surpassed the cost of doing so due to differentiation. Superior performers possess either one or both of the advantages. Superior profitability is a function of charging higher prices than rivals or enjoying lower costs. Porter (1991) further argues that thorough examination of competitive advantage cannot be done independent of the competitive scope. Competitive scope includes such dimensions as the geographic locations the firm competes in, the extent of vertical integration, the array of product and buyer segments served. Competitive advantage is attained within some scope and choice of scope is integral in strategy. Industry structure can also be influenced by choices of scope. Choice is the whole essence of strategy (Porter, 1997).

## **2.13 PORTER'S GENERIC STRATEGIES**

Michael Porter identified low-cost and differentiation as the two 'generic' competitive strategies a business may use to outdo its rivals in the industry. Generic strategy means that they can be applied by any size or type of business firm, even from non-profit making organisations (Wheelen and Hunger, 2010). A company's competitive advantage is influenced by the breath of its target market (the competitive scope). Wheelen and Hunger (2010) observed that a firm may choose either a narrow target (niche market) or a broad target (middle of the mass market). When these two market types are combined with the competitive strategies, four variations of generic strategies emerge. Previous studies show that companies pursuing broad scope strategies have superior performance compared to

those following narrow scope strategies. Fig. 2.3 below shows Porter's Generic Competitive Strategies.

**Figure 2.3: Porter's Generic Competitive Strategies**



*Source: Wheelen and Hunger (2010)*

The four broad generic strategies shown in Fig 2.3 above are discussed below.

#### **a) Cost Leadership**

Wheelen and Hunger (2010) and Grant (1997) noted that the cost leadership strategy is commonly found in much broader markets so as to take advantage of economies of scale. To implement a cost leadership strategy successfully, a firm must create aggressive efficiencies with regard to the use of facilities and production processes to create the same benefit for the consumer at a much lower cost than competitors. The strategy also entails vigorous pursuits of reductions in costs emanating from experience, avoiding marginal consumer accounts, tight cost and overhead control, and cost reductions in areas like R&D, advertising, sales force, etc. Due to the lower costs, the firm will be able to charge a lower price than its competitors and still harvest a good profit (Wheelen and Hunger, 2010). Low cost leadership does not necessarily imply being a lowest cost producer in the industry, but having low costs compared to its competitors. Wheelen and Hunger (2010) argue that lower costs act as a defence against rivals and the firm will continue to enjoy profits even during times of intense

competition. The low-cost firms have high market shares which mean they can buy supplies in large quantities and hence have a bargaining power relative to its suppliers. The low-cost acts as an entry barrier for players who will not be able to match the leader's cost advantage. As a direct consequence, cost leaders are more likely to earn above average returns on investments. However, the lower cost strategy is not sustained as competitors may imitate and the other basis of the strategy may eventually erode (Wheelen and Hunger, 2013; Grant, 1997; Porter, 1997).

**b) Differentiation**

Firms pursuing the differentiation strategy have access to leading R&D, have very creative product developers, and effective sales force (Grant, 1997). Such firms seek uniqueness in the industry using products with unique features that look more superior from competitors' products. Customers perceive such products as having greater value and are more willing to pay for them (Wheelen and Hunger, 2010; Grant, 1997). Products may be differentiated on the basis of tangible and intangible features. Firms are rewarded by charging premium prices which should cover the extra costs of uniqueness, e.g. Mercedes, Gucci, etc. The unique specialty is associated with the design or brand image, dealer network, features customer service or technology (Wheelen and Hunger, 2010). The resulting brand loyalty due to differentiation leads to lower customers' price sensitivity. Increased costs are often passed on to the customers. Wheelen and Hunger (2010) noted that loyalty of customers operates as an industry barrier to entry until the new companies establish their own set of unique distinctive competencies capable of differentiating their products. Due to the ability of differentiation to generate an entry barrier, previous studies show that it generates greater profitability compared to the low-cost strategy. However, the basis for differentiation becomes less important to buyers as competitors imitate.

**c) Cost Focus**

Cost Focus is a low cost competitive strategy that concentrates on a specific geographic market or buyer group and attempts to serve only this niche, neglecting other groups or markets (Wheelen and Hunger, 2010; Grant, 1997). The firm seeks a cost advantage in its target segment.

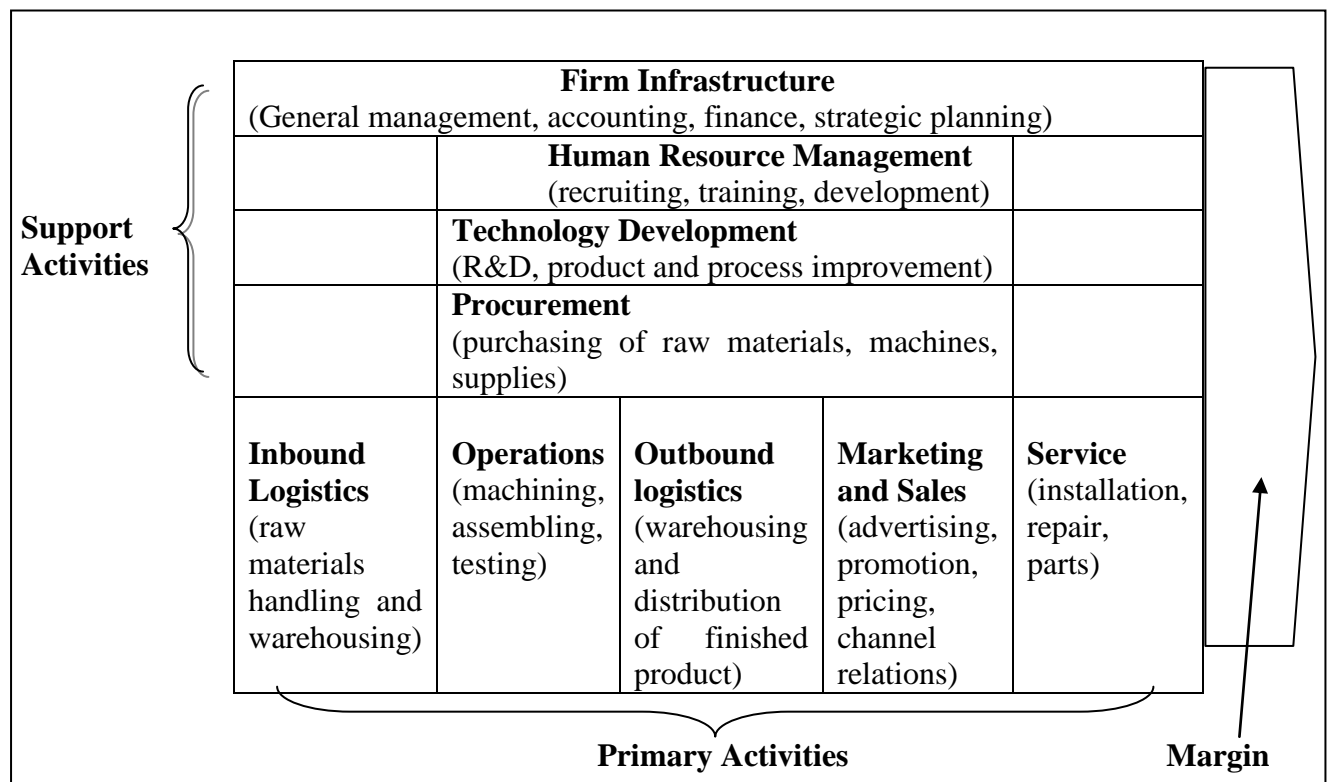
**d) Differentiation Focus**

A firm seeks differentiation in a specific geographic market or buyer group. This strategy is pursued by firms which believe that they will be able to better serve the special needs of the specific niche more effectively than can its rivals (Wheelen and Hunger, 2010).

## 2.14 THE VALUE CHAIN AND VALUE SYSTEM

To get an indication of why some firms attain an attractive relative position, Porter (1991) argues that there is need to decompose the building blocks of competitive advantage, which are cost, differentiation and scope. The need to examine the theory that looks at what firms do becomes imperative. A firm is seen as a collection of separate yet interrelated economic activities. The firm derives its competitive advantage in being able to perform these required activities in unique ways that create buyer value which permits the organisation to charge a premium price or perform the activities at a collectively lower cost than competitors (Wheelen and Hunger, 2010; Grant, 1997; Porter, 1991). Porter argues that the roots of competitive advantage are the discrete activities. These discrete activities, according to Porter, can be systematically arrayed to produce a value chain. Value denotes customer value from which we derive potential profit. A firm's strategy is revealed from the manner in which it configures and links the many activities in its value chain relative to rivals. The Value Chain and the Value System are shown in Fig. 2.4 below.

**Figure 2.4: The Value Chain and Value System**



*Source: Michael E. Porter (1985)*

As shown in Fig. 2.4 above, in the value chain distinguishes activities that produce, sell and deliver the product from those responsible for sourcing or creating inputs or factors required to do so. Support activities are responsible for the acquisition and accumulation of the firm's internal assets (Porter, 1991). The firm's interdependent, discrete activities are influenced by the way how others are executed. Porter named them linkages. A good example is that, the overall after-sales service cost is

influenced by how product design, installation and inspection are performed. The value-chain is a basis for examining the firm's cost position since activities are the basic building blocks of cost behaviour. The value chain is also an indispensable vehicle to systematically examine the firm's sources of differentiation through buyer value. Organisational assets like knowledge, routines, and skills are created when activities or a group of linked activities are performed (Porter, 1991). Besides the internal assets to the firm, performing of activities may also result in assets external to the firm like contracts, relationships, brand images, and networks, being created. The external assets influence the effectiveness or the cost of performing activities through feedback on an on-going basis, like the cumulative advertising that creates a strong brand reputation which can lower the current advertising cost.

The big question that has to be answered here is, 'Why are certain organisations able to create superior value than others or perform particular activities at lower cost?' Porter (1991) argues that drivers are the structural determinants of differences among competitors in the cost or group of activities. Drivers include cumulative learning in the activity, its scale, linkages between activities, the timing of investment choices in an activity, the activity's location, etc. Relative cost and differentiation are seen as influenced by this set of drivers. Drivers form the founding competitive advantage source and operationalise competitive advantage.

While it is true that cost advantage may stem from brand image (reduced marketing cost), in some cases it may be a differentiation source (premium price). Brand image is not a cause but an outcome. Drivers explain how and why brand reputation is an advantage. Timing could have been responsible for the firm's early, unchallenged advertising leading to a brand image that is unchallenged by competitor claims. The built-up reputation permits the company to expend less on the current advertising or to spend at the same levels as competitors but being able to command a premium price (Porter, 1991). In other words, the company's huge sales volumes lead to efficiencies that permit the company to enjoy superior reputation while spending the same as competitors. A firm's strategy choices are influenced by the firm's existing position, its capabilities and the likely competitor behaviours. The success of a firm hinges on the choice of a relative attractive position given the firm's circumstances, industry structure and competitor positions. It also demands that all activities be brought into alignment with the chosen position.

The models of 5-forces, industry analysis, generic strategies and value chain analysis have been criticised due to the historical context in which these models were developed. Grant (1997) argues that when these models were proposed during the 1980s, the international economy was characterised by cyclical growth in which corporate objectives emphasized survival and profitability. Compared with today's more dynamic markets, the prevailing environment then was comparatively stable and predictable. The reality is that governments world over, unions or other industry bodies regulate many

industries making analysis difficult in contemporary more complex industries with multiple interrelations, product groups, by-products and segments. Moreover, firms risk missing very important elements by focusing on too narrow market segments. Grant (1997) further argues that the Industry-Organisation concepts are premised on the view that an organisation attains competitive advantage over other players only by competition in the market. This view, however, fails to acknowledge that sustainable competitive advantage can come from strategic partnerships, internal efficiencies, as well as innovation.

## **2.15 THE RESOURCE BASED VIEW**

The Resource Based View (RBV) is an introspective approach (Porter, 1991) premised on the notion of the firm's competences and incorporation of intangible assets. Competitive advantage is derived from the possession of unique bundle of valuable resources (competences), which in the majority of cases are intangible assets like possession of monopoly over information, reputation, skills, brand image, etc (Lynch, 2012; Wheelen and Hunger, 2010; Roos et al., 2001; Grant, 1997; Porter, 1991). Porter (1991) argues that these immobile competences should continuously be nurtured and should guide the choice of strategy. Valuable resources are difficult to imitate, hard to substitute for, superior in use and have greater value within the firm than outside.

The argument is that a firm's competitive advantage is derived from its possession and deployment of unique resources rather than from the dynamics within the environment which the firm operates (Lynch, 2012; Roos et al., 2001). Roos et al. (2001) as well as Porter (1991) suggested that in order for these resources to yield profits for the organisation, they must be relevant, unique, difficult to imitate and have been acquired at a value below its intrinsic value due to the market imperfections like information asymmetries or luck. The Resource Based View is not an alternative strategy theory but is a cross-sectional determinant of competitive advantage (Porter, 1991). Resources are invaluable in and of themselves. Porter argues that they are only meaningful in the context of performing specific activities which help to achieve specific competitive advantage. Technological changes, competitor behaviour and overlooked buyer needs all influence the competitiveness of resources. Resources are intermediate between activities and advantage (Porter, 1991). The Resource Based View is likely to have significance in environmental contexts with incremental changes, with the number and combinations of strategic variables limited.

The Resource Based View scholars have taken a dynamic approach (Connor, 2002) building upon the Penrose's (1959) classic theories of the firm. Contrary to the assumptions underlying the IO perspective, the Resource Based View argue that there may be heterogeneity in terms of strategic resources possessed by firms within an industry (Barney, 1991; Wernerfelt, 1984). Industry homogeneity in terms of strategic resources is hindered by the difficulties in transferring the resources

from one organisation to the other. A firm is able to differentiate itself from competitors when it strategically develops and deploys strategic resources successfully which results in competitive advantage. The resources that help an organisation to differentiate include processes, assets, attributes, knowledge, capabilities and information controlled and exploited by the firm to enhance its efficacy and efficiency. The intangible assets like dynamic capabilities, core competencies, social and human capital, firm structure, management expertise, strategic HR practices (Connor, 2002; Teece et al., 1997) has been deployed strategically to attain competitive advantage.

When a value-creating strategy is implemented and is not at the same time executed by a rival firm, a competitive advantage results. The ability of a resource to reflect firm strengths or if they enhance the efficiency of the firm's operations, is not enough to render a resource help the firm build its competitive advantage. A resource has the potential of turning into a competitive advantage when it is valuable enough to permit exploitation of opportunities embedded in the firm's environment and that it safe guards the firm from threats in the external environment or from its rivals (Connor, 2002). Such resources must be rare, scarce enough, and not available to multiple firms. Rivals must not be able to replicate or substitute the benefits derived from the resource. Therefore, the resource must also be difficult to imitate and unlikely to be substituted by other resources. Even if a particular resource is valuable, non-substitutable, inimitable and rare, it may be inadequate to, by itself, generate competitive advantage. As a result, complementary strategic resources/assets are bundled together in unique ways to build competitive advantage to generate synergistic effect (Connor, 2002).

The competitive advantage is said to be sustained over time when rivals are not capable of duplicating the value-creating strategy's benefits (Barney, 1991). The violation of the founding assumptions premising the Resource Based View, i.e. the heterogeneity of resources and difficulty to transfer resources across different firms, renders the Resource Based View to fall apart for absence of a concrete foundation (Caldas et al., 2010). Despite the wide acceptance and popularity of the Resource Based View, a number of strategic scholars (Ryall, 1998; McWilliams and Smart, 1995) have aired their reservations about the theoretical value of the Resource Based View and its use as a strategic management tool in real practical world. Theories in management should make a practical contribution to practitioners and must make a contribution to the improvement in the art of managing (Connor, 2002). The Resource Based View lacks operational validity as evidenced by the lack of formulas and real-world prescriptions to guide managers in its application.

## **2.16 CHAPTER SUMMARY**

This chapter has reviewed literature on environmental analysis. Specifically, the chapter covered the environmental sectors, Environmental Scanning issues like the perceived strategic uncertainty, scanning frequency, scanning modes, and information sources. The

relationships between Environmental Scanning and a number of independent variable like firm size, Strategic Planning, and firm performance were also considered. The third and final section of the chapter covered the impact of environmental turbulence on Strategic Planning together with the Strategic Planning tools and issues to do with Industry Structure. The succeeding chapter reviews literature on strategy and strategy formulation.

## **CHAPTER THREE**

### **LITERATURE REVIEW**

### **STRATEGY FORMULATION, IMPLEMENTATION AND CONTROL**



### **3.0 INTRODUCTION**

While the previous chapter reviewed literature on Environmental Analysis, the current chapter begins by an overview of strategy, its evolution, approaches, levels of strategy in an organisation and strategy issues in manufacturing firms. The issues relating to the formal Strategy Formulation process and a consideration of strategy in the contemporary era beyond Porter will also be considered. The second section of this chapter reviews literature relating to Strategy Implementation. The barriers to effective strategy implementation, strategy implementation models and tools will also be covered. The final section of this chapter reviews literature on Strategy Evaluation and Control. The evaluation methods, performance measurement and control, together with the relevant tools form the final section in this chapter.

### **3.1 STRATEGY**

The subject area on strategy is highly contentious and complex (Pun, 2004; O'Regan and Ghobadian, 2002). Scholars have failed to agree on a universal definition of strategy (Pun, 2004; O'Regan and Ghobadian, 2002; Hutchinson, 2001; Mintzberg et al., 1999). Strategy remains one of the management fields most exciting, fast developing and has drawn multidisciplinary scholarly attention (Grant, 1997). Of recent Pun (2004, 2003) observed that there has been a growing interest amongst scholars in trying to integrate the existing frameworks and models into a coherent approach. There is however, very little guidance in literature on how such an integrated approach may be instituted (Pun, 2004).

The term 'strategy' is derived from the Greek word 'strategia', meaning the art of war (Pun, 2004; Feurer and Chaharbaghi, 1995). Strategy has been defined by Mintzberg (2000) as a plan, a guide, a direction, the route from where we are to there, or a course of action into the future. Several scholars (Clegg et al., 2011; Roos et al., 2001; Thompson and Strickland, 1996; Porter, 1980) concur that strategy is action-oriented, holistic game plan which management uses to position the firm in an industry where it can successfully compete and attain good performance. Mintzberg et al. (1999) and Grant (1997) argue that strategy is a unifying theme that provides direction, coordination and coherence of actions and decisions of an organisation. Strategy encompasses the wide array of competitive moves and all the approaches employed by the corporation in running the business (Grant, 1997; Thompson and Strickland, 1996). Management should prioritise the crafting of winning strategies, for the essence of strategy is all about winning (Grant, 1997; Thompson and Strickland, 1996) and this demands management to be proactive in shaping how the firm's future business will be done. Strategists ought to think strategically because of the fast-paced changes in the operating landscape like regulations, globalisation and pressure to innovate (Clegg et al., 2011; Grant, 1997;

Roos et al., 1997). Thompson and Strickland, (1996); Porter (1991) observed that strategy explains why some firms excel and some fail.

### **3.2 EVOLUTION OF STRATEGY**

The history of strategy can be traced back to the ancient Chinese, Italian and Greek philosophies with names like Sun Tzu, Heraclitus, Pericles, Machiavelli and Hobbes emerging as the founding strategy fathers. The classic work by Sun Tzu some 500 BC is widely acknowledged as the first documented work on strategy (Grant, 1997). Business and military strategy share a lot in common (Grant, 1997). According to these early philosophers, strategy success is basically influenced by the ability of the strategists to sense trouble (Clegg, et al., 2011). Machiavelli argues that the Romans never avoid war, but rather it can only be postponed to the advantage of others. In the early days, 'strategoes' was used to refer to the role an army commander assumed. As time progressed, the term 'strategoes' referred to the actual art (the behavioural and psychological skills). The term later meant managerial skill by 450 BC (time of the Pericles) and by 330 BC (Alexander's time) it meant the skill of deploying forces to overcome enemies and establishing a worldwide unified system of governance (Mintzberg et al., 1999).

Clegg, et al. (2011) as well as Grant (1997) have observed that much of the modern day Strategic Planning have their roots in the practices of the large US firms inspired by the military after the World War 2. The rational models from the US military diffused to the business organisations by the 1950s (Clegg, et al., 2011). Strategy is seen as the overall plan for deploying resources in-order to attain a favourable position while tactics are manoeuvres required to win battles, ultimately strategy concerns itself with winning the war (Grant, 1997). While it is true that business and military strategy have a lot in common, certain differences exist. The objective in military is usually to defeat the enemy but in business firms do limit their rivalry seeking coexistence and not destruction of competitors. Grant (1997) observed that the development and evolution of strategy in business has to a large extent been driven more by the practical needs of business compared to theory development. From the 1950s to the 1960s, Corporate Planning emerged in the large and complex firms as a response to challenges that managers in the firms faced in trying to coordinate decisions and maintain control.

According to Clegg et al. (2011) by the 1960s, the field of Strategic Planning had become a standalone field having its own specialised journal referred to as the Strategic Management Journal. The Strategy Management Society has also been established and being responsible for organising annual conferences and meetings (Clegg et al., 2011). In the 1960s the majority of the largest US firms had established formal Corporate Planning Divisions charged with explicitly laid down planning documents with 5 year-horizons outlining the objectives, forecasts of key economic trends and allocation of capital expenditures (Grant, 1997). In the 1970s, corporate planning incorporated the

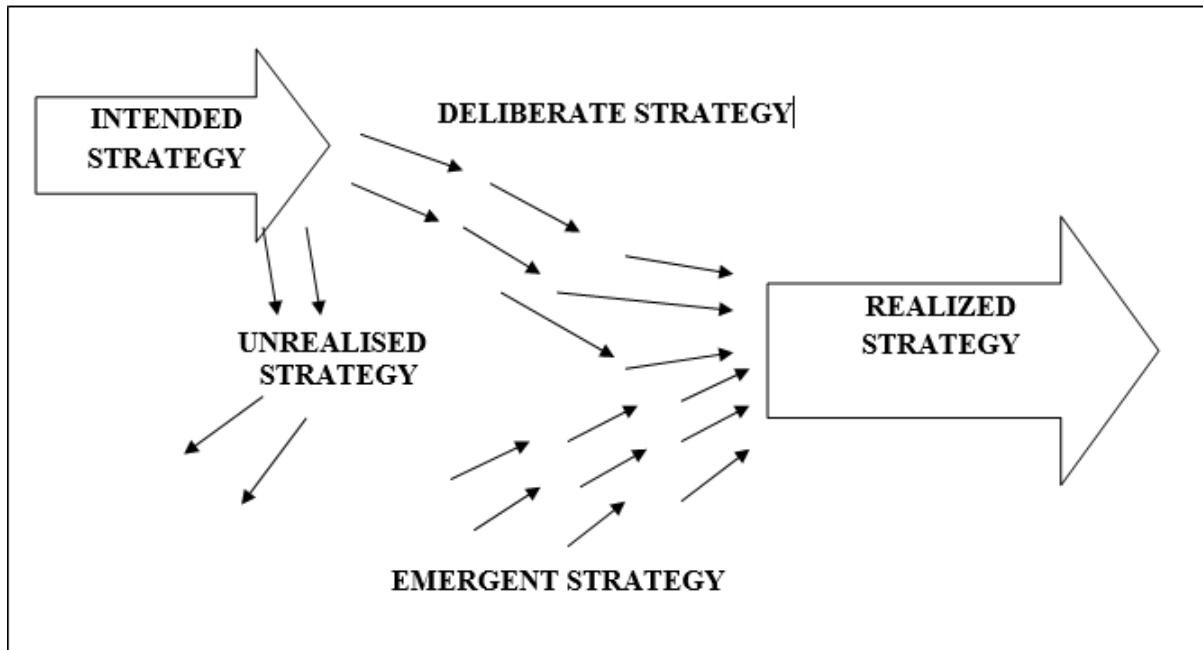
scientific approaches to decision making like the cost-benefit analysis, linear-programming, discounted cash flow appraisal and economic forecasting.

Stacey (2012) as well as Grant (1997) observed that from the mid-1970s the situation dramatically changed. Besides the visible failure to reap synergy from diversification, the oil shocks of 1974 and 1979 opened a new window of general macroeconomic instability coupled with global competition from Asian tigers and Europe. The increased environmental turbulence pushed firms to abandon their corporate plans in favour of more flexible approaches to Strategy Management with a focus on attaining competitiveness. During the early 1980s, the firm's market environments, particularly looking at industry structure and competition became the focus (The 5-Forces Framework and PIMS) (Grant, 1997). The late 1980s into the early 1990s saw a progression in interest to internal aspects of the organisation (The Resource Based View as the basis for strategy). During the late 1990s, key developments in the field included dynamics of competition and competitive advantage, cooperation strategies, and the role of knowledge within the organisation (Grant, 1997).

### **3.3 APPROACHES TO STRATEGY**

The nature of Strategy Formulation in organisations has centred on two schools- The Design versus The Process School (Mintzberg, 1994). The debate between the two schools makes a distinction between emergent and deliberate strategies (Falshaw and Gleister, 2006; Mintzberg and Mc Hugh, 1985; Mintzberg and Waters, 1985). Moore (2011) observed that in the history of strategy, there are two big names which have had the greatest impact on strategy due to their immense, clearly spelt out contributions- Mintzberg and Porter. Porter has been viewed as a great advocate of the deliberate approach to strategy while Mintzberg contends for the emergent strategy approach. In trying to establish the strategies pursued by a firm, Mintzberg argues that the extent to which they are deliberate or emergent has to be ascertained. Strategy can be thought of in terms of formal rational model, or as an emergent property (Roos et al. 2001). The conceptual strategy forms are shown in Fig 3.1 below:

**Figure 3.1: The conceptual strategy forms**



*Source: Mintzberg (2000)*

As shown in Fig 3.1 above, very little of the realised strategy comes from deliberate plans (Mintzberg et al., 1999). Unrealised intentional strategies are discarded. The chances of realising intended strategies are slim (Pun, 2004). Usually the realised strategies diverge from the intended strategies. At times companies do not have clearly laid deliberate strategies. Maloney (1997) as well as Mintzberg (1994), observed that a company may have emergent or unintentional strategies emanating from the things done by the firm.

### 3.3.1 The Design School

The design school advocates for intentional, deliberate, systematic, rational, realisable and purposeful actions carefully articulated and communicated to every corner in the organisation (Clegg et al., 2011, Pun, 2004; Goold, 1992; Ansoff, 1991). Deliberate strategy has an express, preordained and precise intent. Thompson and Strickland (1996) argue that corporate strategists deliberately shape how the company will conduct its business well in advance. Since strategy is a well calculated road map, a predetermined prescription for doing business and a customer loyalty building game plan, the firm's management has to discharge entrepreneurial leadership and ensure conducting of business in an aggressive way (Thompson and Strickland, 1996). This prescriptive school has been equated to what happens in military strategy, viewing the organisation as assigning soldiers (employees) to the battlefield (against rivals) with a clearly laid plan which generals (directors) would have drafted (Lynch, 2012). The founding fathers of the strategy discipline (Mintzberg, 1978; Ansoff, 1965; Chandler, 1962) have defined strategy as a top management planning exercise with the body (the organisation) following. Strategy denotes that top management has decided on direction and the

organisation has to be designed. This view was supported by Chandler (1962), who argued that inefficiency rules where structure fails to follow strategy.

The roots of the prescriptive school can also be traced to Adam Smith's Economic Theory (Lynch, 2012). Smith argues that when individuals are confronted with options, they make rational decisions which maximise profits. Porter and other modern strategy theorists have subsequently translated competitive warfare concepts and profit maximisation into strategic techniques and structure which have immensely contributed to the prescriptive strategic practice (Lynch, 2012). According to the prescriptive school, it is very possible for the organisation to plan strategy ahead, then execute it over time, monitor and evaluate the chosen course of action (Lynch, 2012). This perspective approach provides a complete overview of the organisation, allowing organisational resource assessments, especially those that give competitive advantage and permit scarce resource allocation.

However, scholars like Mintzberg have criticised the prescriptive school arguing that it is founded on very dangerous assumptions pertaining to how firms operate in practice. Limitations of formal strategic process have been seen as stemming from surprise and serendipity (Wheelen and Hunger, 2010). Mintzberg (2004) noted that the unpredictable is difficult to control. To be surprised is to be taken without preparation, without prior anticipation, or taken unawares (Clegg et al., 2011). Surprise is perceived as the direct opposite of what is recommended for good management control, routine, predictability (Clegg et al., 2008; Pondy and Mitroff, 1977). Mintzberg et al. (1999) argue that the future is a mystery which is unknown and unknowable. Besides prediction being difficult and inaccurate, the bulk of our predictions are laughably wrong. On the other hand, serendipity is viewed as happy surprise due to luck, or happenstance. The garbage-can-type decision-making work by Cohen et al. (1972) is a clear demonstration that organisational choice is influenced by luck, chance and timing due to the unanticipated confluence of challenges, participants and solutions. Scholars like Mintzberg and McHugh (1985) show that Strategy Formulation is to a certain degree a consequence of a natural convergence by a variety of players. Clegg et al. (2011) argues that serendipity start accidentally especially when a solution to problem A is being sought. Along the way, something is noticed which results to a remedy of a different problem, B, which has more value than problem A.

### **3.3.2 The Emergent School**

The term 'emergent theory' was popularised by Glazer and Strauss (1967). Under the emergent theory, a detailed hypothetico-deductive model shapes understanding (Lynch, 2012). This grounded theory argues that:

- i) The researcher does not start from a model or priori plan, but rather attempts to discover what the relevant categories are from the data collected from a deep immersion in the research setting.

Mintzberg (year) argues that strategists may think that strategy stems from plans and models that they create, whereas, in reality, strategy is being constantly interpreted, negotiated and made sense of through their own everyday actions and those of implementers.

- ii) Researchers seek for meaningful categories with which they can make sense of the collected data through the theoretical sensitivity process.
- iii) Researchers are not researching with a tabula rasa, of course. They are just conscious of the broader social theory. Strategy is emergent: strategy is viewed as emerging from a set of theories which are continuously redefined, renegotiated and reconfigured in practice. According to this perspective, strategy is viewed as a form of negotiated order.

Several scholars (Lynch, 2012; Clegg et al., 2011; Thompson and Strickland, 1996; Mintzberg, 1994, 1991; Pascale, 1984; Mintzberg and Waters, 1982) acknowledge the presence of reactive or emergent strategies when the firm passively allow strategies to drift in response to the on-going business approaches. Emergent strategy does not imply that management is out of control even though the final strategy is not clear (Lynch, 2012; Clegg et al, 2011). Strategy goes beyond what management had initially planned to do in advance as new circumstances emerge or due to changes in the environment (Clegg et al., 2011; Roos et al., 2001; Thompson and Strickland, 1996). Lynch (2012); Roos et al. (2001) observed that most times, people end up doing the things they did not say they will do, which they labelled as a kind of hypocrisy. Corporate strategies are dynamic and evolve over time with fine tunes in bits and pieces due to the need to adapt business approaches to changing conditions. Thompson and Strickland (1996) observed that it is very unusual for a firm's strategy to go unaltered despite how well-crafted and durable it is. Even the best laid down corporate plans must still be adapted to shifting market conditions, altered customer preferences and needs, strategic moves of rivals, emerging threats and opportunities, and the new dimensions on how to improve the strategy. Clegg et al. (2011) argued that emergent strategies are valuable especially when the environment is too complex to comprehend and unstable. Because strategy making is a continuous process, managers need to keep re-evaluating and refining strategy regularly as needed.

Strategies do not always unfold according to the original plan, but emerge from a disorganised, muddled and confused background (Clegg et al. 2011). Mintzberg (2000) commented that the realised strategy or the actual path an organisation will take is characterised by an interplay between the bottom-up, lower level initiatives and the top-down planning that indicates the intent of the management. Mintzberg opposed Chandler (1962) arguing that it is strategy which followed structure on its head. Rather it is strategy that is shaped by organisational power games, its design and culture. The top management (the head) is seen as held hostage by the organisation (the body). Viewing strategy from these lenses is seeing it as emerging from the roots rather than the highest echelons of the organisation. Strategy begins from the lower levels of the organisation and gains support and energy from the everyday work of organisational members, as compared to those loft plans written

down by senior managers during retreat (Clegg et al., 2011). While it is true that data analysis is involved in planning, the emergent school views strategy as being premised on synthesis, on lateral and creative thinking (Clegg et al., 2011; Mintzberg, 1994).

Some earlier studies (Cohen et al., 1972, and Lindblom, 1959) found strategy making as fragmented process taking place in several places over time having several participants involving a series of serial and incremental decisions. Mintzberg (ref) commented that strategies grow “like weeds in a garden, they are not cultivated like tomatoes in a greenhouse”. This means strategies may emerge in several places with new ideas able to start anywhere in the organisation if there are favourable resources. These strategies are capable of organically spreading throughout the organisation to become collective patterns of behaviour (Clegg et al. 2011). Earlier on, writers like Mintzberg (1978) and Quinn (1978) saw the process of strategy making as logical incrementalism. Events and actions were seen as moving step wise and a conscious strategy slowly emerges, capable of changing in a fluid and controllable process. While it is true that the majority of a firm’s strategies evolve incrementally, in some instances an organisation can act as an industry revolutionary by coming up with a strategy which redefines how the industry should operate by challenging the status quo (Clegg et al., 2011; Thompson and Strickland, 2006). Revolutionary strategies challenge the fundamental conventions by redefining the market place or redrawing the industry boundaries, and the product or services.

Proponents of the prescriptive school criticise the emergent school of thought, arguing that:

- i) It is not realistic for the corporate level to sit back and allow operating costs to sky rocket as they wish. The top executives are highly skilled and have a unified eagle’s view of where they aspire the group to progress, as a consequence, the organisation is expected to make measurable progress compared to just muddling along.
- ii) Competing operating companies within the group have resource demands and hence the need for efficient resource allocation.
- iii) Some industries require long time frames for decision making. If decisions are not taken and adhered to, the organisation becomes completely muddled. Experimentation may prove appropriate in the early years, but beyond there is greater need to fix strategy for length projects.
- iv) The control will be clearer and simpler where actions to be undertaken are determined in advance.

Grant (2003) argues that the debate on the Design-Emergent schools has continued due to a misconception on the way how Strategic Planning works in the real world. From his study of the 8 Oil Majors, Grant concluded that the planning systems of these US firms could be described as ‘planned-emergence’. Harrington, et al. (2004) concurred with Grant (2003) when they noted that the Mintzberg-Ansoff debate should see the deliberate and emergent strategies as on a continuum because

both strategies can be present in the organisation at the same time. Mintzberg cautions that the cases are few when we can have purely deliberate or exclusively emerge strategies. Other scholars like Clegg et al. (2011), and Thompson and Strickland (2006) have observed that a firm's strategy ultimately evolves over time being a combination of planned actions and the adaptive strategic responses. Thompson and Strickland (1996) noted that this is because the planned strategy must be adapted to the unfolding events in and outside the organisation and also due to the ability of managers to shape and reshape the strategy. The need to react to new strategic windows in the environment makes the strategy making process endless and the actual realised company strategy becomes a blend of managerial plans and reactions to new emerging developments in the environment (Mintzberg, 2000; Thompson and Strickland, 2006). Andersen's (2004) findings demonstrate the existence of decentralised strategic emergence where there is the relative empowerment of autonomous managers to take initiatives of potential strategic consequences and integrated diverse Strategic Planning activities. These schools contradict conventional perspectives that view the two strategy making modes as alternatives instead of being complimentary elements of the Strategy Formulation process. At this point it becomes important to investigate the approach to strategy formulation manufacturing firms operating in a turbulent Zimbabwean environment use.

### **3.4 LEVELS OF STRATEGY IN AN ORGANISATION**

The contemporary businesses operate in a highly competitive, global environment with fast-paced technological changes and product variety proliferation. The dynamic environment renders past strategies and those pursued by successful companies less competitive in the current context (Mintzberg et al., 1998; Pun, 2003). Pun (2004) noted that for the local firms to survive and attain sustainable growth, they should be able to identify their competitive priorities and formulate viable strategies which should be implemented. Strategy appears at three levels in an organisation, i.e. the corporate, business and functional levels (Johnson and Scholes, 1997; Hill, 1997). Thompson and Strickland added the operational level as the fourth strategy level.

#### **3.4.1 Corporate Strategy**

Thompson and Strickland (1996) defined Corporate Strategy as an umbrella, overall managerial game plan, strategic moves and approaches for a diversified company's businesses in different industries employed to enhance performance. Corporate strategy requires senior managers to decide on the moves the firm needs to take to establish positions in different businesses and achieve diversification. The strategists must decide on the number and the exact lines of businesses the organisation should be in together with the sectors to enter and the modes of entry (Thompson and Strickland, 1996).



Corporate strategy concerns itself with modalities to enhance the organisation's competitive positions and as well as its profitability in the long-term.

### **3.4.2 Business Strategy**

Business strategy entails the management's game plan for a single line of business and concerns itself with how to build and strengthen the competitive position of the firm in the market place over the long term (Thompson and Strickland, 1996). The business strategy must come up with appropriate responses of changes taking place in the task and general environment and then coming up with market approaches and competitive moves that may result in competitive advantage which is sustainable. Thompson and Strickland (1996) observed that the business strategy is responsible for bringing together functional departments' strategic initiatives, as well as tackling the important strategic issues confronting the company's business. The ability of a strategist to design a chain of approaches which can generate sustainable competitive advantage, is the attribute which separates powerful strategies from the mediocre ones (Thompson and Strickland, 1997). Previous research findings demonstrate that strategy at the business level is crucial for it greatly impacts upon overall firm performance (Wheelen and Hunger, 2010).

### **3.4.3 Functional Strategy**

Thompson and Strickland, (1996) stated that functional strategy relates to the game plan utilised by management to run a specific business process, functional activity, or a key department within a business-like marketing strategy, new product development strategy, R & D strategy, production strategy, finance strategy, HR strategy, etc. Functional strategies are much narrower in scope and are designed to add relevant detail to the firm's overall game plan by establishing the practices, approaches, and actions which have to be deployed in managing a specific business process, or functional department.

### **3.4.4 Operational Strategy**

The operations strategy pertains to the lowest specific strategic initiatives responsible for managing key operating units (sales offices, plants). The operations strategy is responsible for addressing daily strategic operational tasks of significance (materials purchasing, advertising campaigns, inventory control, shipping, and maintenance). Operating strategy, while of limited specific scope, makes functional strategies complete and more valuable. Even though the operating strategy is at lowest level of the strategy making pyramid, its relevance and importance should not be down played (Thompson and Strickland, 1996).

### 3.5 STRATEGY IN MANUFACTURING FIRMS

Pun (2004) has observed that manufacturing firms operate in environmental contexts experiencing rapid changes which render turning a blind eye to Strategic Planning costly to the firms. The business environment has a great influence on the competitiveness of the manufacturing industry (CZI, 2015). The contemporary manufacturing environment is characterised by intense global competition, fast-paced technological advancements and product variety proliferation, hence the need to enhance Strategic Planning practices of manufacturing firms (Dangayach and Deshmukh, 2001; Hum and Leon, 1996). In today's highly competitive business environments, the secret to competitiveness no longer hinges in repeating past successful strategies or copying successful firms' strategies (Pun, 2003; Mintzberg, 1998). Manufacturing firms must effectively compete from the local to the regional to the global market places (Pun, 2004). They must isolate their competitive priorities and then craft and implement relevant viable strategies to ensure survival and growth. Manufacturing strategy appears at the corporate level and may also appear at the business level as one of the functional strategies. From as far back as 1969, Skinner as well as Hayes and Wheelwright (1984) to more recent scholars like Barnes (2002); Dangayach and Deshmukh (2001); Hayes and Upton (1998) have emphasised the relevance and need for manufacturing strategy at the corporate level. In order to improve manufacturing and operations, there is need for academia to continue emphasising more research into strategy formulation and strategy implementation (Pun, 2003).

The bulk of the manufacturing Strategic Planning work in literature has primarily centred on either the prescriptive frameworks (Miltenburg, 2005; Hill, 1989; Skinner, 1969) or the descriptive case studies mainly in large companies (Kiridena et al., 2009; Pun et al., 2004; Swamidass et al., 2001). Many scholars who have written on manufacturing strategy have made a distinction between content (what the strategy actually consists of) and process (the way how the strategy is crafted and executed) (Papke-Shields et al., 2006). The imbalance between the two has been noted, with the bulk of the previous studies during the last two decades mainly focusing on content of manufacturing strategies and paying very little attention on the process of strategy (Rytter et al., 2007; Dangayach and Deshmukh, 2001). Barnes' (2002) studies in the manufacturing SMEs in the UK noted that strategies evolve through an emergent process that is bottom up instead of the top-down process.

It was only until the period when the Japanese embarked on lean production systems during the 1980s when they challenged the American mass production model (Kylaheiko and Sandstrom, 2007). These Japanese firms, unlike the US firms, were less vertically integrated utilising the vertically organised Keiretsu which managed to link the separate supplier companies and customers to the main organisations (hub and spoke model) (Zysman, 2003). Such structures ensured flexibility of existing output, as well as demand-led launch of new products. The lean production system reduced uncertainties to do with technology and the market, thus leading to less hierarchical manufacturing

mode and less transaction costs (Kylaheiko and Sandstrom, 2007). The majority of the manufacturing firms worldwide, like Sony and Toyota, adopted the Japanese mode which is more networked and demand-led manufacturing systems.

The contemporary manufacturing systems are going through a ‘third-revolution’ driven by globalisation and the digitalisation mode of production. There has been a progression from the traditional electro-mechanical period to the current digital age which is more flexible. Kylaheiko and Sandstrom (2007) noted that there has been a dramatic change in the very nature of manufacturing due to the sudden drop in transaction costs emanating from the effective use of telecommunications, the internet and computers. The contemporary globally networked and digitalised manufacturing firms have been seen to be in a disintegrated mode of production. Consequently, modern manufacturing firms are faced with the strategic issue which relates to how to orchestrate global supply chains effectively.

### **3.5.1 SMEs in manufacturing**

The past two decades have seen a growing interest in scholarly work examining the Strategic Planning practices in SMEs mainly out of the realisation of the crucial role that SMEs play in world and national economics (Georgious, 2011). The European Commission (2007) noted that the SMEs are an important economic engine playing a significant role in national economies. Georgious (2011) and Gibb (1993) observed that even though there has been an increase in scholarly work on SMEs world-wide, it is still constrained by what really constitutes SMEs. The challenges in defining SMEs emanate from the different criteria employed. Carter and Jones-Evans (2006) argued that there is no universal definition of SMEs. The European Commission (2005) provides a widely accepted quantitative definition of SMEs. Rahman (2001) in Nyamwanza (2014) argued that quantitative business measurement based on number of employees is common in management research. The definition by the European Commission (2005) encompasses the number of employees, the balance sheet and/ or turnover. SMEs are those firms employing less than 250 people (European Commission, 2003). The SMEs classification criteria by the European Commission is shown in Table 3.1 below;

**Table 3.1: SMEs Qualification Criteria**

<b>Criterion</b>	<b>Micro Business</b>	<b>Small Business</b>	<b>Medium Business</b>
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Maximum number of employees	9	49	249
Maximum annual turnover	€2 million	€10million	€50 million
Maximum annual balance sheet total	€2 million	€10 million	€43 million

Source: European Commission (2003)

As shown in Table 3.1 above, SMEs employ between 10 and 249 people. Other SMEs have been noted as those subsidiaries wholly owned by large companies. Hammer and Del Rosario (1997) came up with another classification of SMEs based on number of employees. Small enterprises have employees between 10 and 99; Medium enterprises employ between 100 and 199, while Large firms are those that employee above 200 people. In Japan, SMEs are seen as those firms employing less than 300 people (Wiebe, 2002); while in Italy and Australia, SMEs are seen as establishments employing about 500 people (Grossruck, 2000). These conflicting classifications are a real challenge that strategic scholars face in conducting research on SMEs. On the other hand, Burns (2001); Bolton Report (1971) argued that SMEs are not just defined by simple statistical measures like size, but SMEs have other very important defining characteristics like market influence, independence and personal influence. The qualitative criteria may consider the lower level of hierarchy and specialisation and managed by owner-managers (Coskun and Altunisk, 2002).

In the contemporary turbulent global environment characterised by fast-paced technological changes and increased competitiveness, the SMEs must thrive and hold onto their market place competitiveness (Laforet and Tann, 2006). Hudson et al. (2001) argued that SMEs can attain sustainable market place competitiveness by utilising manufacturing strategies. This demands the knowledge of the prevailing conditions among the SMEs with regard to manufacturing Strategy Formulation and what is required to make strategy frameworks useful (Lofving et al., 2014). The existing manufacturing strategy frameworks need to be examined and the extent to which they resemble practice. Robinson and Pearce (1983) observed that formality of Strategic Planning is less in SMEs since they prefer less extent of written sophistication and planning formality. The nature of Strategic Planning in SMEs is uneven, unstructured, confusing and dealing with environmental complexity and problems within the organisation (Stewart, 2003). The need for a strategic plan is prominent regardless of the firm size for this will help to enhance the quality and outcomes of the Strategic Planning process (Georgious, 2011; French et al., 2004). Georgious (2011) noted that the absence of strategic plan may lead the organisation into old-fashioned autocratic management styles. However, Barringer and Bluedorn (1999) argued that SMEs in turbulent environments must avoid formal Strategic Planning for the long term since they must deal with the short term first. SMEs desire

simplified and informal strategies that will enhance their flexibility, adaptability and ensure survival (Aram and Cowen, 1990). SMEs implement their informal strategic plans faster especially when under pressure or in danger (Verreyne, 2006).

### **3.6 FORMAL STRATEGY FORMULATION**

Over the past six decades both practitioners and academics have been looking for ways of how firms should develop a suitable strategy (Feurer and Chaharbaghi, 1995). According to Wheelen and Hunger (2010), Strategy Formulation (SF) is known in other terms like Long-Range Planning or Strategic Planning. Strategy Formulation is a rigorous and ambitious process (Popa, 244), which begins with the development of an organisation's mission, objectives, strategies and policies (Cristiana and Anca, 2012; Wheelen and Hunger, 2010; Thompson and Strickland, 1996). Organisations engage in Strategy Formulation in order to secure a favourable position in the industry (Feurer and Chaharbaghi, 1995). Scholars like Wheelen and Hunger (2010); Grant (1997) observed that the starting point in Strategy Formulation could be the evaluation of the strategic alignment that may exist between external opportunities and internal strengths while examining the external threats and internal weaknesses. Strategic factors must be analysed in light of the prevailing situation using the SWOT Analysis (Wheelen and Hunger, 2010). The SWOT framework acknowledges strategy as forming a link between the firm and its external environment (Grant, 1997; Thompson and Strickland, 1996). Daft (2011) argued that Strategy Formulation involves actively listening to employees and outsiders as well as examining the trends and discontinuities in the environment useful in attaining an edge. During Strategy Formulation, the following questions are often asked; 'Where are we as a company at the present moment? Where do we intend to take the organisation to? What changes and new patterns are occurring in the task environment? Where can we derive strength that can help us achieve our vision?' (Daft, 2012).

Crafting of strategies deals with how to out-perform rivals, how to achieve the set performance targets, how to attain sustainable competitive advantage and how to make management's strategic vision a reality. Thompson and Strickland (1996) argue that when a firm is crafting strategies, it must be venturesome, must have an eye widely open to quickly spot emerging opportunities in the market, keen observation of customer needs, and appetite for risk taking. Good strategy crafting is intertwined to good business entrepreneurship (Thompson and Strickland, 1996). The more dynamic a firm's environment, the greater need it has for entrepreneurial leadership capable of diagnosing changing conditions and implementing the necessary strategic adjustments (Daft, 2011; Thompson and Strickland, 1996). Strategists who are entrepreneurial are more likely to be risk-takers, first-movers capable of quickly responding and seizing new opportunities in the market place. This is contrary to less entrepreneurial managers who are risk-averse and more unlikely to pursue a different strategic course if they think that the current strategy will lead to acceptable results. According to Thompson

and Strickland (1996), these less entrepreneurial managers are more likely to misinterpret trends in the market and assign too little weight on significant shifts in customers' behaviours and needs (Thompson and Strickland, 1996). This could be a very accurate explanation for what happened at Nokia. Unless these managers are forced to embrace the changes, they may resist strategic change due to unwillingness to deviate from the traditional tried-and-true approaches to business (Thompson and Strickland, 1996). Such tried-and-true strategies run the risk of increasingly getting out of touch with customer and market realities and the managers focus most of their energy and time on resolving inward challenges, improving organisational processes and procedures and taking care of daily administrative tasks.

### **3.6.1 Crafting a strategic vision and mission**

Direction setting is a major component of leadership which involves predicting and at times creating a future for the organisation (Du Brin, 2012). According to Daft (2011), vision represents an idea, an attractive and ambitious future not readily attainable and yet realistically achievable. A firm's strategic vision deals with management's views and conclusions concerning the courses of action to be pursued in say 5-10 years to come, the position in the market it will be trying to occupy, the customer focus to be taken, and the actual activities the business will pursue (Thompson and Strickland, 1996). The central questions to be asked include, 'Where do we go from here? What sort of organisation are we to establish? What should the organisation's business make-up be in the future?' It captures the aspirations of the management concerning the future of the organisation. The organisation's vision clearly spells out the direction and provides a description of the destination (Thompson and Strickland, 1996). As a result, leaders must be capable of painting a compelling picture of where the organisation wants to go in the future. Effective visionary leaders have been identified as those capable of seeing what others are not seeing, or think will come to pass (Du Brin, 2012). Creating the future has been conceptualised as reinventing an industry. Du Brin (2012) argues that effective strategic leaders must devote 20-30% of their time plotting the future.

Thompson and Strickland (1996) argued that the process of formulating a strategic vision for the firm goes beyond word smiting, creating catchy slogans to thinking strategically about the organisation's future strategic path which management is deeply committed to. Effective business leaders operate with a powerful future-oriented picture of the business. Strategic visions are not generic but unique, company specific and highly personalised statements that sets the firm apart from others even in the same industry. An effective vision links the present with the future, energizes members towards the future, gives a sense of meaning of people's work and acts as a standard of excellence and integrity in the organisation. According to Daft (2011), organisational visions are capable of growing and changing as well. Most innovative companies have departments with individual visions which are

aligned to the corporate vision. Organisations with inspirational, strong visions have been seen as having employees with higher levels of satisfaction and motivation and ultimately having higher organisational performance (Wheelen and Hunger, 2012). Daft (2011) argues that organisations with members who understand and have embraced the visions, are self-adapting. Shared visions arise from top management sharing their personal visions with others and encourage others to express their dreams for the future. Du Brin (2012) noted that articulating a clear vision helps a firm to attract potential investors.

The firm's mission represents the main broad reason and purpose for the organisation's existence (Daft, 2011), what the firm is currently seeking to do for the customers (Wheelen and Hunger, 2010; Thompson and Strickland, 1996). Mission represents what the firm 'stands for' in a much broader sense; whereas vision is an ambitious desire for the future (Daft, 2011). Because the mission addresses the current business and doesn't speak to the firm's future, there is therefore need for management to consider what the company will have to do in the future to meet customer needs (Thompson and Strickland, 1996). Taking the future into consideration entails thinking strategically about the impact of changing customer expectations and needs, new technologies, and emergence of new markets and new competitive conditions. The concept of a firm's mission must be evaluated in light of the impact of the operating environment. In dynamic environments, the status quo must rapidly be adjusted. Wheelen and Hunger (2010) noted that the company's mission must provide a common thread that acts as a unifying theme within the organisation about where management wants the firm to head to. Unlike visions which are capable of growing and changing, the organisation's mission persists even in a dynamic environment. According to Daft (2011), mission defines the enduring aspect of the organisation- 'the spiritual DNA', which acts as a glue that holds the organisation together in light of the changes in the environment.

Good mission statements comprise of the core purpose and the core values. The core values are responsible for guiding the company through all situations. Effective mission statements do not merely describe an organisation's products or services but captures people's idealistic motivations (a noble purpose) for why the organisation exists. Employees who believe that their mission portrays their jobs as important have been found to be more engaged with their work, have a greater sense of loyalty and pride, and are more productive (Daft, 2011). Superior performers have appropriate, neither too broadly nor too narrowly defined mission statements (Wheelen and Hunger, 2010) that give people purpose in their work because they are able to attract better workers, have better relations with those outside the organisation and have superior market place performance over the long term (Daft, 2011). A firm's strategic vision has to be realistic of the prevailing conditions in the task and general macro-environment and must also reflect the firm's capabilities and available resources.

According to Daft (2011), there are four approaches to framing the organisational purpose and these include:

- a) *Discovery*- Relates to the opportunity to create or find something new which inspire many people. Discovery serves as a noble purpose. Discovery inspires employees to see the adventure in their work and experience the joy of pioneering or entrepreneurial spirit, e.g. Google, Samsung, 3M, Virgin.
- b) *Excellence*- The excellence approach focuses more on the product itself rather than the customers. Management is not willing to sacrifice their commitment to high quality even though they would like their market share to increase (Daft, 2011). Employees and management are highly valued and supported for them to perform at their peak- Intrinsic rewards motivates employees. Apple is an example.
- c) *Altruism*- The noble purpose of the organisation is premised on altruism as they focus on serving others. Examples include giving low income earners a good deal, and any organisation placing greater emphasis on customer service is also considered altruism. Most people are excited when they do something to help their communities, others or making the world a better place.
- d) *Heroism*- Such firms have the heroic approach and have an obsession with winning as their purposes are based on being effective, aggressive and being strong, e.g. Microsoft, General Electric, South West Airlines.

On the other hand, scholars like Thompson and Strickland (1996) identified the elements of a strategic vision as:

1. *Defining a company's present business*- This task is not an obvious one and easy to do (Thompson and Strickland, 1996). Defining a firm's business may involve focusing on the needs the firm is trying to satisfy, the customer groups it is targeting, or even the technologies it will use in serving the target market.
2. *Deciding on a long term strategic vision for the company* y- Such skills like rational analysis, very good entrepreneurial instincts, creativity and intuitive sense about what the firm will be able to do when pushed and challenged. The strategic vision has to energise its strategy and must be compelling enough to shape the actions of the organisation.
3. *Communicating the strategic vision*- Conversations, rather than top-down communication, work best so that organisational members believe that management is driving the organisation in the appropriate direction and also have an appreciation of the changes laying ahead (Thompson and Strickland, 1996). A strategic vision expressed in engaging language which creates a vivid picture in their heads, that provokes emotions and excitement; brings the workforce together, stimulates extra effort and gets people to live the business rather than just coming to work.



### 3.6.2 Establishing Objectives

Strategic Planning literature has over the years shown that the terms goals and objectives are used in a variety of ways, many of them conflicting (Grant, 1997; Thompson and Strickland, 1996; House and Price, 1991). One group of writers refer to the organisation's long-term outcomes as goals, while the short-run outcomes as objectives. Other scholars reverse the two terms' usage, viewing objectives as long term, while goals are seen as short-term results (Grant, 1997; Thompson and Strickland, 1996). Still other scholars use the two terms interchangeably. Another group of scholars view goals as the broad organisation wide performance yardsticks, and the term 'objectives' being used to describe the specific targets set by functional departments and operating divisions. Thompson and Strickland, (1996); as well as House and Price (1991), argue that nothing is achieved from such semantic distinctions between the terms 'objectives' and 'goals'. What is important is for organisations to have performance targets for the entire organisation, the functional and the operational levels for both the near-term and long-term. This study will utilise the term objectives to refer to the firm's performance targets and the results it seeks to achieve.

Objectives represent an 'end', while strategy stands for the 'means' to the end. Good objectives represent management's commitment to attaining clear performance targets within a specified time horizon. Objectives are a call for action which derive from the conversion of the strategic vision and direction course into the specific performance targets (Thompson and Strickland, 1996). Unless the firm's strategic vision is translated into clear specific performance targets and management pressured to show progress in attaining these targets; the strategic vision statement will likely end up as nice words, window dressing and unrealised dreams of accomplishment (Thompson and Strickland, 1996). Properly set objectives are challenging, realistic, thus avoiding complacency and low-grade improvements, but will thus compel the firm to be creative, display some urgency in enhancing its business position and performance (Wheelen and Hunger, 2010; Thompson and Strickland, 1996). These scholars further argued that managers of successful firms are good at setting company performance targets that demand stretch and disciplined effort.

If organisational objectives are to function as standards of progress and performance, they must be expressed in quantifiable terms and must have a definite clear time frame for attainment (Wheelen and Hunger, 2010; Thompson and Strickland, 1997). Objectives must clearly spell out how much of what kind of performance and by when. However, organisational objectives must act as a tool for managers for stretching the organisation to get to its climax, setting challenging objectives so as to rejuvenate the organisation and its strategy. Another strategy perspective argues that organisational objectives must be set as high and bold enough above what members deem realistic. The argument in support of this school relates to the enhanced organisational energy and creativity which is released when

challenging objectives focus on levels above what the firm's immediate capabilities and resources (Thompson and Strickland, 1996).

Performance yardsticks can be financial or strategic performance targets. Strategic objectives aim to enhance the firm's competitive strengths and long-term prospects of the organisation. The firm's ability to attain acceptable financial results is important, as pursuit of a company vision without adequate profitability is jeopardised. Pursuit of satisfactory financial performance alone is not enough, as the firm's strategic well-being is also crucial- the firm's competitiveness and overall business position (Thompson and Strickland, 1996). A firm may have short-term objectives which seek to attain immediate performance improvements and outcomes, and the long-range objectives, on the other hand, which seek to prompt management to consider the current actions which will help the firm to perform well over an extended period of time. When confronted with both short-range and long-range objectives simultaneously, the long-range take precedence. All departments in the organisation need specific, measurable performance yardsticks which contribute to the attainment of the firm's objectives and strategic vision.

#### **3.6.3.1 Generating Alternative Strategies using a TOWS Matrix**

The SWOT may be used to come up with a number of alternative strategies (Wheelen and Hunger, 2010). The Threats, Opportunities, Weaknesses and Strengths Matrix shows how the opportunities and threats from the external environment confronting the firm can be matched with the internal strengths and weaknesses from the organisation resulting in four sets of possible alternative strategies. Brainstorming sessions maybe used to encourage management to come up with alternative strategies which might not have been taken into consideration (Wheelen and Hunger, 2010). The TOWS Matrix is shown in Fig. 3.2 below;

**Figure 3.2: The TOWS Matrix**

<b>INTERNAL FACTORS (IFAS)</b>  <b>EXTERNAL FACTORS (EFAS)</b>	<b>Strengths (S)</b> List 5-10 <i>internal</i> Strengths here	<b>Weaknesses (W)</b> List 5 – 10 <i>internal</i> Weaknesses here
	<b>Opportunities (O)</b> List 5 - 10 <i>external</i> opportunities here	<b>SO Strategies</b> Generate strategies here that use <b>strengths</b> to take <b>advantage</b> of <b>opportunities</b>  <b>WO Strategies</b> Generate strategies here that take <b>advantage</b> of <b>opportunities</b> by <b>overcoming weaknesses</b>
	<b>Threats (T)</b> List 5 – 10 <i>external</i> threats here	<b>ST Strategies</b> Generate strategies here that use <b>strengths</b> to <b>avoid threats</b>  <b>WT Strategies</b> Generate strategies here that <b>minimize weaknesses</b> and <b>avoid threats</b>

*Source: Wheelen and Hunger (2010)*

### 3.6.4 The Strategic Plan

According to O'Regan and Ghobadian (2003), a formal strategic plan represents a deliberate attempt to systematically bring together factors and techniques to attain certain specified goals. A strategic plan may appear as a simple document outlining the needed steps to competitively increase market share (Baghai et al., 2009). Current trends show that organisations are crafting strategic plans which seek to create greater value for customers so that market growth is sustainable over long periods (Germano and Stretch-Stephenson, 2011). Deployment of Strategic Planning can be enhanced by the consideration of potential barriers to effective Strategy Implementation and their most likely causes (Beer and Eisenstat, 2000). It can be argued that firms with more formalised Strategic Planning processes have greater chances of paying more active attention to the potential barriers than firms with non-formalised planning systems (O'Regan and Ghobadian, 2002).

Strategy Management literature is not clear on the precise time horizons strategic plans should optimally cover. Scholars like Fulute-Sabate et al. (2007) noted that the time horizon between 1-3 years is acceptable. David (1997) noted that long range planning involves planning horizons beyond one year; while Salguiero (1998) argued that planning horizons beyond 2 years are long range. Ponjuan (1998) on the other hand notes that horizons beyond 5 years would be long range. Titus et al.

(2011) argued that the time horizon beyond 3 years is no longer Strategic Planning but long-range planning. The study by Pacious (2004) found that strategic plans are in the majority of cases labelled as 'Strategic Planning' instead of long range plans. The study by Pacious also found strategic plans' length to range from 2 to 41 pages even though the author acknowledges that experienced planners prescribe 25 to 30 pages as adequate. It also noted that most strategic plans contained the following elements; Executive summary, Introduction, Mission and vision, Values, External environment overview, Internal environmental overview, Service response, Goals, Key action areas, Objectives, Activities, Financial resources. Scholars like Grant (2003) argue that due to increased turbulence in the USA business environment, most firms were now shortening their strategic plans. To the best of the researcher's knowledge, no study has been conducted to investigate the issues surrounding the strategic plans used by Zimbabwean firms.

### **3.7 BEYOND PORTER**

Michael Porter's frameworks, models and theories form the bulk of the Strategy Management literature in most popular journals and textbooks and are a basis for the theoretical debate and empirical testing (Harfield, 1998; Hill and Deeds, 1996; Foss, 1996; Sharp and Davidson, 1994; Miller and Dess, 1993). O'Regan and Ghobadian (2003) observed that Porter's work on competitiveness revolutionaries Strategic Planning from being a mechanism through which change maybe anticipated to a means by which firms may attain competitiveness. His work sought to explain why some firms fail while others succeed. Mintzberg's famous 10 schools of strategic thought identify Porter's work as an analytical process and classified it under what he termed the 'positioning school'. Porter viewed the existence of a dynamic relationship between the firm strategy and the structure of the industry at the heart of the competitive strategy concept (Harfield, 1998). Porter made the economics model of Industry Organisation called the Structure-Conduct-Performance popular. This model claims that forces operating within an industry determine how firms conduct, which in turn influences firm performance. He demonstrated how a firm can influence competitors. The firm must have a clear understanding of its rival firms in terms of where they stand on the spectrum from good to bad and respond accordingly (Harfiel, 1998). Competitive strategy is all about being unique. Competitive strategy, according to the generic strategies, is at the centre of any strategy, even though the choice and deployment of generic strategies is difficult (Porter, 1985). Below average performers usually possess no competitive advantage due to being 'stuck in the middle' (engaging in generic strategy but failing to attain any of them). Firms stuck in the middle can only attain attractive profits only if the industry is highly favourable or when the other competitors are also stuck in the middle.

The current business environment is different from that during the 1980s and 1990s when most of the strategic models and frameworks were developed which assumed bricks and mortar organisations (Xavier and Hunt, 2002). There has been a significant shift in the business environment towards

commoditisation of goods, globalisation, diminishing first-mover advantage, shorter product-life cycles, etc. Such a turbulent environment pushes firms to pursue survival as the overriding objective and such turbulent conditions leave no room for error, thus forcing firms to emphasise on setting the appropriate strategies right (Xavier and Hunt, 2002). Some of the bricks and mortar firms face extinction due to the emergence of the internet which has permitted competitors to come up with better business models or created new rivals in the industries through disintermediation or re-intermediation (Xavier and Hunt, 2002). Scholars like Xavier and Hunt (2002); Tapscott et al., (2000) have argued that firms that concentrate only on offering product and service innovations without innovating their business models are pushing rope.

Xavier and Hunt (2002) further noted that in this internet age, value is now created in radically new ways and thus changing the prevailing economic rules. The internet can be seen to have been responsible for creating new rivals through the disintermediation or re-intermediation process or has helped the existing businesses to come up with better value proportions and business models. Evans and Wurster (2000) in Xavier and Hunt (2002) observed that due to the internet, the traditional competitive advantage is now up for grabs as competitors can pick off the most profitable items within your value-chain, consumers have an unlimited rich global access to alternatives, and having suppliers forward integrating exploiting direct customer access. Traditionally, value has been seen as emanating from the firm's accumulated delivery fleets, branches, sales force. The emergence of the internet has fast rendered these into an accumulated liability as value is now derived from the flow of information rather than the flow of tangible things (Xavier and Hunt, 2002).

Xavier and Hunt (2002) observed that in today's business environment with huge levels of oversupply of goods, greater value lies in the business' generated information rather than the business itself. Traditional bricks and mortar firms chose to gain competitive advantage through differentiation through product leadership, operational excellence, customer intimacy; now due to the internet, virtual teams, rapid flow of new technology and large scale distributed databases have helped to accelerate product development cycle times. There has been a significant revolution in customer relationships through the new customer relationship management technology on the internet. As a consequence, contemporary business leaders are faced with increasingly great challenge of looking for new differentiators. Xavier and Hunt (2002) argue that future businesses will derive their competitive advantage from the firm's ability to lead, learn, adapt, communicate and network.

The social constructivist perspective argues that the norms which guide strategy are not cognitive but cultural (Harfield, 1998). Despite the disappearance of national frontiers in this global village, the uniqueness of society and history is still relevant. Harfield (1998) argues that the single best way to view strategy is to assume that Strategy Management is a myth. Myths, just like fable and archetypes are key in understanding organisations and managers utilise them as an important sense making way

for their expectations. Myths represent our foundations for knowing (Harfield, 1998; Kaye, 1996). According to Beeby (1992) each generation assumes or creates its separate 'unattainable but approachable goals' in the form of a myth. Myths are an important part of continuity rather than indicative of change (Beeby, 1992). Harfiel (1998) argues that Porter (1980; 1985; 1990; 1996) is one of the all-time major myth-makers.

Porter's work has been widely criticised even though it forms the bulk of the Strategy Management literature (Harfield, 1998). Assuming that what excites senior management is also good for everyone represents a universalisation of sectional interests (Harfield, 1997; 1998; Shrivastava, 1996). Porter's generic strategies are difficult to implement (Knight, 1992). Moreover, a number of strategic scholars (Foss, 1997; Hill and Dess, 1996; Sharp and Dawson, 1994; Miller and Dess, 1993) criticise Porter's models for lacking a clear definition in matter of agreement rather than debate and lack of empirical data in support- yet his models have become the foundations of the field of Strategy Management (Harfield and Hamilton, 1997; Mintzberg, 1990). On the other hand, scholars like Foss (1996) noted that the Strategy Management field is too Pluralistic and Porter's work is cited as a typical example of this problem. Porter has been criticised for being too eclectic hence contributing nothing to the existing foundations of the field (Foss, 1996) except the needed complexity to industry analysis (Forster and Browne, 1996). Generally, the wide range of critiques on Strategy Management concepts point to the fact that Strategy Management is diverse (Harfield, 1998).

### **3.8 STRATEGY IMPLEMENTATION**

#### **3.8.1 Overview of Strategy Implementation**

Several scholars (Atkinson, 2006; Raps, 2005; Otlay, 2003; Aaltonen and Ikavalko, 2002; Noble, 1999; Okumus and Roper, 1998; Edgar and Taylor, 1996; Alexander, 1985) note with great concern the general lack of a consistent, thorough academic attention to Strategy Implementation (SI) across the globe. Strategy Implementation is less popular among corporate strategists and strategy scholars alike because it is mistakenly treated as a strategic after-thought and an approach that is purely top-down (Raps, 2005; Aaltonen and Ikavalko, 2002). As early as 1985, Alexander noted that Strategy Implementation is less glamorous compared to Strategy Formulation as many people are unsure of what it includes, where it starts or ends, and many people overlook it thinking that anyone can do it.

Despite the global acceptance of the role of Strategy Implementation in organisations, several scholars (Kazmi, 2008; Aaltonen and Ikavalko, 2002; Okumus and Roper, 1998; Edgar and Taylor, 1996; Pearce and Robinson, 1994; Thomson and Strickland, 1987; Higgins, 1985; Hrebiniak and Joyce, 1984) have demonstrated that Strategy Implementation has been treated as a process divorced from Strategy Formulation which concerns itself with adjusting organisational systems and structure. The

challenges revolving around the issues of Strategy Implementation are further compounded especially by the small number of conceptual frameworks of Strategy Implementation (Aaltonen and Ikavalko, 2002; Goold, 1991; Alexander, 1985), which are still either being developed or refined (Kazmi, 2008). The other apparent challenge in Strategy Implementation literature has been the diversity of viewpoints due to the wide range of different cognitive domains and disciplines (Noble, 1999; Okumus and Roper, 1998; Neely et al., 1994). This widespread focus is the main attribute for Strategy Implementation's continued partial problem-solving solutions leading to the elusiveness of the general rules (Reed and Buckley, 1988).

Strategy Implementation is defined as "the communication, interpretation, adoption and enactment of strategic plans" (Noble, 1999: page). This definition shows that a direct connection exists between the Strategic Planning process and the subsequent Strategy Implementation emanating from that process. The link between Strategic Planning and Strategy Implementation mustn't be taken for granted since it is difficult to cultivate and maintain in organisations (Johnson, 2000). Kazmi (2008); Okumus and Roper (1998) noted that Strategy Formulation excites and draws on the attention of strategic thinkers and management while Strategy Implementation is always side-lined. The Strategy Implementation process is widely seen as more difficult compared to the Strategy Formulation process (Kazmi, 2008; Hrebiniak, 2006; Aaltonen and Ikavalko, 2002; Nutt, 1999). Some scholars (Coulson-Thomas, 2013; Jiang and Carpenter, 2011; Kazmi, 2008) find that despite the length of time, ever since Strategy Implementation has been identified as challenging, the gap between front-line conduct and board-room aspirations remain too wide. Company boards need to refocus their attention to the attainment of a balance between words and deeds because people are more interested in outcomes that they can smell, see, taste and feel (Coulson-Thomas, 2013). In the absence of effective Strategy Implementation, even the most superior strategies are useless (Speculand, 2009; Aaltonen and Ikavalko, 2002; Okumus and Roper, 1998).

The greatest challenge with Strategy Implementation relates to the alarmingly fatal failure rate of the intended strategies (Kazmi, 2008; Raps, 2005). Aaltonen and Ikavalko (2002) observed that the process of Strategy Implementation is not as simple and straight forward as perceived in the majority of cases, as organisations are not able to implement their strategies. The achieved strategies have often fallen far too short of managerial aspirations (Coulson-Thomas, 2013). Mintzberg (1994) noted that more than 50% of the crafted strategies are never implemented; Miller (2002) found a high failure rate of 70%; while Speculand (2009) found an abysmal low implementation success rate of 10%. Raps (2005); Grundy (1998) argue that there is a greater need for management to place more emphasis on moving from the current 90:10 ratio to a minimum 50:50 proportion between Strategy Formulation and Strategy Implementation.

Strategy Implementation has also been noted to be influenced by the perspective on strategy that managers have. To those who view strategy as being deliberate, rational and explicit, Strategy Implementation entails executing the predetermined strategic plans. On the other hand, those managers who believe that strategy is emergent, do not believe that strategy must be first created and executed, but rather, strategy is seen as emerging and evolving without strategic planners' interventions (Aaltonen and Ikavalko, 2002; Mintzberg, 1978). Aaltonen and Ikavalko (2002) argue that in reality, some strategies are planned and others just emerge from the actions and on-going decisions of the members of the organisation. As a consequence, Strategy Implementation is seen as made up of both planned and emergent strategies, evolving hand-in-hand, influencing each other during the Strategy Implementation process (Aaltonen and Ikavalko, 2002; Noble, 1999).

Formal Strategic Planning has been identified as key in successful Strategy Implementation (Pinto and Prescott, 1990) and ultimately improves organisational performance (Anderson, 2008; Boyne and Gould-Williams, 2003). However, Mintzberg (2000) noted that too much attention devoted to Strategic Planning process leads to inflexible decision-making causing implementation failure as implementers cannot make incremental adaptations to a strategic plan which seem to be set in stone. Some previous studies have noted that a strong positive relationship exists between Strategic Planning and Strategy Implementation compared to a more ad hoc approach where decision making is made on an incremental basis as the conditions demand. Even though it is widely acknowledged that Strategic Planning matters in Strategy Implementation, little effort has been devoted to investigate the link between planning and implementation of strategies in manufacturing firms. To this end, it becomes necessary to investigate whether the formal Strategic Planning process has a bearing on the success of Strategy Implementation in the manufacturing firms operating in a turbulent Zimbabwean context.

### **3.8.2 The Role of Structure, Culture and Control Systems in Strategy Implementation**

Hill and Jones (2011) argue that Strategy Implementation relates to how a firm should establish, utilise and combine its structure, control systems in place and its culture to pursue strategies that will result in attainment of competitive advantage and superior performance. The organisational structure helps managers to allocate employees specific tasks and roles that help in value creation. It also entails how these separate, specific value-creating roles and tasks are to be inter-related in ways that enhance quality, responsiveness to customers, efficiency and innovation (these are competitive advantage building blocks) (Hill and Jones, 2011). Hill and Jones (2011) further argue that the structure is not an end in itself for it doesn't possess the required incentives to motivate people to work. Structure represents the skeleton, control provides it with the sinews, muscles, nerves and sensations which help managers to govern and regulate its activities. In designing the structure, managers need to decide on how to group the activities into function and group function; the



allocation of authority and responsibility to these functions; and ways to enhance the level of coordination or integration between functions (Hill and Jones, 2011). Reed and Buckley (1988) advocate for a crystal-clear fit between structure and strategy.

Control systems provide managers with the specific feedback required on how well the firm and its employees are performing and strengthening competitive advantage (Hill and Jones, 2011). A firm's existing management controls and budgeting systems have received considerable scholarly attention as an inhibitor to effective Strategy Implementation (Atkinson, 2006; Langfield-Smith, 1997). Strategic control systems ensure that the clearly crafted strategies are converted into action (Bungay and Goold, 1991). They represent short term targets that will ultimately deliver long term goals. Strategic control systems are necessary for they provide a balance between the organisation's longer term goals and the operational demands in the short run (Bungay and Goold, 1991). Reed and Buckley (1988) observed that even though the traditionally used budgeting systems are a good communication tool, their use in Strategy Implementation is heavily handicapped by their dominance by monetary measures rendering the planning intent of other resource redistribution to be ignored. Despite the widespread criticism of budgets as being too bureaucratic and concern on cost minimisation, budgets are still the main integrative control technique in most firms (Otley, 2001; Hope and Fraser, 1997; Hope and Hope, 1997). Strategic control systems inclusive of both non-financial and financial performance indicators should be included. The strategic control systems ought to be flexible to ensure they are better able to deal with the increasingly dynamic and competitive arenas.

Aaltonen and Ikavalko (2002) find that the traditionally accepted Strategy Implementation problems of inappropriate structure and lack of senior management support are not the main stumbling blocks to effective Strategy Implementation. They argued that behavioural and cultural challenges, diminishing commitment and feelings of ownership and poor communication are the main Strategy Implementation challenges to be overcome. Hill and Jones (2011) argue that organisational culture relates to specific collections of norms, values, attitudes and beliefs shared by organisational members or groups within the firm, and which regulates how they interact with each other and with other external stakeholders. Senior management is capable of influencing the way how the exact values and beliefs are to develop within the organisation (Hill and Jones, 2011). These beliefs and values have a strong bearing on how members will work toward attaining organisational goals.

### 3.8.3 Barriers to Effective Strategy Implementation

Several scholarly articles (Hrebiniak, 2006; Aaltonen and Ikavalko, 2002; Beer and Eisenstat, 2000; Corboy and O' Corrbui, 1999; Galpin, 1998; Mankki, 1994; Giles, 1991; Alexander, 1991, 1985) show a number of challenges affecting Strategy Implementation in organisations. The scholarly articles have been labelled diverse with such catchy titles as 'The deadly Strategy Implementation sins', 'The silent killers of Strategy Implementation', 'The 10 common Strategy Implementation challenges', 'Strategy Implementation- an insurmountable obstacle', 'Strategy Implementation: What is the failure rate' etc. (refs). The barriers to effective Strategy Implementation identified in literature over the years include the following:

1. A lack of or ineffective communication.
2. A weak commitment to the strategy.
3. An underestimation of the required time to implement a strategy.
4. Unawareness or misunderstanding of the strategy. Ambiguous strategic intentions and conflicting priorities.
5. Senior management maybe ineffective and over optimistic during planning. Moreover, senior managers are more reluctant to soil their hands and in the majority of cases, these strategists are equipped with the skills to plan and not execute plans.
6. Weak management roles in implementation.
7. Inadequate management style, leadership and direction. A 'let-it-be' leadership style, which is heavily top-down, is a recipe for disaster.
8. Other major challenges that surface during implementation which had not been anticipated.
9. Unaligned organisational systems and resources. Strategy Formulation involves too many people than Strategy Implementation.
10. Poor coordination and sharing of responsibilities across businesses or functions. Strategy Formulation and Strategy Implementation as interdependent as they maybe, are done by two separate groups of managers.
11. Competing activities and problematic goal setting and controls propelled by uncoordinated targets at different organisational level.
12. Failure to define key tasks in adequate detail.
13. Inadequate capabilities of members involved, including lower level leadership skills development.
14. Insufficient training and guidance offered to junior level staff.
15. Uncontrollable external environmental factors.

Al Ghamdi (1998) replicated the Alexander (1985) work and found that 92% of the firms took longer than anticipated implementation time. 75% of the sampled firms had problems in effectively

coordinating activities and 83% cases emanated from distractions from competing activities. 71% of the firms had inadequate detail. Al Ghamdi (1998) concluded that since there is congruence between his findings and earlier studies, the drama continues as Strategy Implementation lessons have not been learnt. Li et al. (2008) observed that I is easier said than done! The study sought to investigate whether the same drama noted by Al Ghamdi (1998) is common to the Zimbabwean context. Due to differences in economic development levels and cultural background differences, it may be possible that there is no universality of the Strategy Implementation barriers. Zimbabwe in particular presents a unique context due to the level of turbulence in the environment.

### **3.8.4 Overcoming the Barriers to Effective Strategy Implementation**

Speculand (2009: page) argued that successful Strategy Implementation demands thinking and doing things differently in-order to get good results- which he referred to as a “mind shift”. Several scholarly articles exist with some prescriptions and findings on how to overcome barriers to effective Strategy Implementation in organisations. Strategies that may be used to overcome the barriers include;

#### **3.8.4.1 Adopting a clear framework for Strategy Implementation**

Kazmi (2008) noted that in the majority of cases, Strategy Implementation efforts are influenced by the unequally distributed initiatives and abilities of managers involved in Strategy Implementation. Moreover, managers just do those things they perceive as important to be done leading to lots of confusion and uncoordinated actions. What is more important is a clear, unambiguous framework of Strategy Implementation to guide managers during implementation of strategies. Such a model should outline the factors or the major themes of the Strategy Implementation process. Alexander (1991) observed that Strategy Implementation fails because the senior managers lack practical models to inform their implementation actions. The managers attempt to implement strategies in the absence of a good appreciation of the multiple elements that in the majority of cases have to be simultaneously addressed (Kazmi, 2008; Noble, 1999).

#### **3.8.4.2 Commitment of Top Management**

Raps (2005) noted that Strategy Implementation greatly depends on top management’s commitment to the strategic direction itself. Top management need to realise that once crafting of strategies is over, they must not underestimate the challenge of Strategy Implementation. Speculand (2009) observed that traditionally it has been widely accepted that Strategy Formulation is the hardest part in Strategy Management, yet in practice Strategy Implementation is twice as difficult as Strategy Formulation. Top management must visibly demonstrate that they are willing to support and be loyal to the

Strategy Implementation process. They must progress along with the entire organisation demonstrating zeal, the underlying rational and urgency (Raps, 2005) and not just delegating and paying a blind eye to Strategy Implementation (Speculand, 2009). Speculand (2009) noted that successful leaders are always conscious of taking the right actions today that will help attain the strategy tomorrow. Most leaders mistakenly spend 85% of their time on operational issues and roughly 15% on strategic issues (Speculand, 2009). This is a flaw for they are not meant to solve operational problems but they need to be serious with crafting and executing strategies.

#### **3.8.4.3 Involvement of Middle Managers' Valuable Knowledge**

Scholars like Raps (2005), Aaltonen and Ikavalko (2002) argue that Strategy Implementation must not be treated as a top-down approach since the degree of success is dependent upon the extent of middle managers' involvement. The contributions of middle managers must be carried along from Strategy Formulation until Strategy Implementation so as to realise a substantially smooth, targeted and accepted Strategy Implementation process (Raps, 2005; Aaltonen and Ikavalko, 2002). The study by Kaplan and Norton (2001) indicates that of all workforce in an organisation, less than 5% understand the strategy and this explains why employees fail to make meaningful contributions in Strategy Implementation. Bartlett and Goshal (1996) identified middle managers as potentially silent resisters who must assume the 'coach' role in Strategy Implementation. Involvement of middle managers helps to increase awareness and generate consensus and encouraging ownership of the strategy throughout the organisation (Raps, 2005).

Nutt (1989) as well as Ogbeide and Harrington (2014) argued that time constraints and the desire for easy of decision-making prompts managers to opt for more directive management style. The directive management style involves managers who make decisions and just instruct their followers about the tasks to be done, the way they are to be done and the time to do them (Mintzberg et al., 1998). Northouse (2004) argued that managers who use the directive management style have greater chances of restricting the involvement of subordinates in the organisation's strategic decision-making compared to a leader who utilises the participative style. Even though the directive style ensures that the job gets done, it is only conducive in stable environments where time is a constraint (Ogbeide and Harrington, 2014; Nutt, 1989; Bourgeois and Brodwin, 1984).

In contrast, the participative leadership style entails managers inviting their followers to get involved in the decision-making (Ogbeide and Harrington, 2014). The subordinates' ideas, suggestions and opinions are incorporated into the decision-making process (Northouse, 2004). Previous studies demonstrate that Strategic Planning can be enhanced by improving the participation of managers in the process and this managerial participation ultimately leads to improved implementation (Ridder et al., 2006). The benefits of participative management include increasing an understanding of the firm's

vision and strategic target among employees, utilising the knowledge within the firm, enhancing information processing, helping recognition of opportunities, offering more opportunities and preventing overlooking of good ideas (Ogbeide and Harrington, 2014; Harrington and Ottenbacher, 2009; Barringer and Bluedorn, 1999; Nonaka, 1988). The participative style is likely to enhance the quality of decision-making, getting the job done by having a positive impact on the motivation of employees (Ogbeide and Harrington, 2014; Ogbeide et al., 2008; Smylie, et al., 1996) and increasing the speed and employee commitment to Strategy Implementation thus leading to improved company performance (Elbanna et al., 2015; Elbanna, 2008; Beer et al., 2005; Fiegenger, 2005; Floyd and Wooldridge, 1994). Active participation of managers is a clear demonstration of top management's desire to instil a genuine sense of ownership and enhance a middle management commitment to strategic plans (Elbanna et al., 2015). Therefore, it can be argued that it is not the mere existence of formal Strategic Planning that matters for Strategy Implementation success, but the involvement of managers in effective Strategic Planning (Elbanna et al., 2015).

According to Michlitsch (2000), Strategy Implementation is best attained when an organisation has high-performing employees focused on satisfying the target market's wants. While it is true that top management devises the strategy, it is the employees who will implement the strategy. Surprisingly enough, despite the wide acknowledgement of the importance of employees in Strategy Implementation, strategists continue to focus on a certain group of employees- the managers (Michlitsch, 2000). Michlitsch (2000) further noted that the 'us and them' attitude continues in organisations as managers continue to have private dining rooms, get stock options, get bonuses- while employees do not. Successful companies put their employees first even before customers, knowing that their employees are valuable, loyal and as a result they will take care of customers in the right way (Michlitsch, 2000). Previous studies show that companies that develop and retain employees outperform those that do not. A study by Ernst and Young showed that out of the 8 most important issues considered by investors, the ability to attract and retain the very best people is important. Michlitsch (2000) projects that in the near future, the ability to attract and retain the right people will be the number one issue in strategy.

Some scholars (Collier et al., 2004; Miller et al., 2004) have noted that participative Strategic Planning has an influence on the success of Strategy Implementation and ultimately enhance company performance. Decision making literature provides support for the participative approach by encouraging teams involved in decision-making to advocate for participation and diversity of team member backgrounds so as to benefit from creativity, flexibility and openness to new ideas (Ogbeide and Harrington, 2014; Krishnan et al., 1997; Eisenhardt, 1989; Sharfman and Dean 1987). Personnel enhanced comprehension of strategy fosters a feeling of belonging and improves the willingness of employees to work towards the shared business goals (Tonnessen and Gjefsen, 1999). Furthermore, an improved comprehension of company strategy enables individual employees to better align their

goals to those of the organisation (Alder, 2001; Ghoshal and Moran, 1996) and also enhances the development of cohesion among employees and supports the personnel's joint identification with the company's overall strategy (Liedtka, 2000; Cooper and Daily, 1997). Involvement of personnel in Strategic Planning maybe helpful in management's quest to attain a consensus regarding company strategy and its implementation (Judge et al., 1997; Woolridge and Foloyd, 1990).

Barringer and Bluedorn (1999) defined involvement as the employees' participation levels during decision-making and implementation. Harrington (2004) noted that the depth and breadth of organisational members' involvement in the organisation's strategic decision-making varies from firm to firm. Forbes and Milliken (1999) argued that the breadth of involvement concerns itself with the opportunity to gain knowledge from the business stakeholders, units, project teams, and departments. Depth of involvement entails getting involved through organisational hierarchy from senior management to the shop floor workers (Barringer and Bluedorn, 1999). Some previous studies (Harrington, 2004, 2005; Okumus, 2003; Schmelzer and Olsen, 1994; Teare et al., 1998) have noted the existence of a relationship between higher levels of employee involvement and higher firm performance. A firm's performance is greatly influenced by its ability to successfully implement strategies (Liedtka, 2000). A number of studies (Harrington, 2005; Ashmos et al., 2002; Clouthury and Sampler, 1997) show that a relationship exists between the level of involvement and organisational performance. Little is known about the levels of employee participation in the manufacturing firms operating in Zimbabwe together with overall impact of firm performance. It therefore becomes very important to investigate and uncover such issues.

Ogbeide and Harrington (2014) observed that organisational structure and firm size are business variables that have drawn the interest of many business scholars. Research findings on the level of employee involvement and firm size is not clear because of the involvement of measurement discrepancies (Harrington, 2006; Simons et al., 1999). Whilst it is true that previous studies have investigated the relationship between level of involvement and performance, they however, did not look at the effect of the level of involvement at different hierarchical levels. This approach has been pursued because depth and breadth of involvement varies across organisations and hierarchy varies across ownership types due to complexity and size (Harrington, 2004). As a consequence, some organisations might require greater breadth of depth of involvement than others without impacting upon Strategy Implementation success. Moreover, the bulk of the previous studies lack the relevant empirical evidence especially from the complex and dynamic business environments such as those of the developing world. Large organisations are seen as having many departments, divisions or units and more hierarchical levels, thus have more internal complexity, which demands more information transfer. This approach can then be used to assess the extent of employee involvement at the organisation's multiple hierarchical levels (senior management, middle management, lower

management and front-line members). This study investigates the influence of structural complexity and firm size on the level of involvement in the developing turbulent environmental context.

Some previous studies show that participative Strategic Planning enhances organisational learning as involvement of personnel in Strategic Planning may improve trust and the organisational members' social capital. Garvin (1993) defined organisational learning as a process that involves the acquisition, creation, and transfer of knowledge, and it also entails the modification of its behaviour so that new insights of knowledge are reflected. Involvement of personnel in Strategic Planning enables development of a shared understanding pertaining the strategy, enables interaction and recognition of new business opportunities (Beer et al., 2005). Mintzberg and Lampel (1999) argued that organisational learning encompasses the determination of a strategic alignment between organisational goals and the environment, and how to isolate and explain the company's targets and purposes. Participative Strategic Planning is related to organisational learning for it engages personnel in a dialogue that is strategic, enhances employees' appreciation of strategy and directs organisational learning in a specific, clear direction (Gibson and Birkinshaw, 2004). Studies that have considered organisational learning show that the establishment of learning targets is a key management task which facilitates organisational learning. Previous studies show that in highly volatile and dynamic business environments, organisational learning is important. Targeted learning has been seen as key in maintaining a competitive advantage in ever changing business environments (Mintzberg and Lampel, 1999). The bulk of these studies concur that companies require organisational learning capabilities to remain viable and outperform competitors in dynamic and complex business environments (March, 1991).

#### **3.8.4.4 Communication is what implementation is all about!**

The subject area on organisational communication is diverse and has managed to draw the interest of academics. Even though there is a significant academic interest in the area of organisational communication, not much of the contemporary academic work has been done in investigating the role of organisational communication in strategy implementation. The belief that people resist change is flawed; rather the degree of change acceptance among employees has to do with how the change was first presented to them. More people are willing to embrace change when it is communicated in the right way (Speculand, 2009; Raps, 2005). Previous studies (Miniace and Falter, 1996; in Raps, 2005) show that in Strategy Implementation, communication with the employees from the onset is key. Raps (2005) argues that the two-way communication must start at the Strategy Formulation soliciting for questions, ideas from employees and then inform employees about the new requirements, tasks and activities required to be performed by the affected employees, including the reasons for the changing circumstances (Alexander, 1985).

Speculand (2009) provides three classes of people. 20% of the employees resist change and these are those who tend to bad-mouth about anything and everything behind the leaders' back. These Saboteurs try to convince others to go against the strategy. If their bad-mouthing wins out, Strategy Implementation fails. 60% of the employees are fence-sitters- neither opposing nor supporting Strategy Implementation (Speculand, 2009). These Groupies enjoy the comfort in numbers. Finally, another 20% of the employees do welcome, embrace and willingly support the change. These Mavericks adopt and drive change early (they need support) (Speculand, 2009). They may be difficult to spot initially for they hide behind Saboteurs, acting as 'Double Agents'.

#### **3.8.4.5 Integrative Point of view**

Traditionally, structural aspects of Strategy Implementation have been over-emphasised, ignoring other components existing. Strategy Implementation calls for an integrated approach incorporating cultural aspects, the human resources perspective and other factors, not just organisational structure (Raps, 2005). According to Kazmi (2008) Strategy Implementation creates the need for strategists to manage change in complex organisational contexts. This may entail leadership style changes or cultural changes to allow new strategy implementation. These are intricate issues which must be handled carefully.

#### **3.8.4.6 Clear assignment of responsibilities**

Speculand (2009) observed that it is true that communication helps to ensure that employees understand the strategy, but the staff members need to know the exact actions they need to take and be motivated to do them. Management need to realise that strategy cannot be executed if it is not understood by employees. Launch communication is imperative for it spells out what each staff member needs to do differently. Everyone must be clear on what they need to do in the new strategy (Speculand, 2009). Raps (2005) noted that the assignment of responsibilities must not be vague so that Strategy Implementation does not lead to complex problems. The Strategy Implementation plan must clearly detail the activities to be done so as to avoid interdepartmental power struggles within hierarchies (Raps, 2005). Furthermore, management need to set clear measures of effectiveness to enhance the chances of Strategy Implementation success and performance management systems like the balanced score cards.

#### **3.8.4.7 Preventive measures against change barriers**

An organisation's ability to manage change is regarded as a "core competence" (Raps, 2005: page). Organisations need to effectively deal with potential barriers to change emanating from the affected



managers. Such barriers must not be underestimated as they can lead to a total breakdown of the formulated strategies. Barriers range from delay to outright rejection (Raps, 2005).

#### **3.8.4.8 Emphasise Teamwork activities**

Effective teams promote Strategy Implementation (Raps, 2005). Managers however, need to be aware of personality differences to avoid inconsistencies in how employees understand strategies. Recent studies point to the increasing importance of HR as a key success factor within Strategy Implementation. Scholars like Lorange (1998) argued that Strategy Implementation initiatives failed because of the absence of the human factor in Strategic Planning. Considerations about the people must be integrated into Strategy Implementation in general. Individual behaviour of these persons must be incorporated into Strategy Implementation, as it is influenced by personality differences (Raps, 2005).

#### **3.8.4.9 Take advantage of supportive implementation instruments**

Two instruments, the balanced score card and the supportive software solutions may be used to facilitate Strategy Implementation (Raps, 2005). The balanced score card is a popular and widely used management system that takes into account both financial and non-financial measures. The Balance Score Card provides a clear platform to translate the strategic objectives of the firm into a coherent set of performance measures (Kaplan and Norton, 1993). On the other hand, the application of software solutions seems to be neglected in Strategy Implementation even though there is compelling evidence that IT-support is key.

### **3.8.5 The Existing Strategy Implementation Frameworks**

Kazmi (2008) argue that because Strategy Implementation involves an extremely complex set of tasks which managers have to follow in a particular sequence and identifying the critical issues in those steps, makes the need for a framework critical. A framework represents a roadmap in an alien kingdom: it is a beacon that guides organisational efforts at different levels and functional areas. There is a danger in operating without a framework as managers would proceed to implement the strategies they individually think are important leading to disjointed and conflicting actions. The existing strategy literature contains numerous Strategy Implementation frameworks (Kazmi, 2008). The McKinsey's 7S framework by Peters et al. (1980) covered such Strategy Implementation factors as strategy, systems, staff, structure, style, skills and subordinate goals. Even though the McKinsey framework is widely acknowledged as an implementation factor analysis, it has been criticised as composed of 7 separate factors without a clear explanation for the interrelationships among them (Kazmi, 2008).

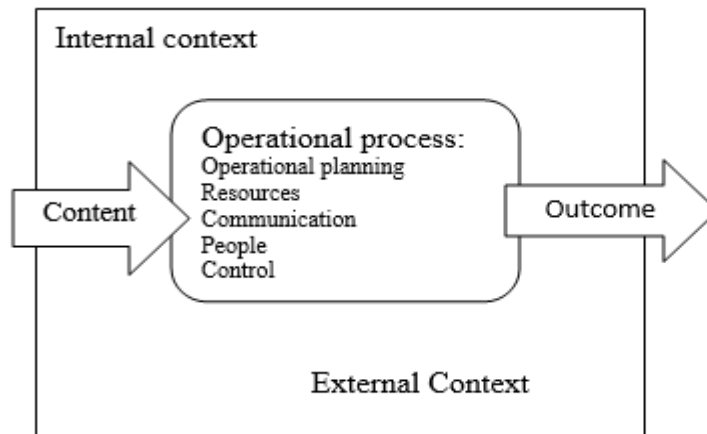
The two succeeding decades after the Mc Kinsey's 7S framework, numerous scholars (Thompson and Strickland, 2003; Miller and Dess, 1996; Judson, 1995; Alexander, 1991; Pettigrew and Whipp, 1991; Reed and Buckley, 1988; Hrebiniak and Joyce, 1984), have developed frameworks recommending the Strategy Implementation process to be built around a set of significant implementation factors which receive separate managerial treatment- organisational culture, structure, system, people, control, communication, coordination, understanding of strategy, power, conflict, environmental impact and outcome. There is, however, no discussion of the existence of inter-relationships between these factors and these implementation factors may reveal in certain forms or different perspectives (Kazmi, 2008). Some past studies (Freedman, 2003; Aaltonen and Ikavalko, 2002) have greater sophistication in terms of the isolation of Strategy Implementation factors, the exact inter-relationships that may exist between these and their collective effect on the Strategy Implementation process. The Strategy Implementation factors they identify include organisational culture and structure that accommodates change, elaborate establishment of change management systems and skills, and communication and commitment of employees to vision (Kazmi, 2008). Okumus (2003) provides three categories of frameworks:

- i) A less complex Strategy Implementation approach that identifies and describes the factors (e.g. Hrebiniak and Joyce, 1984).
- ii) Frameworks that propose a rational, sequential Strategy Implementation process which might be difficult to embrace in situations which are complex (e.g. Noble, 1999).
- iii) Models that place emphasis on process and context leaving out elaboration of such issues as relative importance of implementation factors, their exact roles, and their effect on the overall Strategy Implementation process (Dawson, 1994).

### **3.8.5.1 The Strategy Implementation Framework by Okumus (2003)**

The framework by Okumus (2003) places greater emphasis on particular pre-conditions like the Strategy Implementation is a process that is too complicated to be represented by simple linear models projecting Strategy Implementation as systematic and rational, and that practising managers and strategy researchers must have enough room to make informed judgements concerning the Strategy Implementation process rather than adopting solutions preconceived. Okumus (2003) proposed a detailed framework for Strategy Implementation encompassing a wide array of factors bound into one model. The factors include strategic context, external context, internal context, and organisational process. Fig. 3.3 below shows the Strategy Implementation Framework by Okumus (2003).

**Figure 3.3: The Strategy Implementation Framework by Okumus (2003)**



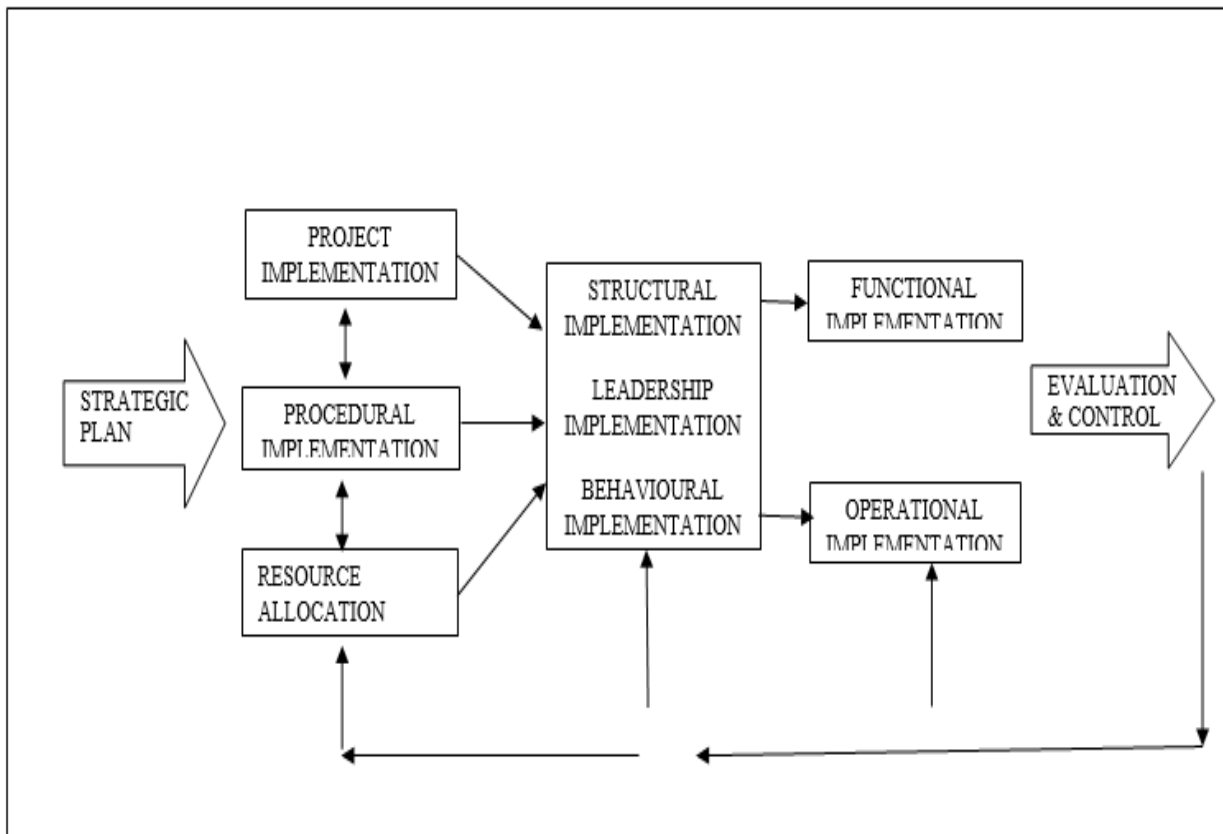
*Source: Okumus (2003)*

Beyond Okumus (2003) other scholars have developed frameworks with finer functional details like accounting, marketing, HR, information management (Naranjo-Gil and Hartmann, 2006). Basically, factors such as culture, structure and organisational processes have been constant in all models developed so far (Kazmi, 2008).

### **3.8.5.2 The Strategy Implementation Framework by Kazmi (2008)**

The framework incorporates all Strategy Implementation factors which are of interest and significance in strategy texts as well as strategy literature with a particular focus on developing economies like India. The Kazmi (2008) framework incorporates a wide range of key topical factors like organisational effectiveness and change in a clear way. The model incorporated other factors left out in earlier models. The Strategy Implementation Framework by Kazmi (2008) is shown in Fig. 3.4 below.

**Figure 3.4: The Strategy Implementation Model by Kazmi (2008)**



*Source: Kazmi (2008, p 317).*

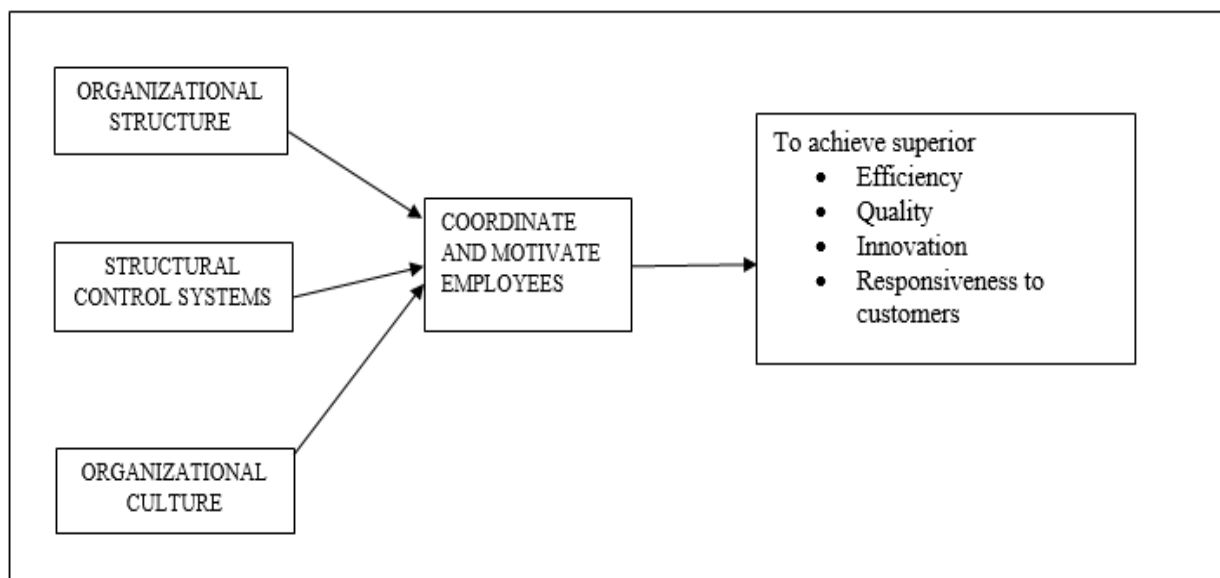
As shown in Fig. 3.4 above, the Strategy Implementation Framework by Kazmi (2008) is made up of:

- Activating strategies**-these aim to prepare the ground for strategy take-off and the three themes here are procedural implementation, project implementation and resource allocation. Kazmi (2008) noted that procedural and project implementation have been unnecessarily been eliminated by Strategy Implementation frameworks in the developed world. Project management has also been noted as a key ingredient that enables successful Strategy Implementation. Regulatory policy has also been noted as critical in shaping the structure and conduct of industries (Kazmi, 2008).
- Managing change**-Management of change in complex situations is core in Strategy Implementation. Structural implementation, behavioural implementation and leadership implementation have been noted as the three activities under managing change (Kazmi, 2008).
- Achieving effectiveness**-Vertical fit is responsible for ensuring that strategies at lower levels are aligned to those at the highest level. Horizontal fit is responsible for ensuring that strategies at the same organisational level are aligned to each other. Functional implementation relates to the implementation of the functional strategies in a particular functional area like HR, marketing, finance. Operational implementation is thoroughly action oriented and focuses on the nitty-gritty of strategy. It deals with the effectiveness of Strategy Implementation at the grassroots level.

### 3.8.5.3 The Strategy Implementation Model by Hill and Jones (2011)

Hill and Jones (2011) conclude that structure, culture and control systems are the means utilised by a firm to coordinate, motivate and incentivize its employees to work towards the competitive advantage building blocks. Culture, control systems and structure have a strong influence on how people behave in an organisation, their values and attitudes, and more importantly influence Strategy Implementation (Hill and Jones, 2011). Top management can alter these three so as to enhance motivation and coordination. Competitive advantage and attainment of above-average profitability result from effective Strategy Implementation. The model of Strategy Implementation by Hill and Jones (2011) is shown in Fig. 3.5 below.

**Figure 3.5: The Strategy Implementation Model by Hill and Jones (2011)**



*Source: Hill and Jones (2011)*

### 3.8.5.4 Strategy Implementation frameworks in strategy Textbooks

According to Kazmi (2008) a sample of bestselling American and European strategic texts show that Strategy Implementation covers the following:

- i) Structural Aspects –like organisational architecture, structure, design, rewards, controls, etc.
- ii) Behavioural Aspects- like business ethics, culture, leadership and change management.
- iii) Governance Issues- like strategic control, corporate governance, etc.
- iv) Functional Aspects- like R&D, finance, supply-chain management, marketing, HR.
- v) Operational Issues - like outsourcing, innovation, resource allocation and technology.

Kazmi (2008) noted that besides the Strategy Implementation issues these authors covered, the majority of them do not have a clear and well-defined Strategy Implementation framework. Strategy Implementation aspects, unlike Strategy Formulation, are covered in a more random manner rather than a clear, definite framework.

For strategy to be effective to the attainment of the organisation's mission, it must be evaluated on both the qualitative and the quantitative criteria (Hastings, 1996). The quality of a strategy is the major determinant of either its demise or success. The quality of a strategy can be ensured by evaluating a strategy before its implementation to avoid erroneous strategies which can bring severe penalties upon the organisation and may be very difficult, if not impossible, to reverse (David, 1993). As a consequence, strategy must be evaluated early in the strategy process (Hastings, 1996). Many scholarly articles (Hastings, 1996; Flitman, 1993; Mintzberg, 1993) have examined the effect of strategy evaluation on an organisation.

### **3.8.6 Performance Measurement and Internal Control Systems**

The subject area on performance management, just like strategy implementation, is eclectic; having scholars approaching the field from diverse functional backgrounds such as accounting, economics, marketing and operations management. Neely et al. (1995) defined performance measurement as the process of measuring the action's efficiency and effectiveness. Existing literature includes such techniques as variance analysis, standard costing, quality management, operations management, incentives and reward systems, budgets and forecasts (Garrison et al., 2003; Horngren et al., 2002; Anthony and Govindarajan, 2001; Simons, 2000; Otley, 1999; Kaplan and Atkinson, 1998; Johnson and Gill, 1993).

Earlier studies on control frameworks concentrated on examining specific control elements like the control environment (D'Aquila, 1998), risk assessment (Mills, 1997), and communication (Hooks et al., 1994). Firms use control systems differently according to their strategy (Porter, 1980). This view was further supported by Simmons (1990), who found that companies with different strategies use accounting control systems in different ways. An organisation's control systems should be aligned to the strategy being pursued (Miles and Snow, 1978). Time to time monitoring is useful for it provides a chance to review the effectiveness of the on-going procedures. In high routine processes, high monitoring has been viewed as particularly effective (Henri, 2006). In dynamic environments characterised by informal and loose control activities, monitoring is required to ensure that the changes are aligned to the objectives of the organisation.

Among the most important management tools are the strategic control systems because of their capacity to permit management to monitor performance and help to redirect actions of the

organisation where necessary (Muralidharan, 2004). Strategic control systems have traditionally been thought of as systems that assist managers to implement strategies as planned. However, the rapid dynamism in the business environment has led to the reconsideration and expansion of the traditional view. Even the best of strategies must be based in part on the assumptions relating to the internal and external conditions like competition and demand (Muralidharan, 2004; Schereyogg and Steinmann, 1987). If the implemented strategies are to lead to greater performance, then these assumptions must be right. As a consequence, Muralidharan (2004) argued that strategic controls must be recognised as performing two functions: assisting managers to implement strategies (Strategy Implementation controls), and shaping strategy content (strategy content control perspective).

Strategy content controls are control systems that help to shape strategy content during the implementation period (Muralidharan, 2004). Strategies being implemented may have to change due to invalid assumptions and changes in the external environment. The assumptions premising the strategy have to be evaluated if they are still valid. If the original assumptions are found to be invalid, the underlying strategy assumptions have to be changed to reflect the new information and assumptions. The environment has to be monitored to detect changes that may potentially undermine the strategy, as a result, if necessary, the contents of the strategy have to be changed to reflect the new conditions in the environment (Muralidharan, 2004). The deployment of strategy content controls to monitor the assumptions and the environmental changes has to be designed in a manner that suits particular needs of an organisation's strategy for they consume substantial resources.

Agbejule and Jokipii (2009) observed that the role played by internal control systems in enhancing company performance has managed to draw multi-disciplinary interest in the recent years. Internal control frameworks are crucial as they help to explain internal controls such that critical components of control and its relationship can be appreciated. Internal control frameworks include the Basle framework, CoCo, the Combined Code, COSO, and the Turnbull Guidance. According to Fadzil et al. (2005), the basic goal of internal control systems of an organisation is to give the firm's administrators some assurances that information relating to finances is accurate and can be relied upon. Internal control systems also ensure that the company complies with procedures, policies, laws, plans, contracts and regulations; that the company resources are protected against theft and loss; that resources are efficiently and economically used; and that the established goals and objectives for programs or operations can be met. The COSO Framework outlines the following three objectives of internal control, which when properly attained, effectiveness of the internal control is seen as achieved, showing:

- i) Efficiency and effectiveness of the activities.
- ii) Financial information that can be relied upon.
- iii) Compliance with the prevailing regulations and laws.

### **3.8.6.1 The Balanced Score Card (BSC)**

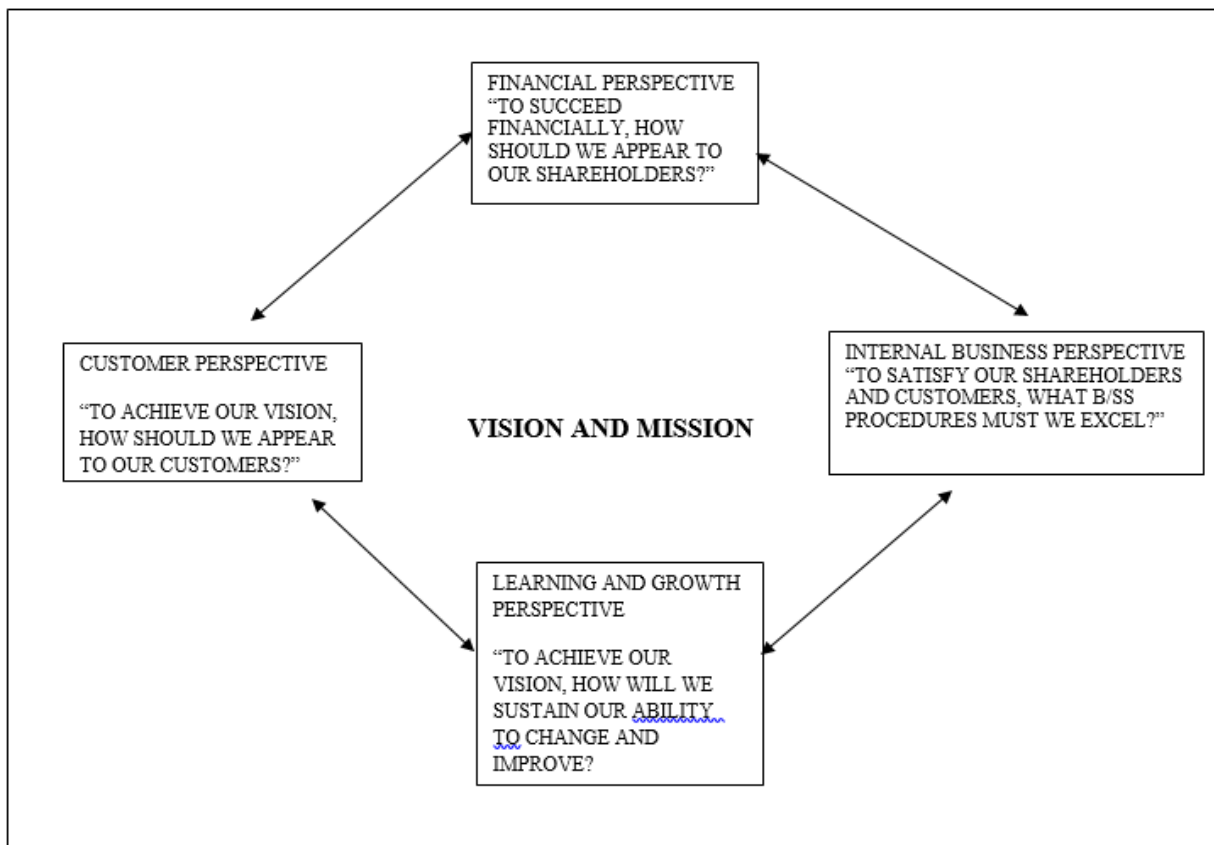
The Balanced Score Card (BSC) emerged as a solution to address the seemingly weaknesses inherent in the traditional systems to performance management (Papenhausen and Einstein, 2006; Kaplan and Norton, 1992). The inventors of the Balance Score Card, Kaplan and Norton (1996) have described the Balance Score Card as the new Strategy Management system cornerstone that translates the mission and strategy of the business into a detailed set of performance measures that provides a framework for a strategic measurement and management systems. Rollings (2011) noted that the Balance Score Card is a useful Strategy Management technique that can assist organisations to achieve efficiency and greater accountability. According to Kaplan and Norton (1996), the Balance Score Card aims to:

- i) Translate and clarify the organisation's vision and strategy.
- ii) Link and disseminate information on the strategic objectives and measures.
- iii) Set targets, plan and align strategic initiatives.
- iv) Ensure learning and strategic feedback.

A Balance Score Card framework provides a balanced framework between the non-financial and the financial perspectives which can be applied at multiple levels within the organisation. However, the term 'balanced' does not imply that the four perspectives are equally important (Johanson et al., 2006). The Balance Score Card utilises both financial and non-financial performance measures to gauge the current performance as well as drivers of performance in the future and providing feedback on both the internal business processes and the external outcomes so as to continuously enhance strategic performance (Papenhausen and Einstein, 2006). Attainment of complete balance in the management control process is not possible in an organisation. The Balance Score Card's four perspectives afford management a decision-making framework which allows setting of priorities by identifying, rationalising and matching initiatives and the linked course of action to resource allocation (Greiling, 2010). Some scholars (Malmi, 2001; Norreklit, 2000; Ittner and Larcker, 1998) noted that the Balance Score Card is still an ambiguous concept. The Balance Score Card Framework is shown in Fig. 3.6 below.



**Figure 3.6: The Balanced Score Card Framework**



*Source: Kaplan and Norton (1996a, pg. 9)*

As shown in Figure 3.6 above, The Balance Score Card framework employs four perspectives and develops, collects and analyses data relative to each of the four perspectives;

- a) **The Financial Perspective:** How are we supposed to look to the financial resource providers? Which material results should be achieved? Past performance is measured using the tangible traditional financial measures.
- b) **The Customer (Stakeholder) Perspective:** How do stakeholders see us? What quantity and quality of performance is expected by stakeholders? It places emphasis on the satisfaction and the value propositions for each stakeholder. If the value propositions are satisfactorily realized, the financial outcomes are attained (Papenhausen and Einstein, 2006).
- c) **The Internal Process Perspective:** At what must we excel? Which work processes are important for the organisation's success? This refers to internal processes of the organisation critical in driving the satisfaction of stakeholders and ultimately the financial effectiveness of the business. Metrics premised on such an approach permit executive to gauge how well their company is progressing, and whether its services and products conform to the requirements of customers (the mission).

- d) **The Learning and Growth Perspective:** Can we improve our ability to grow? This includes such intangible firm assets as knowledge of employees and cultural attitudes for self-improvement. This perspective identifies the set of processes and skills necessary to drive the business' quest to improve continuously the fundamental internal processes.

Successful implementation of the Balance Score Card calls for training and education; commitment of senior management; clarity of vision, strategy and outcomes; a performance excellence culture; keeping the Balance Score Card easy to use; participation and incentives for middle managers and employees, and availability of resources to implement the Balance Score Card (Johanson et al., 2006). Successful implementation calls for executives to effectively sell the specific Balance Score Card model that needs to be implemented so that the implementers are very clear on what needs to be done. Johanson et al. (2006) note that the Balance Score Card has been seen as being premised on the same assumptions and perspectives as those of Management by Objectives (MBO), which was introduced by Drucker in the 1950s. Increases in productivity are realised more when the strategically aligned goals are clarified and people will work with joy and happiness towards the goals. Implementation challenges of the Balance Score Card have been noted in some instances and scholars have questioned whether the model implemented is still the same as that by Kaplan and Norton (1992) or its the implementers' models premised on borrowed ideas from other sources (Elefalk, 2001; Johanson and Skoog, 2004; Bukh and Malmi, 2005; Kall, 2005). Another inherent challenge of the Balance Score Card relates to its inability to include a time-lag dimension since it measures the different activities at the same point in time.

Empirical research on the application of the Balance Score Card produced differing results. Some scholars observed that many manufacturing firms operating in the West had applied the Balance Score Card (Speckbacher et al., 2003; Kald and Nilsson, 2000; Ampuero et al., 1998). The Balance Score Card is the dominant and most widely used PM tool (Rigby and Bilodean, 2011; Bedford et al., 2008; Smith, 2005; Marr and Schiuma, 2003). Scholars like Norreklit (2000); Silk (1998) have noted that the Balance Score Card usage rate is increasing even though at varying adaptation degrees. The study by Speckbacher et al. (1998) noted that 57% of the UK businesses utilise the Balance Score Card, while the study by Silk (1998) found that 60% of the Fortune 1000 had used the Balance Score Card. The Balance Score Card usage has spread even to non-profit organisations and the benefits of its implementation are the same across (Kaplan, 2000) even though the studies are still few (Greiling, 2010). Rigby and Bilodean (2011) have noted that the Balance Score Card has regularly been listed as among the top ten management tools used throughout the world.

According to Johanson et al. (2006), the initial works by Kaplan and Norton (1992) shows that the Balance Score Card was initially developed and intended for the large organisations neglecting the public sector and SMEs. The scorecard must be modified both in form and its planned implementation

in SMEs firms (Johanson et al., 2006). Tenant and Tanoren (2005) argued that the Balance Score Card is usable in SMEs environment but there are some visible deficiencies due to alignment differences between the large and SMEs organisations. Papenhausen and Einstein (2006) argued that although the original model developed by Kaplan and Norton (1992) was designed to cater for for-profit organisations, the Balance Score Card is flexible enough even for the public-sector firms. While it is true that the large organisations can plan for the longer term, SMEs tend to focus more on the day-to-day agenda (Johanson et al., 2006). Scholars like Elefalk (2001) and McAdam (2000) have been very loud in advocating for the alteration of the Balance Score Card for it to be implemented in the SMEs and public-sector organisations; the one-size-fits-all idea does not work with the Balance Score Card. In the public-sector firms, Johanson et al. (2006) noted that implementation of the Balance Score Card may likely lead to a dysfunctional central planning system which inhibits learning. Having seen the development, application and critique to the Balance Score Card elsewhere, nothing is known about its application in the developing turbulent Zimbabwean context.

### **3.9 STRATEGIC PLANNING**

#### **3.9.1 Overview of Strategic Planning**

The practice of Strategic Planning has been around for a long period of time. Mintzberg (2000) argued that Strategic Planning first emerged around 1965. In the US, Stacey (2012) observed that a large number of manufacturing firms had subscribed to the concept of Strategic Planning by 1966. Strategic Planning was key in the dominant discourse around the early 1970s on management. When oil prices fell on the world market the world economy took a nose dive, and inflation levels rose significantly. Such turbulence had implications on perceptions about the ability of Strategic Planning to predict the future; as a result, Strategic Planning was called into question. US Corporate Planning divisions were seriously downsized. Mintzberg (2000: page) has referred to this as ‘The rise and fall of Strategic Planning’. Strategic Planning has again taken centre stage and has come back with a big bang as a critical management process (Arasa and K’Obonyo, 2012; Stacey 2012; Mintzberg, 2000). According to Wheelen and Hunger (2012), the high prevalence of error, costly mistakes and the need to keep firms highly competitive in a turbulent environment make it increasingly difficult for today’s professional managers to turn their backs on Strategic Planning.

Despite the widespread interest in strategic thinking across the globe, there is no agreement on a definition of Strategic Planning (O’Regan and Ghobadian, 2007). Strategic Planning has been widely known by other terms such as strategic management, corporate planning, business policy and long-range planning (Drior in Mintzberg, 2000; Wheelen and Hunger, 2012). Even though there is no consensus on the definition of Strategic Planning, there is however an agreement among scholars that

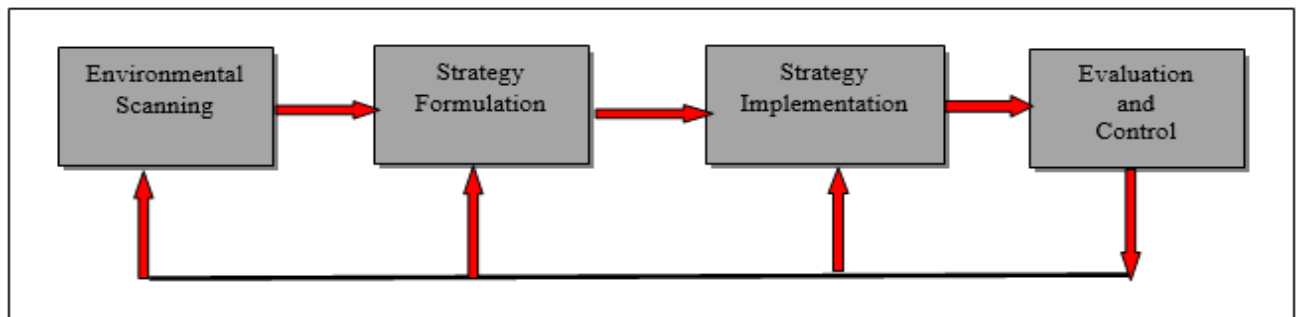
strategy is long-term, deliberate and planned course of action. The underlying principle behind Strategic Planning has been criticised, especially the impossibility of forecasting the future because fast-paced changes in the operating environment make systematic planning increasingly difficult (Welch and Welch, 2005; and Mintzberg et al., 2000). Hopkins and Hopkins (1997) as well as Nyamwanza (2013) identified the three components of the Strategic Planning process as strategy formulation, strategy implementation, and strategy control. These authors have observed that positive results from Strategic Planning are realised more times than not when managers place relatively equal emphasis on each component of the Strategic Planning process.

The Strategy Management field is still in the infancy stage of development as evidenced by conflicting and inconsistent views. The level of maturity of Strategy Management is judged basing on the criterion of the low degree to which tools and theories of Strategy Management are practically utilised by managers in organisations during their Strategic Planning activities (Elbanna, 2007; Stonehouse and Pemberton, 2002). Practical research in Strategy Management is widely acknowledged as being fairly scarce, with the bulk of it done in the developed world. Moreover, research on the utilisation of Strategic Planning tools is relatively limited (Hussey, 1997). Arasa and K'Obonyo (2012) observed that the perceived contributions to organisational effectiveness have led to a widespread adoption of the concept of Strategic Planning in both the public and private sectors. Despite the criticism levelled against the practice of Strategic Planning in the late 1970s and 1980s, Porter (1985) noted that Strategic Planning is still useful in organisations. Greenley (1986) noted that Strategic Planning is a vehicle that helps firms to improve performance.

As early as 1954, Drucker contended that Strategic Planning represents an analytical process of managing by plans aimed at optimal strategic decision-making. Ansoff (1970) conceptualised the Strategic Planning process as one seeking a better alignment between the firm's products or technology and the turbulent operating environments. Kudla (1980: page) defined Strategic Planning as "a systematic process of determining the firm's goals and objectives for at least three years into the future and developing the strategies that will govern the acquisition and use of resources to achieve these objectives". Falshaw and Glaister (2006) and Pearce et al. (1987: page) defined it as "the process of determining the mission, major objectives, strategies and policies that govern the acquisition and collaboration of resources to achieve organisational aims". Scholars like Mintzberg and Lampel (1999) concurred when they observed that the term formal Strategic Planning is used to resemble the process of Strategic Planning as involving the establishment of explicit/ written down systematic procedures used to gain the involvement and commitment of key stakeholders that the plan affects. Strategic Planning entails the development of a clear goal and the required processes to attain it. O'Regan and Ghobadian, (2007) noted that Strategic Planning encourages formalised systematic approach to Strategy Formulation and deployment. The Strategic Planning process can be described as a process involving the use of systematic criteria and rigorous investigation to formulate,

implement and control strategy and formally document organisational expectations (Hopkins and Hopkins, 1997; Mintzberg, 1994; Pearce and Robinson, 1994; Higgins and Vincze, 1993). Many strategy scholars have conceptualised the Strategic Planning process as depicted in the Fig. 3.7 below;

**Figure 3.7: The Strategic Planning Process**



*Source: Wheelen and Hunger (2012)*

The firm's strategy provides as central purpose and direction to the organisational activities and the personnel within it (McCarthy and Minichiello, 1996). Strategic Planning provides a guide to the organisation in setting out its strategic intent and priorities and ensuring the realisation of the same (Kotter, 1996). The analysis of the internal and external environments helps to facilitate the establishment of the firm-environment alignment and enhance strategic decision-making (Arasa and K'Obonyo, 2012; Grant, 1998; Hax and Majluf, 1996; Miller and Cardinal, 1994; Greenley, 1986). The Strategic Planning process enhances the efficient allocation of organisational resources, improved innovation and sustainable competitive advantage (Kotter, 1996). An Strategic Planning system is only said to be effective when it can link long-range strategic goals with the operational and mid-range plans (Falshaw and Glaister, 2006). Data collected from the environment, is forecasted, modelled and alternative future scenarios constructed. As a consequence, these activities should permit companies to outperform other firms not engaged in formal Strategic Planning. The formal Strategic Planning process must help in the identification of opportunities and threats and the most appropriate action for the firm. The existing empirical evidence shows that the subject area on Strategic Planning systems has dwelt on two main areas: the impact of Strategic Planning on firm performance, and the role of Strategic Planning in strategic decision-making, which explores the firm's processes of Strategy Formulation. Falshaw and Glaister (2006); O'Regan and Ghobadian (2002) noted that Strategic Planning may be approached from a process or content view point. Content relates to the specific aspects of the strategic plan which vary from firm to firm. The process relates to the mechanisms for the development of the strategic plan and the deployment thereof.

### 3.9.2 The Strategic Planning-Performance Debate

The debate on the Strategic Planning (SP) and organisational outcomes relationship continues to be problematic, unresolved, inconclusive and controversial among researchers (Glaister et al., 2008; Falshaw and Gleister, 2006; Elbanna, 2006; Andersen, 2000; Greenley, 1994; Boyd, 1991). The effect of Strategic Planning on performance has been a key research area over the past four decades. The first Strategic Planning-performance empirical test was conducted in 1970 by Thune and House. The study investigated 36 firms looking at their performances before and after adoption of Strategic Planning. Ever since this study, many controversial and mixed findings have been put forward. Some studies show that there is a positive relationship between formal Strategic Planning and firm performance (David, 1997; Hopkins and Hopkins, 1997; Miller and Cardinal, 1994; Schwenk and Shrader, 1993; Greenley, 1986; Rhyne, 1986; Thune and House, 1970). Grant (2003) argues that Strategic Planning is crucial in the organisation for it creates the contexts that have a bearing on the quality and content of strategies. A number of studies (O'Regan and Ghobadian, 2007; Gavetti et al., 2005; Hopkins and Hopkins, 1997) observed that Strategic Planning is an indispensable tool during periods of rapid change and in uncommon, unfamiliar environments. Other scholars (Boyd, 1991; Robinson and Pearce, 1988; Timmons et al., 1987; Armstrong, 1982) concurred when they argued that Strategic Planning is an effective tool that helps management to navigate in increasingly turbulent and competitive business environments. Venkatraman and Prescott (1990) argued that firms that successfully align their competitive strategies with the requirements of their environments have superior performance compared to firms which fail to achieve this alignment.

On the other hand, a number of scholars found no significant returns from formalised planning (Simpon, 1998; Mc Kiernan and Morris, 1994; Walter, 1993; Kudla, 1980; Grinyer and Norburn, 1975). Other scholars (Mintzberg, 1998; Hamel, 1996) have questioned the value of formal Strategic Planning, especially in turbulent environments and challenged the assumption that organisations can effectively map out their tomorrow relying on the past in a more formalised manner. Quinn (1992) argued that the formal Strategic Planning process can be equated to the traditional rain-dance ritual which has no effect on the subsequent weather, even though those involved in it believe it does. Following Quinn (1992) argument, it is clear that formal Strategic Planning is a matter of faith in the invisible. Formal Strategic Planning has also been criticised for it introduces rigidity and encourages excessive bureaucracy, thus becoming dysfunctional (Bresser and Bishop, 1983). Scholars like Ackelsberg and Arlow, 1985; Whitehead and Gup (1985); Fredrickson and Mitchell (1984); Robinson and Pearce, 1983; and Sheehan (1975) found the relationship between Strategic Planning and performance to be negative. Worse still, some scholars show that the relationship is inconclusive

(McKiernan and Morris, 1994; Gable and Topol, 1987; Shrader et al., 1984; Kallman and Shapiro, 1978).

Such inconsistencies are undesirable for practice and academia for it works against the fruitful development of the Strategic Planning field. Greenley (1994) noted that these findings were greatly influenced by methodological weaknesses which do challenge the initial conclusions. The methodological shortcomings identified in the previous studies related to issues like the definition of planning used in the past studies, the failure to take into account the industry effects, and the selection of measures of performance. The dependent variable, performance, has been measured in diverse ways in literature (profit, sales, dividends, growth, stock price, cash-flows, ROA, ROE, ROI). Falshaw and Glaister (2006) observed that some of these quantitative performance measures may be more susceptible than others to Strategic Planning intervention. Chakravarthy (1986) argues that qualitative performance measures must also be included in performance assessments even though there are difficulties in measuring qualitative objectives. The length of time a firm has been engaged in Strategic Planning appear to have an influence on performance. However, the study by Gup and Whitehead (1989) found no significant relationship between the time a firm has been engaged and performance. The current study argues that the Strategic Planning-Performance relationship is moderated by such contingency factors like environmental turbulence, firm size, managerial factors, managerial level of involvement, and organisational structure. The inclusion of such variables in the Strategic Planning-Performance relationship will go a long way in enhancing the understanding of the relationship in emerging markets.

The existing Strategic Planning-Performance debate is a clear indicator of the urgent need for thorough re-examination of the relationship in a turbulent developing economy. Strategic Planning has been seen as an effective tool to improve firm performance because Strategic Planning helps organisations to better align external environmental variables and the dynamic internal conditions of the organisation (Ansoff, 1991; Armstrong, 1982). Whilst it is true that there is a lot of literature on the planning-performance debate, the bulk of this work focused on industrialised economies like the UK, Australia, USA, Canada and Japan, resulting in models and frameworks that may not be compatible with the developing or emerging markets environmental contexts (Koufopoulos et al., 2005; Haines, 1988). Some meta-analyses done show that the greatest number of these studies were conducted in the USA thus representing a single business culture. Although it is true that Strategic Planning principles must be capable of being universally applicable, but the existence of differences in national or regional cultures have an influence on trading conditions (Greenley, 1994). The failure of the Strategy Management field to examine certain of its aspects outside the USA context may lead to its criticism (Kotha and Nair, 1995). This current study is a direct attempt at addressing this imbalance in the body of knowledge by re-examining the Strategic Planning and organisational

performance relationship in a different environmental context, that of a turbulent developing economy of Zimbabwe.

### **3.10 CHAPTER SUMMARY**

This chapter reviewed literature relating to strategy and strategy formulation. A brief background on the evolution of strategy was given. Much debate has revolved around the Design-Emergent schools of strategy. The chapter also covered formal strategy formulation issues like the Vision and Mission Statements, Objectives, the SWOT Model, and Strategic Plans. The other section of the chapter reviewed literature on strategy implementation, evaluation and control. An overview of Strategy Implementation was given together with a review of the existing Strategy Implementation Models and Frameworks, as well as the literature on the relationship between Strategy Implementation and Strategic Planning, and Firm Performance. The Barriers to effective Strategy Implementation as well as the strategies to overcome such barriers were discussed. The chapter ended by reviewing literature on Performance Measurement and Internal Controls. The Balanced Score Card was also considered. The next chapter brings the Conceptual Framework into perspective and will examine the relationship between Strategic Planning and performance.



## **CHAPTER FOUR**

### **CONCEPTUAL FRAMEWORK**

#### **4.0 INTRODUCTION**

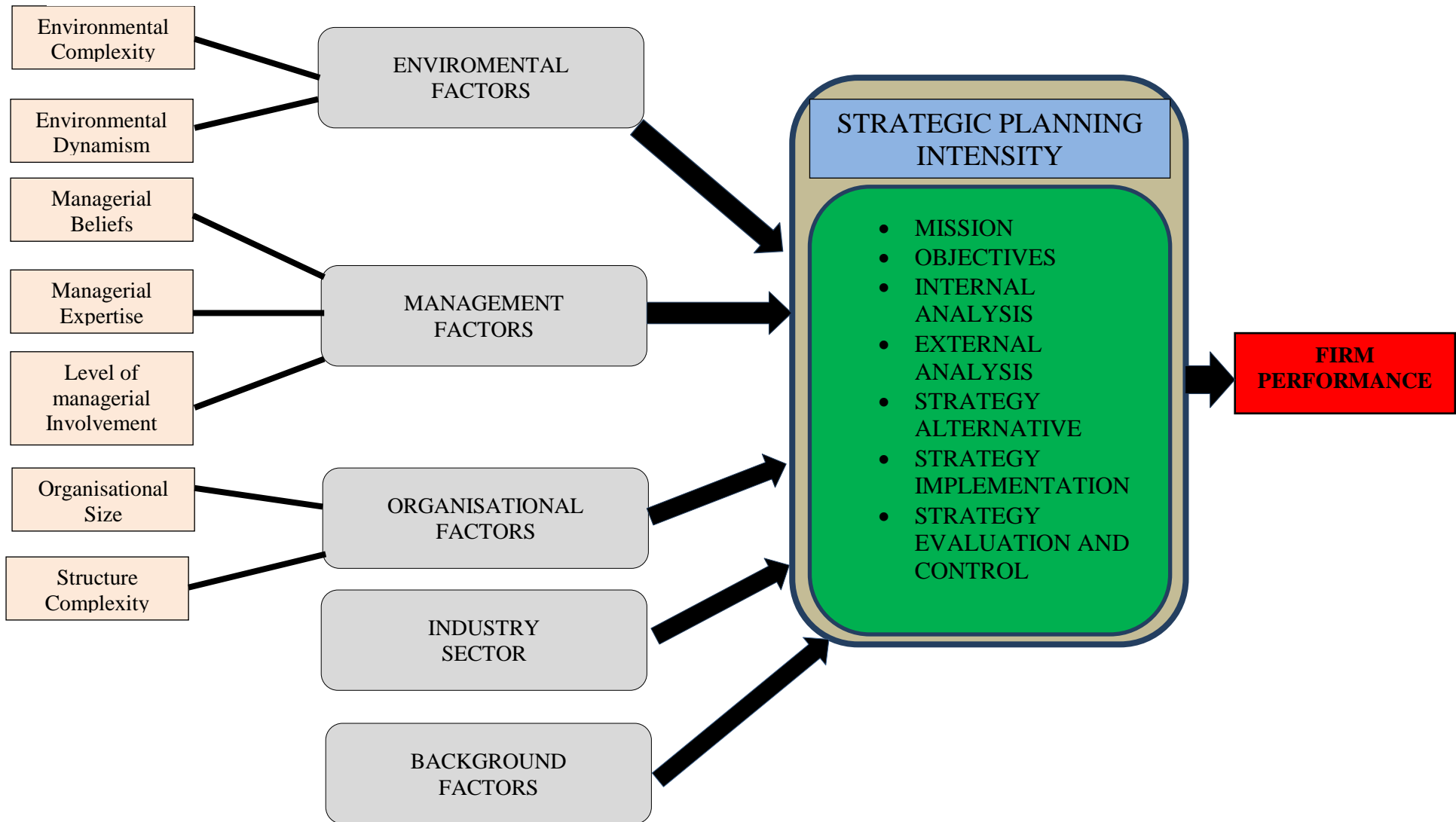
Drawing upon the literature review discussed earlier, a conceptual framework to guide the empirical inquiry is discussed in this chapter. The chapter opens with a diagram showing the conceptual framework before considering the impact of a number of independent variables (factor specific factors, managerial factors, environmental factors, and the industry-sector influences) on the dependent variable, Strategic Planning Intensity. The chapter ends by a look at the researcher's own mathematical model underpinning the Strategic Planning Intensity-Performance relationship.

#### **4.1 THE CONCEPTUAL FRAMEWORK**

The process of Strategic Planning has been conceptualised as having a significant bearing on the overall performance of the firm. The intensity with which management engages in the Strategic Planning process is perceived as having a bearing on the overall firm performance. It is expected that firms which engage in the Strategic Planning process with greater intensity will get superior performance as compared to those which do not. Finally, the intensity with which management engages in the Strategic Planning process is influenced by management factors, environmental factors, firm's specific factors, industry factors and the background influences.

The proposed conceptual model makes three significant extensions to the model by Hopkins and Hopkins (1997). While Hopkins and Hopkins's model indicates a job well done, it failed to incorporate industry sectors' influence on Strategic Planning. This continued tendency to overlook industry context is a serious methodological challenge embedded in the Strategic Planning-performance literature which has fuelled the debate to this day. Secondly, the researcher argues that managers may have the required expertise coupled with the beliefs, but to what extent are the managerial levels involved in the Strategic Planning process? The proposed model incorporates managerial level of involvement as the third managerial factor. Finally, there is need to incorporate background factors in the Strategic Planning model. Increased turbulence in the operating environment may require individuals with certain specific characteristics which are influenced by their geographical backgrounds, cultural backgrounds, age of managers, levels of education, or even gender. The proposed model incorporating all these factors is presented in Fig. 4.1 below;

**FIGURE 4.1 CONCEPTUAL FRAMEWORK**



*Source: Researcher's Own Model (2017)*

The proposed model makes three significant extensions to the model by Hopkins and Hopkins (1997). While Hopkins and Hopkins's model indicates a job well done, it failed to incorporate industry sectors' influence on Strategic Planning. This continued tendency to overlook industry context is a serious methodological challenge embedded in the Strategic Planning-performance literature which has fuelled the debate to this day. Secondly, the researcher argues that managers may have the required expertise coupled with the beliefs, but to what extent are the managerial levels involved in the Strategic Planning process? The proposed model incorporates managerial level of involvement as the third managerial factor. Finally, there is need to incorporate background factors in the Strategic Planning model. Increased turbulence in the operating environment may require individuals with certain specific characteristics which are influenced by their geographical backgrounds, cultural backgrounds, age of managers, levels of education, or even gender.

## **4.2 STRATEGIC PLANNING INTENSITY (SPI)**

Strategic Planning has no value in and of itself, but it only assumes value only after committed personnel infuse it with high energy levels (Hopkins and Hopkins, 1997; Mintzberg, 1994; Thompson and Strickland, 1987). In other words, superior financial performance is attained from Strategic Planning only after management engages in the process with greater intensity. Strategic Planning Intensity (SPI) can be viewed as the relative emphasis placed on each Strategic Planning process component (Hopkins and Hopkins, 1997). The Strategic Planning Intensity variable was adapted and extended from the measure by Hopkins and Hopkins' (1997) measure adopted from Armstrong's (1982) study. This study represents the first effort to document findings on the Strategic Planning Intensity-Performance relationship in the manufacturing sector in Zimbabwe and it therefore becomes very important to address the following question;

***Q1:** Does a relationship exist between Strategic Planning Intensity and performance of the manufacturing firms operating in Zimbabwe?*

## **4.3 FORMAL STRATEGIC PLANNING AND INDUSTRY**

The review of the Strategic Planning-performance literature done by Pearce et al. (1987) shows that industry influences were overlooked. Even those studies which were drawn from the single industry to deal with industry effects, none of these studies attempted to show the role played by the selected industry's context in the Strategic Planning-performance relationship. Studies which have attempted to incorporate the inter-industry differences on the Strategic Planning-performance relationship have resulted in conflicting results. Some of the studies (Powell, 1994; Fredrickson and Mitchell, 1984) have found a higher correlation between Strategic Planning-performance in stable industries. Similar studies (Priem et al., 1995; Miller and Cardinal, 1994) found higher Strategic Planning-performance

correlations in unstable industries. Whilst it is true that literature shows industry as an important determinant of corporate profitability (Beard and Dess, 1981) and that the prevailing conditions in the competitive environment mitigate formal Strategic Planning-Performance relationship (Reimann and Neghandi, 1976), inter-industry studies frequently have failed to control for these differences (Falshaw and Gleister, 2006). It is now evident that Strategic Planning effectiveness may vary between industries. However, the direction of variation is not clear and has lacked adequate attention in the Strategic Planning literature over the years. Hopkins and Hopkins' study had a very narrow focus on UK Banking sector. Such an approach of assuming that industry-sector contextual effects are uniform across sectors has limitations in that it leaves knowledge gaps relating to Strategic Planning systems in other industry sectors. Because Industry sector effects have an impact on the level of rivalry and the underlying profitability, it brings us to important question below;

*Q2: Does the degree of formal Strategic Planning Intensity vary across industrial sectors in Zimbabwe?*

#### **4.4 FORMAL STRATEGIC PLANNING AND THE ENVIRONMENT**

The environment is commonly seen as made up of these elements acting upon the organisation that are beyond managerial control (Falshaw and Gleister, 2006; Shrader et al., 1984). A number of previous studies have noted that the conditions in the environment of an organisation influence its actions like the degree of engaging in the formal strategy making process (Pearce et al., 1987; Prescott, 1986; Armstrong, 1982). Whilst it is true that several studies have found the existence of a relationship between Strategic Planning and performance, theory also shows that external environmental influences will have a bearing on these associations (Boyd et al., 1993; Hausen and Wernerfelt, 1989). Strategic Planning intensity has been seen as being influenced by the environmental complexity and change (Burns and Stalker, 2009; Daft, 2007; Hopkins and Hopkins, 1997). It is expected that organisations that accurately forecast and project environmental changes should display a distinctive level of performance. Strategic Planning is viewed more as an indispensable technique in a turbulent environmental context (Eisenhardt, 1989) and as a direct consequence the Strategic Planning-performance relationship is expected to have a stronger correlation in more turbulent environments than placid environments (Boyd, 1991). On the other hand, scholars like Mintzberg (1993) and Daft (1992) argue that Strategic Planning is more likely to yield a positive impact on performance of the firm in relatively less turbulent environments where anticipation of future conditions is possible.

Burns and Stalker (2009); Daft, (2007); Hopkins and Hopkins (1997); Keats and Hitt (1988) have defined environmental complexity as the heterogeneity (diversity) and concentration (distribution) of elements in the external environment of the firm. When formulating strategy, firms must consider the

number, distribution and diversity of elements in their environment (Hopkins and Hopkins, 1997; Dess and Beard, 1984). Management's degree of involvement in Strategic Planning has been seen as related to their perceptions about the complexity of the environment (Miller and Friesen, 1984). Other scholars argue that firms in complex environments must depend on large amounts of Strategic Planning to match the turbulent environment. On the other hand, other scholars argue that it is difficult to forecast or predict the future in complex environments and as a result it is futile to engage in the Strategic Planning process. The Zimbabwean environment can generally be described as too complex, and as a result it becomes very interesting to ascertain the impact of the environmental complexity on the intensity with which managers in the manufacturing firms engage in the Strategic Planning process. The level of hyper-velocity in the African context, particularly Zimbabwe, seem to be unique and it leads to the following question;

***Q3:** What is the impact of environmental complexity on Strategic Planning Intensity of managers in Zimbabwe's manufacturing firms?*

Environmental change refers to variation in the elements making up an organisation's external environment. Shifts in these elements have a bearing on the Strategic Planning posture taken. Some studies have found the link between environmental change and Strategic Planning intensity to be strong (Ansoff, 1991; Miller and Friesen, 1983). The reason for such a strong relationship is that firms operating in rapidly changing environments need to depend on large amounts of Strategic Planning to match the dynamic and difficult to predict conditions. Bird (1991) observed that the increasing number of firms subscribing to Strategic Planning is a clear testimony that complex and fast changing environments encourage greater involvement in Strategic Planning. Consequently, slow changing and low complex environments exert little or no pressure on a firm and as a result their incentive to be involved in Strategic Planning is much less (Steiner, 1979). However, other studies (Mintzberg, 1973) have argued that managers of firms in dynamic and complex environments are more likely to get involved in the Strategic Planning process with high intensity because the future conditions of their operating environments are difficult to predict. In light of this view, management may consider that it's futile to engage in Strategic Planning process. The next question addressed is:

***Q4:** What is the impact of increased environmental variability on the Strategic Planning Intensity of manufacturing firms operating Zimbabwe?*

#### **4.5 FORMAL STRATEGIC PLANNING AND ORGANISATIONAL FACTORS**

Hopkins and Hopkins (1997); Gup and Whitehead (1989) and Lenz (1981) argue that structural complexity and size increase as the organisation enters regional or international markets or when it incorporates new product lines. Structural complexity and increased size are the determinants for

engaging in Strategic Planning. Firm size has a strong bearing on the formal Strategic Planning-performance relationship (Pearce et al., 1987). Other scholars (Robinson and Pearce, 1983; Lenz, 1981; Lindsay and Rue, 1980) found size to be a very important contingency variable which must be taken into account when designing effective Strategic Planning systems. Most of the previous Strategic Planning studies have failed to acknowledge that firms appear in different sizes. This is a clear weakness embedded in most studies. Later studies (Powell, 1994) concluded that there is a greater correlation between Strategic Planning and performance among large firms than small firms, may be due to the fact that Strategic Planning functions as a coordination mechanism. On the other hand, small firms have been viewed as operating in industrial contexts which are less complex. They also have no need for comprehensive Strategic Planning as their internal operations may be handled by a small group of managers or a single manager (Mintzberg, 1979). Elbanna notes that the utilisation levels of Strategic Planning initiatives are influenced by firm size when he was comparing the studies by Falshaw and Glaister (1999) and that by Ibrahim et al. To the best of the researcher's knowledge, no study has been undertaken in Zimbabwe to investigate the influence of either structural complexity or firm size on the Strategic Planning Intensity of firms. This exploratory study therefore seeks to address the following two questions;

*Q5: Does firm size influence the Strategic Planning Intensity of manufacturing firms in Zimbabwe?*

*Q6: Is there a relationship between structural complexity and Strategic Planning Intensity of firms operating in Zimbabwe?*

#### **4.6 FORMAL STRATEGIC PLANNING AND MANAGERIAL FACTORS**

The degree of a firm's engagement in the Strategic Planning process relies on specific managerial factors. The two factors identified by Hopkins and Hopkins (1997) are Strategic Planning Expertise and Beliefs about the existence of the Strategic Planning-performance relationship.

Although Henry (1980) observed that management involvement in the Strategic Planning process was important in ensuring that the process is carried out comprehensively, very little concern has been devoted at trying to investigate whether management has the expertise to carry out the process effectively (Hopkins and Hopkins, 1997). It has also been argued that superior performance in organisations is entirely a product of Strategic Planning which emanated from the wide range of managerial capabilities within the organisation (Steiner, 1979). Knowledge and expertise are such examples of the capabilities. Higgins and Vincze (1993) argued that managerial competence in Strategic Planning is a major determinant of the degree of involvement in Strategic Planning. The knowledge on what makes Strategic Planning work is crucial for success (Steiner, 1979). If management is still somehow unclear about the aspects comprising the Strategic Planning process,

then we are bound to have little intensity. Management must be skilled in each step of the Strategic Planning process so as to have greater intensity. This study argues that in organisations where management is well knowledgeable about components of Strategic Planning, engage in the Strategic Planning process with greater intensity and have more superior performance than the other firms with less intensity. This section focuses on:

*Q7: What is the impact of managerial expertise on Strategic Planning Intensity and firm performance in the manufacturing firms operating in Zimbabwe?*

Managerial perceptions or beliefs about the value of Strategic Planning have a bearing on the intensity with which management engages in the process. Firms where management are heavily involved in the Strategic Planning process outperform other organisations with less involvement (Hopkins and Hopkins, 1997). Firms in which managers perceive a stronger relationship between Strategic Planning-performance, have greater satisfaction over the results of the Strategic Planning process. The stronger the belief about the existence of the relationship, the greater the intensity of involvement in the Strategic Planning process (Clausen, 1990). Previous studies investigating the impact of managerial beliefs about the Strategic Planning-Performance relationship have mainly been conducted in the US, leaving knowledge gaps in the developing world economies like Zimbabwe. The question to be addressed under this section is;

*Q8: What is the impact of managerial beliefs about the Strategic Planning-Performance relationship on Strategic Planning Intensity and firm performance in Zimbabwe?*

The other apparent problem in the model by Hopkins and Hopkins, is the omission of the managerial level of involvement in their Strategic Planning framework. Several scholars have observed that the level of involvement of managers in Strategic Planning has a bearing on the Strategy Implementation success. Dandira (2011) argues that the implementers must be carried along during the Strategy Formulation process. Falshaw and Glaister (2008) found that it is not just the quantity, but also the quality of involvement that affects the effectiveness of Strategic Planning. The current study, therefore, argues that managers may have the required expertise coupled with the beliefs, but to what extent are they involved in the Strategic Planning process? The proposed model incorporates managerial level of involvement as the third managerial factor. This question refers below:

*Q9: What is the impact of the managerial level of involvement on Strategic Planning Intensity and firm performance?*

## 4.7 FIRM PERFORMANCE

A number of scholars (Varadarajan and Ramanujam, 1990; Jacobson, 1987; Venkatraman and Ramanujam, 1986; Chakravarth, 1986) noted that measurement of organisational performance is still a very controversial area due to challenges in isolating the most appropriate yardstick to assess organisational performance. Some advocate for measures which reflect investors' returns on investments, others just concentrate on pure accounting issues. Performance has been defined by Laitinen (2002) as the object's ability to generate results in a priori determined dimension, related to a target. Performance indicators may be financial and non-financial. When both financial and non-financial indicators are combined in a single model, performance is assessed in several areas at the same time thus permitting efficient strategic decision making. This balanced approach to performance is valuable since it is difficult to obtain financial data that is reliable on independent companies (Wortman, 1994; Dess and Robinson, 1984). To overcome challenges related to this approach, a measurement against purpose may be utilised (Steiner, 1979) via perceptual measures of organisational performance. Such an approach has been previously used by scholars like O'Regan and Ghobadian (2007); Luo and Park (2001); Wortman (1999) as it was noted to be a reliable one (Tan and Litschert, 1994; Nayyar, 1992).

This current study measured performance using two scales. Self-assessed indicators of financial performance like sales growth, market share growth, economic profitability and the ratio of sales to total assets have been included in the scale. Other strategy scholars (Andersen, 2004; Miller and Cardinal, 1994) have also used such scales. As early as 1979, Steiner had noted that the corporate planners' subjective judgements are an integral component in the Strategic Planning process. If strategic planners' judgements are faulty, then the entire Strategic Planning process is likely to be misdirected. However, the use of Strategic Planning effectiveness perceptions introduces problems of bias as the executives may provide data that justifies their Strategic Planning use. The other measure of firm performance assessed the managers' level of satisfaction arising from the Strategic Planning process. This measure assessed the satisfaction levels of the Strategic Planning outcomes on a 5-Point Likert scale. The scale solicited for managerial perceptions with regard to issues like Strategic Planning process's contribution to forecasting the future trends, helping attainment of a competitive industry position, ability to build commitment amongst line managers, and issues like being able to establish a shared vision amongst organisational members. A key question now is:

***Q10:** Are there any significant performance differences when either self-assessed financial indicators or perceptions on level of satisfaction measures are used?*



## 4.8 THE MATHEMATICAL MODEL

The starting point is firms need to have higher performance levels for them to survive and excel. Strategic Planning Intensity has been conceptualised as one way to enhance firm performance. This can be stated as:

$$SPI = PERF \quad (1)$$

It can also be seen that there is a reverse causality, hence there is no need for regression. The latent endogenous variables in the proposed model are Strategic Planning Intensity and Performance. Rather, a correlation between Strategic Planning Intensity and Performance was done to ascertain the extend of the relationship, where;

$$\text{Corr (SPI; PERFORMANCE)} = \text{Positive}$$

Strategic Planning Intensity is measured as the average index of the emphasis place on each of the seven items making up formal Strategic Planning (ie Mission, Objectives, Internal Env, External Env, Alternative Strategies, Strategy Implementation, and Strategy Evaluation and Control). This is expressed as:

$$SPI = (\text{MISSN}, \text{OBJECT}, \text{INTRN}, \text{EXTRN}, \text{STRAL}, \text{IMPLT}, \text{CONTR})$$

Where

The Strategic Planning Intensity is seen as being influenced by the following:

- 1. Environmental Factors:**  
Complexity and  
Dynamism (Change)
- 2. Firm's Specific Factors:**  
Firm Size and  
Structural Complexity
- 3. Managerial Factors:**  
Beliefs,  
Expertise, and  
Level of Involvement.
- 4. Industry-Sector Influences.**
- 5. Background Factors**

As a consequence, Strategic Planning Intensity is seen as being a function of these factors:

$$\begin{aligned} SPI = f(\text{ENVIRONMENTAL}, \text{MANAGERIAL}, \text{ORGANISATIONAL}, \text{INDUSTRY}, \\ \text{BACKGROUND}) \\ SPI = f(\text{COMPX}, \text{CHNGE}, \text{BELIF}, \text{EXPRT}, \text{FSIZE}, \text{LOINV}, \text{STRUC}, \text{INDSE}, \text{GENDR}, \\ \text{LEDUC}, \text{AGE}) \end{aligned} \quad (2)$$

In equation 2, the dependent variable, SPI is proxied by 7 variables for a robustness check.

Here, there is causation between Strategic Planning Intensity and those five broad influences, hence regression may be run:

$$\begin{aligned} \text{PERF} = & \beta_0 + \beta_1(\text{COMPL}) + \beta_2(\text{CHNGE}) + \beta_3(\text{BELIF}) + \beta_4(\text{EXPRT}) + \beta_5(\text{LOINV}) + \\ & \beta_6(\text{FSIZE}) + \beta_7(\text{STRCT}) + \beta_8(\text{INDSE}) + \beta_9(\text{LEDUC}) + \beta_{10}(\text{GENDR}) + \beta_{11}(\text{AGE}) + \hat{\epsilon} \end{aligned} \quad (3)$$

Performance was measured using:

1. Self-assessed financial performance indicators over the past three years, and
2. The managers' perceived level of satisfaction with the Strategic Planning outcomes.

## 4.9 CHAPTER SUMMARY

This chapter discussed the conceptual framework underpinning the study. The chapter opened by a diagram showing the conceptual framework and then considered the impact of a number of independent variables (factor specific factors, managerial factors, environmental factors, and the industry-sector influences) on the dependent variable, Strategic Planning Intensity. The chapter ended by looking at the researcher's own mathematical model underpinning the Strategic Planning Intensity-Performance relationship. The succeeding chapter considers the research methodology which was employed to gather and analyse the data.

## **CHAPTER FIVE**

### **METHODOLOGY**

#### **5.0 INTRODUCTION**

Data collection is more difficult in the emerging economies than in mature markets and as a consequence, selection of data collection methods requires careful consideration in the developing markets (Burgess and Steenkamp, 2006; Bond, 2001). Primary data collection is hampered by the absence of sampling frames, lack of available fast transport and low internet penetration (Burgess and Steenkamp, 2006; Bond, 2001). This chapter starts with the overall research philosophy which guided the actions of the researcher. Other issues stemming from the philosophy like the research approach, research type, research strategy and the research design, follow. The chapter also presents the sources of data, the sampling design, the data collection technique and the research variables. The methodology section closes with a look at how data will be analysed in the succeeding chapter, and how data quality issues have been dealt with, together with the ethical issues involved.

#### **5.1 RESEARCH PHILOSOPHY**

According to Saunders et al. (2009) research philosophy deals with what the researcher is doing when developing knowledge in a particular field. The research philosophy refers to the beliefs concerning how data about phenomena should be collected, analysed and utilised. The basic set of beliefs that guide the researcher's actions (Guba, 1990) has been known in varied terms like the researcher's worldview (Creswell, 2014); ontologies and epistemologies (Saunders et al., 2009; Crotty, 1998); paradigms (Lincoln et al., 2011; Mertens, 2010), broadly known as the research methodologies (Neuman, 2009). An understanding of the underlying research philosophy is crucial in informing the research design to use (Blumberg et al., 2011). The philosophical debate on research has revolved mainly around the Positivism and Interpretivism schools. Each philosophy is premised to certain key assumptions pertaining to how the world is viewed. These assumptions have a bearing on the research strategy and methods chosen as part of the strategy. The choice of a philosophy hinges upon the research questions to be addressed (Saunders et al., 2009). Creswell (2014) went further to suggest that researchers must explicitly lay down the larger philosophical ideas they espouse when doing research so as to justify the choice of their research approach (i.e. Quantitative, qualitative or mixed methods).

This research adopted the Positivism Philosophy, which is also commonly known as post-positivism or empirical science (Creswell, 2014). The Positivist approach is the traditional approach which

incorporates studies that utilise the natural scientist's philosophical stance with a preference for working with a social reality that is observable through collecting objective facts resulting in law-like generalisations (Blumberg et al., 2011; Saunders et al., 2009; Remenyi et al., 1998). Early proponents like Auguste Comte, Newton, Locke, Mill, and Durheim during the nineteenth century argued that there can never be true knowledge except that which is founded on observed facts from social reality. An existing model by scholars like Wheelen and Hunger (2013); Hill and Johns (2009) was used to develop the research questions for collecting data which would provide the basis for further research. The developed research questions were tested and refuted, in part or whole, or confirmed, resulting in further development of theory which can be tested by further research.

The positivist approach is premised on the assumption that the objective researcher is independent of the research subject. Gill and Johnson (2002) noted that researchers pursuing the positivist philosophy utilise a methodology that is highly structured, to permit replication. This study made use of structured questionnaires with some of the measurement scales borrowed from previous studies, thus permitting quantitative data analysis and replication. Emphasis by the positivist researcher tends to be placed more on quantifiable observations which will be analysed statistically (Saunders et al., 2009). Studies following the positivism approach, in the majority of cases, isolate one explanation so as to understand a phenomenon and deliberately neglect other aspects, whose investigation will be done in separate studies (Blumberg et al., 2011). The positivism approach assumes that the social world is made up of simple elements to which these elements can be traced. Knowledge claims that are not grounded in the positivist philosophy are usually dismissed as invalid and a-scientific. However, the suitability of the positivist philosophy in social sciences has been widely debated (Hirshhaim, 1985).

Post-positivism represents a step-up from positivism by questioning the absolute truth traditional notion of knowledge (Phillips and Burbules, 2000) and acknowledging that we cannot be positive about our knowledge claims relating to the study of actions and behaviours of human beings (Creswell, 2014). This approach assumes that causes determine the outcomes (effects). This study investigated a number of relationships like the impact of increased turbulence on the Strategic Planning practices of manufacturing firms operating in Zimbabwe and also the impact of the Strategic Planning Intensity on Firm Value. The post-positivist paradigm acknowledges that theories or laws that govern the world which have to be tested or verified and refined in-order to have a better understanding of the world. Hence the starting point was a review of theory on the Strategic Planning practices, which was followed by gathering of data from the manufacturing firms that either refutes or supports the theory, and then made necessary revisions which allow further tests to be done.

## **5.2 RESEARCH APPROACH- DEDUCTION**

The Deduction Approach (Testing Theory) involves theory development that is subjected to a test that is rigorous involving scientific principles (Creswell, 2014; Saunders et al., 2009). Deduction is an inference form that purports to be conclusive, that is, the conclusion follows from the given reasons. Collis and Hussey (2003) noted the Deductive approach to be the dominant approach in research which is used in the natural sciences. Here laws are the basis of explanation, predict their occurrence, allow the anticipation of phenomena, and hence allow them to be controlled. Blumberg et al. (2011) noted that such a perspective requires a link that is strong between the rational and outcomes found in induction. According to Robson (2002), the deductive research progresses through five stages in a sequence as follows:

- i) Developing a research question (or hypothesis) is the starting point from the underlying theory.
- ii) The developed research question (or hypothesis) is expressed in functional terms which suggest the existence of a relationship between two specific concepts or variables.
- iii) Operational research question (or hypothesis) is then tested/ investigated.
- iv) The specific inquiry outcomes are examined.
- v) Where possible, the theory is then modified in light of the findings.

A correct deduction must be both valid and true. The explanations (premises) put forward relating to the conclusions must be in tandem with the true world (real) and the conclusion must necessarily follow from the premises (valid). In this deductive study, a conclusion of the Strategic Planning practices of manufacturing firms operating in Zimbabwe will stem from the explanations.

## **5.3 RESEARCH TYPE: QUANTITATIVE RESEARCH**

According to Creswell (2014), research approach represents the procedures and plans for research which encompass the broad assumptions of specifically data collection, analysis and interpretation. Scholars like Creswell (2014) and Saunders et al. (2009) identified the three research approaches as quantitative, qualitative and mixed methods. Creswell (2014) as well as Newman and Benz (1998) have cautioned that quantitative and qualitative approaches should not be treated as polar opposites, rigid dichotomies, or distinct categories, but rather as being on a continuum. Quantitative studies tend to use numbers, while qualitative studies utilise words. Qualitative studies involve an exploration and understanding of the meanings which are assigned by individuals to a social or human problem (Creswell, 2014). Quantitative research incorporates the numerical representation and manipulation of observations so as to explain and describe the phenomena that the observations reflect. Cohen et al. (2011) noted that a social research that employs descriptive statements and empirical methods, quantitative research addresses the real-world cases (epistemology) rather than the cases which ought

to be (doxology). This study made great attempts to explain the Strategic Planning practices of manufacturing firms in Zimbabwe through gathering of numerical data which was then statistically analysed. Quantitative studies are better at investigating the cause and effect (causality). This study investigated a number of relationships like the impact of environmental scanning practices on firm performance; the influence of strategic planning practices on firm performance.

#### **5.4 RESEARCH STRATEGY: SURVEY RESEARCH**

There are many research methodologies in existence (Pervan, 1994; Alavi and Carlson, 1992; Galliers, 1991). A number of scholars agree on the five data collection methods, which include interviews, observations, historic data method, surveys, and focus groups (Yin, 2009). This study deals with quantitative data: as a direct consequence, the survey method was employed. Surveys allow the collection of data concerning practices, views and situations at a particular point in time through the use of interviews or questionnaires (Bryman and Bell, 2011). Dhawan (2010) noted that questionnaires are more suitable especially when the data is being collected from a very large population so that results can be generated. Consequently, the questionnaire survey was used in this research to gather data on the views of managers on the Strategic Planning practices of their firms. This survey method has been found as advantageous in that it allowed the studying of a number of variables at the same time compared to field or laboratory experiments. Considering the wide dispersion of manufacturing firms in Harare, questionnaire distribution allowed reaching of a large number of respondents over a short space of time at a lower cost. More-so, the questionnaire survey eliminated the interviewer effects due to the absence of the researcher and the technique also afforded respondents the luxury of completing them at their own time and speed. Surveys are compatible with more quantitative analytical techniques which are used to draw inferences from the gathered data concerning relationships. However, the biggest drawback of the survey strategy relates to lack of foresight concerning the exact reasons of or the processes involved in the phenomena measured. Bias may also emanate from several sources like the self-selecting nature of respondents, the timing of the survey and survey design challenges.

#### **5.5 RESEARCH DESIGN**

Research design represents the general plan or strategies of enquiry pertaining to how the study's research questions will be answered (Creswell, 2014; Saunders et al., 2013; Denzin and Lincoln, 2011). This study utilised the descriptive design since it is compatible with more formalised studies structured clearly with the stated investigative questions and hypothesis (Blumberg et al., 2013). Descriptive studies are carried out when the objective is to ascertain and describe the characteristics or phenomena (i.e. the Strategic Planning practices) associated with the population (manufacturing firms

in Zimbabwe) in a given situation (under conditions of uncertainty) (Blumberg et al., 2013; Sekaran and Bougie, 2011). Descriptive studies address the what, who, when, how and where aspects of a topic (Blumberg et al., 2013).

## **5.6 DATA SOURCES**

Several authors have identified two data sources as either primary or secondary source (Saunders et al., 2012; Zikmund et al., 2009). Bryman and Bell (2011) defined primary data as data gathered to satisfy the objectives of the current study. Primary data has been seen as beneficial as it results in tailor-made (study-specific) data which is up to date. Primary data was gathered from managers in the manufacturing firms through the use of closed questionnaires. The drawbacks of primary data include non-response and the associated costs during the data compilation exercise (Bryman and Bell, 2011).

Secondary data relates to information that is already in existence that had been collected for other purposes other than the one at hand (Bryman and Bell, 2011). Zikmund et al. (2009) noted that secondary data demands less time and resources during the data compilation exercise. Secondary data was gathered from the journals, text books, companies' annual reports and some national newspaper articles. However, secondary data may not be readily available and/or maybe irrelevant for the specific objectives of the study. In light of the current problem, this study will gather its data from the primary source.

## **5.7 SAMPLING DESIGN**

Bryman and Bell (2011) noted the distinction between a census and a sample. When all elements in the population are studied, it is a census, while studies involving a representative proportion of the population use a sample. Sampling involves the selection of certain elements in the population to enable drawing of conclusions about the entire population (Blumberg et al., 2013; Bryman and Bell, 2011; Saunders et al., 2009). The sum collection of elements from which inferences will be made represents the population. Sampling has been viewed as a valid alternative to collecting data from the entire population, especially when it will not be practically possible for the researchers to gather data from the entire population and when you have budget and time constraints (Saunders, et al., 2009). Quantitative studies deeply rooted in the positivist philosophy place strong emphasis on the sample's representativeness; hence there is need to be careful in selecting a sample (Blumberget al., 2013; Bryman and Bell, 2011). An accurate (unbiased) sample has no systematic variance as over-estimators and under-estimators are balanced among the sample members. The precision of the sample is enhanced when the standard error of estimate reduces (Blumberg et al., 2013). The sampling procedure can be tackled in three steps: defining the population, ascertaining the sampling frame, and deciding on the size of the sample.

### 5.7.1 Population

Population encompasses the entire group of things, events or people that are of interest to the researchers' investigation (Sekaran and Bougie, 2013). The population elements or unit of analysis under study are all the large and SMEs manufacturing firms in Zimbabwe.

### 5.7.2 Sampling Frame

Sampling frame is a correct and complete list of those elements drawn from the population under study (Blumberg et al., 2013; Zikmund et al., 2009). Saunders et al. (2009) argued that in a probability sample, the sampling frame relates to the entire list of all the population's cases from which a sample is derived. However, the major challenge here relates to the shortcomings inherent in the existing databases which may be obsolete, inaccurate or incomplete (Saunders et al., 2009). The way that the sampling frame is defined has a bearing on the degree to which the findings can be generalised. The sampling frame for this study relates to all the 26548 manufacturing firms headquartered in Harare, Zimbabwe. Harare is the capital city of Zimbabwe. The breakdown and characteristics of the sample are given in Table 5.1 below;

**Table 5.1: Sample Breakdown across Sectors and Characteristics**

Sector	Small to Medium Firms			Large Firms		
	Number of employees	Average Balance Sheet	Number of Firms	Number of employees	Average Balance Sheet	Number of Firms
Beverages	137	\$2.2m	359	5 540	\$950m	11
Agriculture	195	\$1.5m	5 383	13 050	\$200m	1 210
Paper	116	\$2.1m	513	6 200	\$915m	107
Building	73	\$2.5	5 614	25 235	\$150m	1 191
Pharmaceutical	50	\$1.3	524	4 450	\$85m	314
Industrial	225	\$5m	4 561	27 500	\$550m	2 437
Food Processing	152	\$3.3m	3 651	2 750	\$75m	673
<b>TOTAL</b>			<b>20 605</b>			<b>5 943</b>

*Source: Primary Data*

### 5.7.3 Sampling Size

A sample has to be large enough so as to be representative and must bear some proportional relationship to the population size (Blumberg et al., 2013). Saunders et al. (2009) argued that larger sample sizes have lower likely error associated with generalising the population. Probability sampling represents a trade-off between the findings' accuracy and the amount of money and time required in collecting, checking and analysing the data. Numerous strategies exist to establish the appropriate



sample size. Dhawan noted that an optimal sample size, which is neither too big nor too small, is needed to ensure flexibility, representativeness, efficiency and reliability. The optimal size of a sample is influenced by the variation in the parameters of the population, the estimating precision required by researchers (Blumberg et al., 2013, Saunders et al., 2009); the analysis types to be undertaken by researchers, and the desired level of confidence in the data (Saunders, et al., 2009). A sample size of 30 has been noted as the rule of thumb for the smallest number in each category within the overall sample. The determination of the optimal sample size for the research was achieved using the statistical approach:

The statistical significance model

$$n = \frac{2500 \times N \times Z^2}{[25 (N - 1)] + [2500 \times Z^2]}$$

Where n = Sample size

N = Population Size

Z = Number of standard errors, which is dependent upon the desired confidence (1.64 for 90% confidence level; 1.96 for 95% confidence level; and 2.58 for 99% confidence level).

To ensure that there was variability in terms of firm size and industry sectors, the researcher deliberately included SMEs and large manufacturing firms in the sample drawn from different sectors. The industry type was utilised in this study as a surrogate for turbulence in the environment (uncertainty). The Ministry of Industry and Commerce Register of manufacturing firms was used to get the details of the manufacturing firms. A total of 378 firms were picked from the sampling frame (26 548 firms, at 95% confidence level), using a stratified random sampling plan to ensure that firms are selected from all industry sectors. The sample breakdown selection criteria is shown in Table 5.2 below;

**Table 5.2: Sample Breakdown across Sectors and Firm Sizes**

Sector	Small to Medium Firms		Large Firms		All Firms	
	Number of Firms	Sample Size	Number of Firms	Sample Size	Small to Medium Firms	Large Firms
Beverages	359	52	11	2	370	54
Agriculture	5 383	44	1 210	10	6 593	54
Paper	513	45	107	9	620	54
Building	5 614	45	1 191	9	6 805	54
Pharmaceutical	524	34	314	20	838	54
Industrial	4 561	35	2 437	19	6 998	54
Food Processing	3 651	46	673	8	4 324	54
<b>TOTAL</b>	<b>20 605</b>	<b>301</b>	<b>5 943</b>	<b>77</b>	<b>26 548</b>	<b>378</b>

*Source: Primary Data*

## **5.7.4 Sampling Techniques**

### **5.7.4.1 Probability Sampling**

Saunders, et al. (2009) noted that sampling techniques can either be probabilistic (representative) or non-probabilistic. Probability sampling involves the selection of a sample with elements having a known, non-zero, usually equal chance of being chosen (Bryman and Bell, 2011; Saunders et al., 2009). A representative sample is more likely to be picked using this approach and it generally reduces the sampling error. Even though probability sampling may demand more resources and time, it is generally preferred when the objective is to estimate statistically (make inferences) the population's characteristics and generalize the research findings.

#### **5.7.4.1.1 Stratified Random Sampling**

Stratified random sampling has been seen as involving the segregation of the population into several mutually exclusive strata or sub-populations based on one or more attributes (Blumberg et al., 2011; Saunder, et al., 2009). This will provide sufficient data for analysing the various sub-populations. Each stratum is internally homogeneous, but heterogeneous with other strata (Blumberg et al., 2013). The manufacturing firms in Zimbabwe have different industry sectors. Each industry has characteristics similar within but different across, even in terms of profitability. Stratified random sampling was used to select a total of 54 firms from each stratum. Saunders et al. (2009) observed that for the research to be representative, the response rate from each sector ought to be high.

#### **5.7.4.2 Non-Probability Sampling**

In contrast, non-probability sampling involves a sample selected using a non-random approach (subjective judgement), resulting in other elements of the sample with chances of being selected. The issue of sampling size is ambiguous and there are no rules as in probability sampling. Rather the sample size is influenced by the research objectives- what you wish to investigate, what will be important, what will have credibility and what your available resources can achieve (Patton, 2002).

##### **5.7.4.2.1 Convenience Sampling**

Convenience sampling is an unrestricted non-probability sampling technique which gives the researcher the freedom to select a respondent they find (Blumberg et al., 2013). This haphazard sampling technique involves the selection of cases haphazardly in an easy way. However, convenience sampling is greatly subjected to bias and elements that influence beyond what you can manipulate as the sample cases are drawn due to ease of obtaining them.

Since the study focused on corporate Strategic Planning issues, the targeted respondents were the senior executives directly involved in Strategic Planning in the manufacturing firms. The study was not restricted to CEOs since they are not the only ones involved in Strategic Planning: other executives may be custodians of a vast wealth of Strategic Planning information. The choice of senior executives was prompted by the assumption that they have an eagle's view of the entire organisation as they also engage themselves in monitoring the environment and formulating strategies. However, in most of the SMEs, the owner-managers were the target. The senior executives were chosen due to their availability and accessibility. From each firm, the receptionists provided useful information in terms of the executives' availability and perceived willingness to participate in the survey. This strategy was adopted to ensure that the response rate is enhanced. One questionnaire was given to a manager in each firm in the sample.

## **5.8 STUDY AREA: HARARE**

The Harare metropolitan province has an area covering 942km<sup>2</sup> with an average altitude of approximately 1500m above sea level. Harare is the largest and capital city in Zimbabwe. At the core is the CBD with some industrial areas dotted around it. The low-density suburbs on pieces of land of about 1000m<sup>2</sup> are located to the North and North-East, while to the South-West, South, West and extreme far East are the residential areas on plot sizes averaging 300m<sup>2</sup>. In 2012, Harare had a population of 2 562 000. Harare has 5 large industrial areas; Granitesite is to the south-east; Southerton houses mostly the food and beverage processing industries like Lobels Bread, Delta Beverages and Chibuku Breweries; Willowvale houses the large industries like Willowvale Mazda Motor Industries. It has an extension called Glen Eagles Industrial Park to the south-west, and Workington, which is to the West, houses companies like Unilever. Other upcoming industrial areas include Aspindale, Bluffhill and Mt Pleasant.

## **5.9 DATA COLLECTION INSTRUMENT**

This section of the study will concentrate on the operationalisation of the theoretical concepts. According to Bryman and Bell (2011), operationalisation is a major step in quantitative research which involves transforming the theoretical concepts of the study into measurable items. Operationalisation is key due to the inability to assess theoretical concepts in empirical forms. The research utilised the Likert scale (5-point and 10-point) to effectively measure the perceptions of senior executives regarding their Strategic Planning practices and their effects on the overall firm performance. Zikmund et al. (2009) noted that the Likert scale is a measure designed to permit the targeted respondents to rate the extent or level of agreement to a carefully constructed statement, ranging from very negative to very positive towards an object.

### 5.9.1 Questionnaire

Cohen et al. (2011) regard a questionnaire as an instrument in which the respondent responds in writing to preconceived printed questions on a document. Questionnaires are very important instruments used for collecting structured and often numerical information even in the absence of the researcher (Cohen et al., 2011; Lind et al., 2009). A questionnaire consists of a series of standard questions and other prompts aimed at gathering information from a large pool of respondents. Questionnaire types include personal, mail, telephone and online questionnaires (Bryman and Bell, 2011; Evans and Mathur, 2005). Robson (2002) noted that questionnaires are particularly useful in studies with standardised questions which can be interpreted the same way by all respondents. Hence, questionnaires are useful in descriptive studies (Saunders et al., 2009). The online questionnaire has been observed to be one that will account for the bulk of future surveys (Bryman and Bell, 2011). However, Elbanna et al. (2015) noted that the use of online questionnaires is still low in the African context and may result in very low response rate. The current study does not fit well with the online questionnaire approach, especially given the unavailability of a relevant valid email address list, the survey is a first-time effort, and the observed low response rates in the African context.

The survey instrument employed in the study has measurements adopted from different previous studies (Elbanna et al., 2015; Falshaw and Glaister, 2006; Harrington, 2004; Barringer and Bluedorn, 1999; Brews and Hunt, 1999; Hopkins and Hopkins, 1997). Adopting or adapting of research questions has been widely seen as an effective way to replicate, or to compare the research findings with another study (Bourque and Clark, 1994). Saunders et al. (2009) concurred when they argued that adopting or adapting of research questions is more efficient compared to developing your own research questions, provided the underlying research objectives are met. Since English is a widely spoken and acceptable formal business language, the instrument was designed in clear, familiar and understood English words.

The instrument consisted of three sections. The first section relates to background information of the respondents and their companies. The background information included gender, age, educational level, working experience, designation, number of employees, lines of business and the estimated annual sales. The second section covered the Strategic Planning practices from strategy formulation to strategy evaluation. The third section focused on gathering information relating to the Environmental Scanning efforts of these firms. The environmental scanning section looked at the environmental sectors, rate of change, level of complexity, scanning and information usage frequency, and easiness in accessing and using the scanning information. A total of 379 questionnaires were distributed to the senior executives in the manufacturing firms.

The survey instrument composed of forced-choice questions (Saunders et al., 2009; de Vaus, 2002) covering a number of issues ranging from background information, Strategic Planning issues, to environmental scanning practices. A number of variables like organisational performance, environmental factors impacting the industries, general Strategic Planning views, implementation success, and management success were measured on a Likert scale with 5-points ranging from 'strongly disagree to strongly agree'. The formal Strategic Planning Intensity variable was measured utilising a ten-point scale ranging from 'weak emphasis to strongest emphasis' to allow respondents greater latitude in choice of responses. The Likert scale is very easy and quick to construct. Items included have met an empirical test for discriminating ability. The scale provides a greater volume of data as compared to other scales (Blumberg et al., 2013). Closed-ended questions are usually quicker and easier to respond to and the responses can easily be compared (Saunders et al., 2009; Dillman, 2007).

Due to data collection challenges in the African countries (Elbanna and Child, 2007; Al-khatib et al., 1997), personal administration of survey instruments and pick-up system have been observed as being more appropriate compared to the electronic means and the postal system. Since previous surveys involving postal questionnaires gained response rates of around 20% and below (Ogbeide and Harrington (2013), this study chose to use personal administration of questionnaires to ensure the response rate is enhanced. Questionnaires were left for respondents to complete in a convenient location and time. The researcher had to first talk to the receptionists to gain access to the HR managers. The strategy of utilising both HR managers and receptionists ensured that they could better advise on the best senior executive to complete the instrument within their organisations to ensure that the response rate is enhanced. Participants had the chance to postpone their responses, hence the survey quality was enhanced. Self-administered surveys were typically found to be less costly as compared to personal interviews. However, the researcher could not probe too deeply into the subject area. The major challenge encountered with the questionnaire survey related to the amount of time taken to collect questionnaires and the dispersion of the manufacturing firms in different industrial areas. After dropping off the questionnaires, the researcher took on average six weeks to collect the questionnaires as some respondents kept postponing the collection date. To ensure an enhanced response rate, the researcher had to do follow-up and preliminary notifications through telephones.

### **5.9.2 Pilot Survey of the Questionnaire**

According to Saunders et al. (2009), the questionnaire trial-run is meant to refine the questionnaire so as to eliminate problems respondents will face in answering the questions. Oppenheim in Cohen (2011) observed that everything related to the questionnaire should be piloted, including the quality of paper used. After constructing the questionnaire, copies of the first draft were piloted on a sample of

10 lecturers in the Faculty of Commerce at Bindura University who have been teaching or researching around strategy. The lecturers were asked to make suggestions on how to improve and make the questionnaire closer to the terminology. Having incorporated their views deemed relevant, 15 copies of the second draft were then distributed to managers of some manufacturing firms in my home town, Bindura. After the refinement, the final instrument was then hand delivered to 379 manufacturing firms dotted around Harare, the capital city.

## **5.10 VARIABLES**

The choice of variables was done in light of the continued criticism in the body of existing literature concerning the weaknesses of the choice of measurement of a number of variables of Strategic Planning. The current study assessed the Strategic Planning process using multiple indicators. Over the years, strategy scholars have identified characteristics of good and bad planning practice (Marx, 1991; Porter, 1987; Steiner and Schollhammer, 1975; Pennington, 1972). This study, just like many balanced studies, has dependent variables and independent variables. The overall objective is to ascertain the impact of a number of independent variables on the Strategic Planning formality, and Strategic Planning performance of the manufacturing firms in Zimbabwe. Firm performance is assumed to be a function of the strength of the Strategic Planning Intensity, and Strategic Planning Intensity is also influenced by a number of control variables.

### **5.10.1 Independent Variables**

#### **5.10.1.1 Strategic Planning Intensity (SPI)**

This study made reference to a number of previous studies (Wheelen and Hunger, 2012; Song et al., 2011; Glaister et al., 2008; Falshaw and Glaister, 2006; Hopkins and Hopkins, 1997) in order to develop a relevant measure to be utilised in the Zimbabwean context. The intensity that is placed on the separate Strategic Planning process components is seen as having a bearing on the firm's performance. The components comprising the Strategic Planning process include the mission (MISSN), objectives (OBJCT), environmental analyses (INNAL and EXNAL), generation of strategic alternatives (ALTRN), Strategy Implementation (IMPMT), and strategic control (CONTR) (Elbanna, 2015; Hopkins and Hopkins, 1997; Armstrong, 1982). Armstrong argued that firms benefit by placing emphasis on these components. To assess the intensity with which manufacturing firms in Zimbabwe place on the separate components, respondents were asked to rate the degree of emphasis they placed on each of the components of Strategic Planning on a scale ranging from 1 (a weak emphasis) to 10 (a strong emphasis). One factor was extracted and the Cronbach's alpha coefficient was 0.948, showing very a high level of reliability.

### **5.10.2 Control Variables**

Variables used in this study as controls include firm size, environmental turbulence and industry sector to limit any effects derived from the firm's membership to a particular industry and organisational size.

#### **a) Industry Segment (INDSE)**

Ogbeide and Harrington (2011) noted that different industry sectors have different profitability levels or potential. The industry segments were grouped into seven categories following the ZSE classification. The seven industry sectors identified are Agriculture, Beverages, Pharmaceuticals and Chemicals, Food, Industrial Holdings, Paper and Packaging, and Building and Associated industry. In-order to create 7 dummy control variables, dummy coding was done. Each variable represents a firm's membership to a particular industry sector. The industry was viewed as a 7-valued nominal variable.

#### **b) Level of involvement (LOINV)**

The quality and quantity of managerial involvement in Strategic Planning has been acknowledged in literature (Elbanna et al., 2015; Elbanna, 2008). The quality of managerial involvement reflects the degree to which these managers at different organisational levels effectively influence strategic choice. The previous work by Ogbeide and Harrington (2013) as well as Barringer and Bluedorn (1999), were used to ascertain the level of involvement. Respondents were asked to rate the level of involvement at each hierarchical level using a 5-point scale in their organisations ranging from 'not at all involved' to 'extremely involved'. The regression equation was used to enter the involvement main effects by ascending organisational level. This means that the main involvement level of top management was entered first, followed by middle management, lower management and finally, frontline employees. The assumption here is that senior management have greater responsibilities for and greatly impact on the strategic endeavours. This assumption is premised on the argument by Quinn (1980), that as action plans and goals cascade to lower levels, they become more tactical in nature. The scale had a Cronbach alpha coefficient of 0.747, showing a high level of reliability.

#### **c) Managerial Factors**

The scales that Hopkins and Hopkins (1997) developed from those by Miller (1987) were used as the model from which two observed variables were derived: (1) Strategic Planning Expertise (EXPRT), and (2) Beliefs (BELIF) about planning-performance relationships. These two variables were used to measure the managerial factors latent variable. The instrument adopted was subjected to thorough testing by Hopkins and Hopkins (1997), when they piloted some bank managers and then revisited

those managers nine months later with the same instrument to ensure item reliability. In this study, the Cronbach alpha coefficient was 0.773, which shows high reliability of the scale.

#### **d) Environmental Factors**

Two variables were used to measure this latent variable: (1) Perceived environmental change (CHNGE), and (2) Environmental Complexity (CMPLX). The composite perceived environmental pressures (complexity) measure by Yasai-Ardekani (1989) was used as a model for the environmental complexity measure. On a similar construct, respondents were asked to show the level of complexity in each environmental sector on a 5-point Likert scale ranging from 'very low' to 'very high'. One factor was extracted and the alpha coefficient was 0.849, which shows very high reliability of the measurement scale.

Environmental change can be measured using the number of years since a manufacturing firm has been into manufacturing. This measure was also cemented by Carroll, who argued that alterations in a company's approach to Strategic Planning are to a greater extent influenced by the company's experience with changes in the environment. Carroll (1983) noted that organisational age will coincide roughly with the amount of environmental change experienced by an organisation. However, a number of recent studies have disapproved this measure (Hopkins and Hopkins, 1997), arguing that ageing may not be a very good surrogate measure of a firm's exposure to environmental change and the scale had very low reliability. Consequently, this study adopted a scale from Yasai-Ardekani (1989) study, which incorporates changes in all sectors of the organisation's environment. A 5-point Likert scale ranging from 'very low' to 'very high' rate of change was used to measure the managerial perceptions concerning the dynamism in the environment. The Cronbach alpha coefficient for this measure was 0.772, which shows that the scale's reliability was high.

#### **e) Organisational Factors**

The organisational factor latent variable was measured using structural complexity (STRUC) and firm size (FSIZE). Literature shows a wide variety of views on how firm size has been conceptualised. A number of previous studies show support for the view that firm size has a bearing on the Strategic Planning practices as they are not the same across all firm sizes. Firm size was introduced as a control variable to the analysis and size of a firm will be measured using what has been observed to be an established way of accounting for differences in size of a firm when assessing organisational outcomes, the firm's number of employees (Aldehayyat, 2015; Ogbeide and Harrington, 2011; Yasai-Ardekani and Nystrom, 1996). According to the European Commission (2003) recommendations, SMEs have less than 250 employees. The choice of either number of employees or amount of annual sales has been influenced by nature of manufacturing processes. Some firms are heavily mechanised hence less need for labour while other firms are labour intensive by their nature.



Structural complexity in the manufacturing firms was considered by the degree to which these manufacturing firms are also involved in other lines of business other than strictly manufacturing in a particular sector. This study borrowed from the methodology employed by Hopkins and Hopkins (1997); Gup and Whitehead (1989), where structural complexity was viewed from three dimensions: (1) Low structural complexity (1-3 lines); moderate complexity (4-7 lines) and high structural complexity (8 or more than 8 lines).

### **5.10.3 Dependent Variable**

#### **1. Performance Measure**

Due to the difficulties in obtaining objective performance measures, subjective measures were used to get an indication of organisational performance (Dess and Robinson, 1986). Performance was premised on the items derived from a number of past studies which used the subjective measures of the variable (Kohtamaki et al., 2011; Elbanna, 2007; Boyd, 1991; Pearce et al., 1987). Performance was measured using two scales. The first scale used intangible performance using Strategic Planning Effectiveness, where respondents were asked to rank on a 5-point Likert scale their levels of agreement with a number of statements investigating their levels of satisfaction with the outcomes of the Strategic Planning processes in their organisations. Two items were reverse coded as they implied that Strategic Planning has a negative effect, while all the other items indicated a positive effect. After the reverse coding, factor analysis resulted in 2 factors. Factor 1 included items 19.1 to 19.5; and Factor 2 included 19.6 and 19.7. Since it did not make sense to proceed with 2 factors, especially considering the content of the second one- consequently, the researcher proceeded with Factor 1. The Cronbach alpha coefficient for this scale was 0.866, which shows high reliability of the measure. The factor was named PERF\_INT.

The other scale which represented the tangible performance, required respondents to indicate on a 5-point Likert Scale how their businesses had performed over the last 3 years compared to their major competitors using some accounting measures including ROA, growth in sales volume, and growth in profits. One factor was found and the scale's alpha coefficient was 0.908, which shows high reliability of the scale. This variable was named it PERF\_T. These self-reported (subjective) measures instead of the objective measures of profitability have been chosen here because the rapid dynamism in the operating environment renders accounting based measures obsolete quickly. Subjective measures provide a better outlook of the firm's success in the long run (Ogbeide and Harrington, 2013; Agree et al., 2010). Even though the subjective measures have potential for bias, previous studies have shown comparative relationships and interactions.

## 2. Implementation Success

Due to the lack of numerous previous measures of this variable (Elbanna et al., 2015), a measure was adopted which shows how well firms implement their strategic plans. This variable was assessed based on O'Regan and Ghobadian's (2007, 2002) tool. Respondents were asked to assess the 9 Strategy Implementation barriers using the 5-point Likert scale, ranging from 1 = 'strongly disagree' to 5 = 'strongly agree'. This scale was used to get the perceptions of respondents on the success of their firms' most recent Strategy Implementation processes in which they were a part. A Cronbach alpha of 0.837 was found. Due to the specific Strategy Implementation process in question, this measure represents a shorter-term performance measure.

## 3. Strategic Planning Formality

The measurement of the formality of Strategic Planning has typically been on a nominal basis, on a 'has/has not' Strategic Planning systems scale. The current study assessed the Strategic Planning process using multiple indicators. Over the years, strategy scholars have identified characteristics of good and bad planning practice (Marx, 1991; Porter, 1987; Steiner and Schollhammer, 1975; Pennington, 1972). Consequently, this study sought to develop a measure of the Strategic Planning formality rather than debating on whether the process is flexible or formal. To achieve this objective, on a 5-Point Likert scale, respondents were asked to indicate the degree of informality of the Strategic Planning systems in their firms utilising item Q15.6 in the questionnaire. This is unlike other studies which used multi-item scales (Ogbeide and Harrington, 2013; and Marx, 1991).

### 5.10.4 The Mathematical Model

$$\text{PERF} = f(\text{SPI}) \quad (1)$$

$$\text{SPI} = f(\text{COMPX}, \text{CHNGE}, \text{BELIF}, \text{EXPRT}, \text{FSIZE}, \text{LOINV}, \text{STRUC}, \text{INDSE}) \quad (2)$$

Combining equations (1) and (2) above, we get equation (3) below:

$$\text{PERF} = f(\text{COMPX}, \text{CHNGE}, \text{BELIF}, \text{EXPRT}, \text{FSIZE}, \text{LOINV}, \text{STRUC}, \text{INDSE}) \quad (3)$$

Expressing equation (3) in linear form, we get equation (4) below:

$$\begin{aligned} \text{PERF} = & \beta_0 + \beta_1(\text{COMPX}) + \beta_2(\text{CHNGE}) + \beta_3(\text{EXPRT}) + \beta_4(\text{BELIF}) + \beta_5(\text{FSIZE}) + \\ & \beta_6(\text{STRUC}) + \beta_7(\text{INDSE}) + \beta_8(\text{LOINV}) + \varepsilon \end{aligned} \quad (4)$$

It is not possible to say there is a direct causality between Strategic Planning Intensity and PERF because there is also a reverse causality between the two. Therefore, the researcher argues that there is

a correlation between PERF and Strategic Planning Intensity. Moreover, the research is proposing to bring on board background factors as another factor influencing Strategic Planning Intensity.

The regression model proposed incorporating background factors is expressed as follows:

$$\text{PERF} = \beta_0 + \beta_1(\text{COMPX}) + \beta_2(\text{CHNGE}) + \beta_3(\text{EXPRT}) + \beta_4(\text{BELIF}) + \beta_5(\text{FSIZE}) + \beta_6(\text{STRUC}) + \beta_7(\text{INDSE}) + \beta_8(\text{GENDR}) + \beta_9(\text{EDUCT}) + \beta_{10}(\text{AGE}) + \hat{\epsilon} \quad (5)$$

The latent variables under investigation here are:

1. Environmental Factors- Perceived complexity (COMPX) and variation (CHNGE) in elements.
2. Managerial Factors- Perceptions (PERC) and expertise (EXPRT).
3. Firm's Specific Factors- Firm size (FSIZE), structuring complexity (STRU) and level of involvement (LOINV).
4. Background Factors- Age (AGE), Gender (GEND) and Educational level (EDUC).

It is assumed here that these latent variables will not be significantly related. The latent endogenous variables in the proposed model are Strategic Planning intensity and performance.

5. Strategic Planning Intensity (SPI)- 7 measures of this latent variable will be utilised:

- Mission/ Vision (MISSN)
- Objectives (OBJCT)
- Internal Analysis (INNAL)
- External Analysis (EXNAL)
- Strategies (ALTRN)
- Implementation (IMPMT)
- Control (CONTRL)

6. Performance (PERF) - non-financial measures

$\hat{\epsilon}$  - is the random error term.

### 5.10.5 Environmental Scanning Variables

#### a) Importance of Environmental Sectors

On environmental scanning, the first question related to the importance of the environmental sectors to the managers, which ultimately justifies the scanning of the environment. Respondents were asked to show the level of importance their organisations placed on each on the sectors. The scale ranged from 1 (Not at all important) to 5 (extremely important). The six environmental sectors (customers, competition, technological, regulatory, economic, and socio-cultural) have been chosen based on past

studies on environmental scanning (Aldehayyat, 2015; Agyapong et al., 2012; Franco et al., 2011; Muhammad et al., 2009). The wording on the scale was ‘How important to your organisation are trends and events in each of the following sectors?’ The Cronbach coefficient was 0.731, which is above the 0.70 bench mark, showing high reliability.

#### **b) Scanning Frequency**

The measure looked at the frequency of information usage which was adopted from recent studies (Agyapong et al., 2012; Franco et al., 2011). Respondents were asked to rank the frequency of usage of the different sources of information utilising an ordinal scale ranging from ‘never’ to ‘at least once a day’. The reliability measure for the scale was 0.944, which is very high reliability. From the same scale was also extracted the measurement of the Frequency of Competitive Intelligence in the environmental sectors (Q24.1, 2, 3, 4, 7, and 16).

#### **c) Easiness of gathering information**

Respondents were also asked to indicate the amount of effort needed to approach, contact, or locate each of the 16 information sources. A 5-point ordinal scale was used ranging from ‘very little time and effort’ to ‘great amount of time and effort’. The scale was developed by Aguilar (1967) and was subsequently used in other empirical research (Haase and Franco, 2011; Muhammad et al., 2009; Kourteli, 2005; Sawyerr et al., 2000). The information sources were classified into two categories (external and internal), and further subdivided into impersonal and personal sources. The reliability measure for the scale used was 0.943, which is high enough to show that the scale was very reliable in measuring what it was intended to measure.

#### **d) Perceived Environmental Uncertainty**

The perceptual measure of environmental uncertainty adopted was based on the three dimensions of Yap et al. (2011), as well as Daft et al. (1988): strategic importance, complexity and variability. The formula by Daft et al. (1988) was used to measure the Perceived Environmental Uncertainty (PEU):

$$\text{PEU} = (\text{Scores of Complexity} + \text{Variability}) \times \text{Importance Score}$$

#### **e) Amount of Competitive Intelligence Acquisition (CIA)**

Competitive Intelligence Acquisition measure was based on the formula by Yap et al. (2011), which include the perceived strategic importance and the frequency of competitive intelligence use by managers in strategic decision-making.

Competitive Intelligence Acquisition= Perceived Strategic Importance x Frequency of Competitive Intelligence use in decision making

## **5.11 THE QUALITY CRITERIA**

Due to the exposure of measurements to error which affects the measurement's validity and reliability, all measures of opinions, behaviours and constructs must be subjected to quality checks (Saunders et al., 2012; Bryman and Bell, 2011). Three very important quality criteria exist for evaluating the quality of the research: reliability, replicability and validity (Bryman and Bell, 2011).

### **5.11.1 Validity**

Validity relates to the ability of a measurement to measure what it is intended for (Saunders et al., 2012). It has been argued as the most important evaluation criteria (Bryman and Bell, 2011). Validity has to do with the meaningfulness or suitability of the measurement. It includes the unbiasedness of the measure. External validity relates to the ability of the data to be generalised across times, persons and settings (Blumberg et al., 2013). Internal consistency (homogeneity) pertains to how well related, but different, items measure the same thing.

#### **5.11.1.1 Content Validity**

Content validity relates to the extent to which the measure covers the main area of interest which it purports to measure and the degree to which the measurement construct's individual components really represent that construct (Blumberg et al., 2013; Bryman and Bell, 2011; Saunders et al., 2009; Zikmund, 2009). The panel of reviewers who have knowledge of the subject matter was of great use to ensure that the instrument contains everything it should and nothing it should not. The strategic management lecturers at Bindura University provided their subjective reviews during the pre-test of the instrument. Content validity is attained when the items are randomly chosen from the universe of all possible items. Although content validity has been viewed as judgemental, it was achieved by distributing the instrument to some strategic management lecturers Bindura University to provide their subjective instrument review.

#### **5.11.1.2 Construct Validity**

Construct validity is the degree to which the statements in the questionnaire are related to the underlying theories (Bryman and Bell, 2011). The construct must be meaningful in a theoretical sense and the adequacy of the instrument must be taken into consideration (Blumberg et al., 2013; Saunders et al., 2009). The researcher decomposed the Model by Wheelen and Hunger into its constituent components from which statements were derived to include in the research instrument.

### **5.11.1.3 Criterion Validity**

Criterion validity, also called predictive validity, relates to the ability of a measure to correlate with other measures of similar constructs. It shows how successful measures used are at predicting or estimating. A reliable criterion is stable or reproducible and the information the criterion specifies must be available. It can be predictive or concurrent. This can be assessed by conducting a hypothesis test (Nolan and Heinzen, 2007). The items forming the items were adopted from other similar studies, the majority of whom had further subjected them to a hypothesis test.

### **5.11.2 Reliability**

Reliability assesses the stability or how consistent a measure is. According to Saunders et al. (2009); as well as Zikmund et al. (2009), reliability relates to the ability of the instrument to produce accurate and consistent findings under different conditions and at different times. It is analogous to variance, where high variance is equal to low reliability. The reliability of an instrument can be gauged through the repeated use of the instrument (stability); equivalence of two instruments (equivalence) and similarity of items (internal consistence/ split half). An instrument's observed score can be categorised as true score or error. An instrument that minimises the error component and reflects accurately the true score is said to be reliable. The reliability coefficient is the proportion of true variability of the total observed variability.

Internal consistency (homogeneity) pertains to the extent to which related, yet different, elements measure the same thing. The Cronbach's alpha measures proportion of variability that is shared among items (covariance). The Cronbach's Alpha which shows the degree of internal consistency was used in testing all measures in the questionnaires. Blumberg et al. (2013) noted that the Cronbach's alpha tests how well different items form one scale. It measures the degree of variability that elements share amongst themselves (covariance). It is a depends on the quantity of elements in the scale and the extent of their inter-correlations which assumes values between 0 and 1. When all items tend to measure the same thing, they are highly correlated and the alpha is high. If the items in a scale tend to measure the same thing, it shows that they are highly related and the alpha is high. A good scale has alpha greater or equal to 0.70 (Bryman and Bell, 2011). Blumberg et al. (2013) warn that when using the Cronbach's alpha, consideration must be given to the content of the items and the construct they should measure. All scales used here had reliability measures above 0.70, which shows that they were all reliable.

## **5.12 DATA ANALYSIS**

Once the data collection effort is complete, the data must be transformed into a useful state so that data analysis may commence (Bryman and Bell, 2011). The questionnaire items were first coded and then posted into the SPSS Excel sheet. Since this study is quantitative in nature, data was analysed using both descriptive and inferential statistics. Services of statisticians were sought to guide the data analysis process. The analysis of findings commenced with the response rate analysis. This quantitative study utilised the statistical data analysis software package named the Statistical Package for Social Sciences (SPSS) version 21. The data analysis software chosen is capable of estimating unknown coefficients of a set of linear structural equations and also accommodates models that include latent variables. Moreover, the software is capable of measuring the direct and indirect effects of independent variables on dependent variables and accommodates reciprocal causation, simultaneity and interdependence. This study utilised different statistical approaches to quantitatively analyse the data (bivariate, univariate, and multivariate).

### **5.12.1 Descriptive Statistics**

Saunders, et al. (2012) noted that descriptive statistics enable the researcher to describe and make comparisons of the variables of the research. Descriptive statistics normally concentrate on the dispersion and the central tendency. Central tendency can be measured in business in three ways: mode, median, and mean. Dispersion deals with how the values in the data are scattered around the expected value/ central tendency. Descriptive data analysis commenced with the frequencies and then progressed to means and standard deviations, presented in Tables and Graphs.

### **5.12.2 Pearson's Correlation Analysis**

Zikmund and Babin (2010) argued that correlation analysis can be done to determine the linear relationship between two continuous variables and the strength of their association. According to the University of West England (2015), correlation is utilised when we need to quantify the exact association between any two continuous variables. The correlation coefficient assumes values between -1 and +1, with 0 denoting that the variables are not related (Ghauri and Gronhaug, 2005). This study considered the associations between a number of variables including Strategic Planning Intensity-Performance; Environmental Scanning -Performance and Environmental Scanning - Strategic Planning Intensity. Correlation analysis was very useful especially where the researcher felt that there could be reverse causality between variables so that doing regression could be tantamount to futility.

### **5.12.3 One-Sample t-test**

One-sample t-tests were used to test whether a mean score is significantly different from a scalar value. This tool was used to establish whether the sample came from a particular population in the absence of full population information available to the researcher. Data was collected for the SP practices of the manufacturing firms and the sample statistic ( $M$ ) was then compared to the population parameter ( $\mu$ ). This one-sample t-test helped to show the distribution of means and examine whether two means differ statistically from each other. In using a t-test, the researcher made sure that the exogenous variables were measured on an interval or ratio scale (continuous data), while the endogenous variables were measured on a nominal level and made up of categories. The use of a t-test was appropriate in this study as the dependent variables like performance were measured using the 5-Point Likert scale which satisfies the definition of interval measurement.

### **5.12.4 Regression Analysis**

Regression analysis is a dependence technique which deals with measuring and analysing of the linear relationships between the independent (also known as predictors, regressors, exogenous, explanatory variables) and the dependent values (Saunders et al., 2012; Zikmund et al., 2009). Regression analysis was used to determine whether the predictor variables were effective at predicting the outcome (regressant, endogenous, criterion, dependant) variable and also isolating the significant predictors of the outcome variables. If the variables under study exceeded 2, multiple regression analysis, which is seen by Zikmund et al. (2009) as an extension of the regression analysis, was used. Saunders, et al. (2012) argue that in the multiple regression analysis the  $R^2$  (coefficient of multiple determinants) denotes the degree of the goodness of fit for the estimated multiple regression equation and the value line for determining how strong the significance is, 0.05 is used.  $R^2$  values above 0.05 denotes that the coefficient could have occurred by chance alone, while a coefficient below 0.05 indicates that the coefficient occurred not by chance alone (Saunders et al., 2012).

### **5.12.5 Chi-Square Goodness of Fit Test**

According to Statistics Solutions (2017), chi-square goodness-of-fit is a non-parametric test designed to determine how the observed value of a particular phenomenon is significantly different from the expected value. The data was divided into intervals and then the numbers of points that fall into the interval were compared to the expected number of points in each interval. The calculated  $X^2$  value was compared to the table value. Where the calculated  $X^2$  value was found to be less than the table value, it meant that there was no significant difference between the observed and expected value.



### **5.13 ETHICAL ISSUES INVOLVED**

Cohen et al (2011) observed that ethical issues are crucial and must not be overlooked when it comes to gathering data through questionnaires, since they involve an invasion into the privacy and life of respondents. Before gathering data, the researcher had to get ethical clearance from the Ethical Clearance office at the University of KwaZulu-Natal (UKZN). The ethical clearance process started by securing permission from the Ministry of Industry and Commerce in Zimbabwe. This Ministry is the one that houses all manufacturing firms in Zimbabwe. The letters received were then forwarded to the UKZN Ethical clearance office together with my application and questionnaire. During the data collection period, the researcher was fully aware of the rights of respondents such as withdrawing from the research at any time they wanted, the choice whether to participate or not, and even *not* completing certain items in the questionnaire. The researcher sought first the respondents' informed consent; assured them of no harm, anonymity, confidentiality and their non-traceability in the study. Sensitive question items like respondents' names and personal income were deliberately left out as they were not necessary. To encourage respondents to attempt all questions in the questionnaire, the researcher improved the question layout, quality of print, simplifying the jargon used, and avoiding ambiguity and extremes in the rating scales.

### **5.14 CHAPTER SUMMARY**

This chapter covered the research philosophy, approach, type, and the design employed in this study. The data sources were discussed, together with the sampling design employed. The data collection instruments and the data quality criteria were outlined. Discussion centred on the research variables and their measurement. Ethical issues involved in the research, and compliance, formed the last issue considered. The next chapter offers both descriptive and inferential data analysis.

## CHAPTER SIX

### DATA PRESENTATION AND ANALYSIS

#### 6.0 INTRODUCTION

The previous chapter discussed the study's methodology. The chapter considered issues such as the research philosophy, approach, design, data collection issues and how data will be analysed. The current chapter presents and analyses the findings from the survey using both descriptive and inferential statistical techniques. Even though there are numerous data presentation techniques, this study utilized tables and graphs to present findings. The chapter will start with the response rate analysis, which is followed by an analysis of background issues relating to the respondents and the firms. Findings on Strategy Formulation, Strategy Implementation, Strategy Evaluation and Control and Environmental Scanning issues are also presented and analysed under separate sub-sections. The chapter ends with a summary.

#### 6.1 BACKGROUND ISSUES

##### 6.1.1 Response Rate Analysis

Response rate represents the total number of valid responses from the survey expressed as a percentage of the total issued instruments. The response rate from the questionnaire survey conducted is depicted in Table 6.1 below:

Table 6.1: Questionnaire Response Rate

Sector	Target Sample	Achieved Sample	Response Rate
Beverages	54	26	15%
Agriculture	54	34	20
Paper	54	20	12
Building	54	19	11
Pharmaceutical	54	16	9.8
Industrial	54	29	16.2
Food Processing	54	28	16
<b>TOTAL</b>	<b>378</b>	<b>172</b>	<b>48%</b>

Source: Primary Data

N=172

As shown in Table 6.1 above, a total of 378 questionnaires were distributed to 378 managers in the 378 manufacturing firms in the sample between November 2016 and February 2017. 54

questionnaires were distributed to managers in each of the seven sectors. 172 usable questionnaires were collected, representing a 48% response rate. The highest response rate came from the Agricultural sector (20%), followed by the Industrial sector (16.2%), the Food Processing sector (16%) and then the Beverages sector (15%). The Pharmaceuticals and Chemicals sector had the lowest response rate (9.8%), followed by the Building sector (11%), and then the Paper and Packaging sector (12%).

Compared to similar previous studies, this study's 48% response rate is satisfactory. O'Regan and Ghobadian (2007) received 194 valid questionnaires representing a 27% response rate from their survey of the Strategic Planning practices of UK firms. In Egypt, Elbanna (2007) collected 120 usable questionnaires representing a 34% response rate. Yap et al. (2011) received 123 usable questionnaires, representing a 13.7% response rate. It is, however, very important to point out that the current study's response rate was affected by a number of factors like company policies which do not permit information to be released to outsiders perhaps in fear of being spied on by competitors and government agents like tax authorities. The other disturbing issue relates to the rate of company closures in Zimbabwe. The researcher could not find some of the targeted respondents as some of them who were on the updated list of manufacturing firms, six months prior to conducting of the study, had closed down or had been placed under judicial management. When you judge a book by its cover, you are likely to draw wrong conclusions! It is sad to note that the majority of those visible industrial premises are lifeless and have been vacated. The researcher also noticed a general reluctance by several managers in completing questionnaires perhaps due to the high volumes of questionnaires passing through their offices from other students and other research institutions. The situation was also further complicated by Personal Assistants to the managers who intercepted the questionnaires, preventing them from reaching the intended respondents. On a more positive note, the majority of respondents requested a copy of the final results, which is a clear indication of their interest in the study, and hence a perceived high level of seriousness devoted to the research.

### **6.1.2 Background Characteristics of Respondents**

This study argues that background characteristics of respondents have a significant influence on the practice of Strategic Planning in the manufacturing firms in Zimbabwe. The gender, age of executives, level of education, position in the hierarchy and years in the organisation were deemed as some of the factors influencing the intensity with which the executives would engage in Strategic Planning processes. Table 6.2 below shows the background information of the managers from the sampled firms (see also Appendix B3).

Table 6.2: Background characteristics of the respondents

	Variable	Frequency	Percentage (%)
<b>Gender</b>	Male	121	70.3
	Female	51	29.7
<b>Age group</b>	15 – 29 years	22	12.8
	30-39 years	90	52.3
	40-50 years	50	29.1
	51-65 years	9	5.2
	Above 65 years	1	0.6
<b>Education</b>	Ordinary Level	5	2.9
	Advanced Level	5	2.9
	Diploma	43	25
	Degree	75	43.6
	Professional Course	23	13.4
	Post graduate	21	12.2
<b>Years in Service</b>	Below 2 years	12	7
	2 years - $\leq$ 5 years	45	26.2
	5 years - $\leq$ 10 years	50	29.1
	10 – 20 years	50	29.1
	Above 20 years	15	8.7
	CEO/CFO/COO/MD	19	11
<b>Position in the company</b>	General Manager	12	7
	Division/Section/Dept. Head	51	29.7
	Product/Project/Distr Manager	18	10.5
	Junior Manager	54	31.4
	Other	18	10.5

*Notes: Sample size is 172*

### 6.1.2.1 Gender

Findings presented in Table 6.2 above show that 70% of the sampled managers were males. Even though these results show dominance of males in senior managerial positions in Zimbabwe, 30% for females is also significant. It is important to note that the 30% for female managers is a significant increase in the number of females taking up managerial positions in Zimbabwe compared to earlier studies which found rates below 10% for women in managerial positions. This gender imbalance could have been contributed to by the traditional culture which did not promote the education of the girl-child. Moreover, the nature of work in the manufacturing industries has a bent towards the dominance of males in the managerial positions. It then becomes interesting to find out whether gender has an influence on the practice of Strategic Planning in Zimbabwe.

#### **6.1.2.2 Age of respondents**

Table 6.2 above shows that 12.8% of the managers in the manufacturing firms were between 15 and 29 years of age, while those above the age of 51 years constitute 5.8%. The age group between 40 and 50 years had 29.1% of the respondents. The majority of the managers (52.3%) in the manufacturing firms are in the age group between 30 and 39 years. When compared to the findings by O'Regan and Ghobadian (2007), it can be seen that the management team in Zimbabwean firms is youthful (about 93% below the age of 50 years), whereas in the UK firms, 51% of the managers were above 50 years. This may be a valid explanation of why some firms are still running in Zimbabwe even when confronted by such high turbulence and extremely difficult conditions. The Zimbabwean managerial team has high energy levels coupled with high educational levels compared to those in the stable UK economy. Again, the question is, does age of managers influence the Strategic Planning Intensity and Performance of Zimbabwean firms?

#### **6.1.2.3 Level of education**

As shown in Table 6.2 above, 5.8% of the managers did not go beyond Advanced Level certificate. 25% of the respondents have reached Diploma Level education, 43.6% are Degree holders, while 13.4% of the managers have acquired professional courses in various disciplines. Those with Post-graduate certificates make up 12.2%. This is a clear indication that about 94% of the managers have acquired some tertiary education. The high figure of 94% is a clear indication that managers in the manufacturing firms have some knowledge on the technical and managerial aspects of the industry. Level of education has also been seen as having an impact on the quality and depth of managers' ability to plan strategically.

#### **6.1.2.4 Length of service**

Table 6.2 above shows that 33% of the sampled managers had served in their organisations for periods of less than 5 years, while 29.1% of the sampled managers had served in their organisations for periods between 5 and 10 years. Another 29.1% had served in their organisations for periods between 10 and 20 years. 8.1% of the respondents had 20 or more years with their respective organisations. Overall, it can be seen that 67% of the sampled managers had served in their organisations for periods beyond 5 years, making them aware and more knowledgeable of the Strategic Planning practices of their respective firms. This is a very important issue in research as it contributes to the quality of the overall findings of the study.

### 6.1.2.5 Position in the organisation

Table 6.2 above shows that 11% of the sampled managers were senior executives like Chief Executive Officers and Chief Finance Officers; 7% were General Managers, thus bringing the cumulative percentage of senior executives to 18%. Of the 172 respondents, 29.7% were Divisional Heads (Middle Managers) and 31.4% were Junior Managers. The researcher decided to sample all managerial levels to deal with the problem of bias from the most senior executives due to their possible desire to paint a good picture of the Strategic Planning practices of these manufacturing firms. A similar study on the nature of Strategic Planning practices of Egyptian firms by Elbanna (2007) sampled 12% senior executives, 81% middle managers, and 7% junior managers. Compared to Elbanna's study, this study had more senior executives surveyed and a well-balanced proportion of middle and junior managers, who are the strategy implementers.

### 6.1.3 Background Characteristics of the Manufacturing Firms

The background characteristics of the sampled manufacturing firms operating in Zimbabwe are shown in Table 6.3 below (see also Appendix B3).

Table 6.3: Background characteristics of the organizations

<b>Variable</b>		<b>Frequency</b>	<b>Percentage (%)</b>
<b>Number of employees:</b>	1 – 5	7	4.1
	6 – 30	23	13.4
	31 – 50	17	9.9
	51 – 75	18	10.5
	76 – 250	25	14.5
	Above 250	82	47.7
<b>Age of Organisation</b>	10 years and less	17	9.9
	11 – 20	37	21.5
	21- 30	16	9.3
	31 – 40	30	17.4
	41 – 50	9	5.2
	Above 50 years	63	36.6
<b>Industry-Sector</b>	Beverages	26	15.1
	Agriculture	34	19.8
	Paper and Packaging	20	11.6
	Building and Associated	19	11.0
	Pharmaceuticals and Chemicals	16	9.3
	Industrial Holdings	29	16.9
	Food Processing	27	15.7
1 – 3		105	61

<b>Lines of</b>	4 – 7	38	22.1
<b>Business</b>	Above 7	28	16.3

*Notes: Sample Size is 172*

#### **6.1.3.1 Number of employees**

Table 6.3 above shows that 4.1% of the sampled firms were Micro SMEs employing less than 5 people. 22.9% of the firms had a total number of employees below 50. Results from the sampled manufacturing firms show that 10.5% of the firms had total number of employees between 51 and 75, while 14.5% of the firms had total number of employees between 76 and 250. Cumulatively, the study's findings reveal that 52.3% of the manufacturing firms in Zimbabwe are SMEs (based on the European Commission, 2003 Classification). The majority of the sampled firms (47.7%) were large firms with employees above 250 (according to the European Commission Classification). This study's findings are consistent with those by Elbanna (2007) as well as O'Regan and Ghobadian (2007), who found firms in their surveys to be biased towards SMEs. The inclusion of all firm sizes will enable comparisons to be made on the Strategic Planning practices across firm sizes. The impact of firm size will be investigated on a number of variables like formality of Strategic Planning, Environmental Scanning practices, Strategy Implementation success, level of involvement, Strategic Planning Intensity and firm performance.

#### **6.1.3.2 Age of the manufacturing firms**

About 9.9% of the manufacturing firms operating in Zimbabwe are less than 10 years old, while 21.5% of the firms have been in operation for a period between 11 and 20 years, thus giving us a cumulative figure of 31.4% of the firms below 20 years of age. 17.4% of the firms have been operating for between 31 and 40 years while the majority of the sampled firms (36.6%) have been operating for more than 50 years. The existence of a large proportion of firms (68.6%) above 20 years implies that younger firms quickly become extinct in the harsh macro-economic environment. Old, larger firms have substantial asset resource accumulations where they continue to derive their strength unlike the younger, newly-established firms. Moreover, these large firms have established networks and links which support their existence. These findings have some significant differences from those found by O'Regan and Ghobadian (2007), who sampled many young firms in their study with only 18.8% of the firms being over 51 years. The findings from UK by O'Regan and Ghobadian show that the UK business operating environment is stable and conducive to numerous younger firms thriving.

### **6.1.3.3 Lines of business**

As shown in Table 6.3 above, the bulk of the manufacturing firms (60.8%) in Zimbabwe have less than 3 lines of business. This means that 60.8% of the manufacturing firms have low structural complexity. Such a finding is a clear indication that most organisations choose to stick to their knitting in complex and dynamic environments. The rationale for this could be the desire to concentrate on and safeguard the existing business, rather than being a jack of all trades but master of none. 22.2% of the firms have between 4 and 7 lines of business, which is moderate structural complexity. The remaining 17% have above 7 lines of business which shows that they have high structural complexity. The firms with high structural complexity were also noted to be large firms which have been in existence for a long time. The diversification could have been attained during the years of marked stability and prosperity in Zimbabwe.

### **6.1.3.4 Industry- Sectors**

Table 6.3 above shows that the Pharmaceuticals and Chemicals sector had the least number of firms (9.8%), followed by the Building and Assorted sector; and the Paper and Packaging sectors with each slightly above 11%. The Beverages sector as well as the Food Processing sector each had about 15% of the sampled firms. The Agricultural sector had the largest number of subscribers (20%), which shows the importance of the Agricultural sector in the Zimbabwean economy. It should not come as a surprise that the three most represented sectors have something to do with food processing. When everything else is no longer viable, the food business remains viable as people need to eat. Hence more firms came from the Food Processing, Beverages and Agriculture sectors.

This first part has looked at the response rate from the questionnaire survey, together with the background characteristics of both respondents and the firms. The next section presents and analyses data on the Strategy Formulation practices of the manufacturing firms in Zimbabwe.

## **6.2 STRATEGY FORMULATION**

This section addresses issues to do with how firms formulate strategies. The first aspect to be looked at relates to the crafting of strategic plans in the manufacturing firms operating in Zimbabwe. The second section looks at the tools used in Strategic Planning. The use of tools is also a pointer of how strategies are formulated, implemented or controlled in the firms. The section will also consider the impact of the SWOT analysis and Porter's Five Forces Model on Firm Performance. Table 6.4 below presents results relating to the crafting and usage of strategic plans in the firms (see also Appendix B4).



Table 6.4: Strategic Plans in the manufacturing firms

Variable		Frequency	Percentage (%)
<b>Time to come up with strategic plan</b>	Under 1 month	24	14
	1 - < 6 months	95	55.6
	6 -12 months	32	18.7
	Over 1 year	20	11.7
	Up to 1 year	39	22.7
<b>Period covered by strategic plan</b>	Up to 18 months	20	11.6
	Up to 2 years	25	14.5
	Up to 3 years	16	9.3
	Up to 4 years	7	4.1
	Up to 5 years	48	27.9
<b>Frequency of reference to strategic plan</b>	Above 5 years	17	9.9
	At least daily	10	5.8
	At least once a week	42	24.4
	At least once a month	93	54.1
	At least once a year	24	14
	Less often than once a year	2	1.2
	Never	1	0.6

*Notes: Sample size is 172*

### 6.2.1 Time taken to devise a strategic plan

Results from the survey presented in Table 6.4 above show that 14.1% of the sampled manufacturing firms in Zimbabwe take less than one month to devise a strategic plan, while 55% of the firms take between one and six months to compile a strategic plan. 18.7% of the sampled firms take between 6 and 12 months to devise a strategic plan, while 11.6% of the firms take more than a year. Collectively, 30.4% of the manufacturing firms take more than 6 months to come up with a strategic plan. This may be a clear indication that 67% of the large manufacturing firms are taking more than 6 months to craft their plans.

A chi-square goodness of fit was then used to test whether any response option(s) were selected significantly more than what is expected if they are all selected equally. A significant number (95; 55.2%) showed that they take between 1 and 6 months to formulate a strategic plan,  $X^2(3)=86.895$ ,  $p<0.0005$ . This is a clear indicator that the majority of the manufacturing firms in Zimbabwe take less than six months to draft a strategic plan.

### **6.2.2 Planning Horizons**

The results from the chi-square goodness of fit test conducted show that a significant number (39; 22.7%) indicated that their strategic plans covered a period of up to 1 year,  $X^2(6) = 49.558$ ,  $p < 0.0005$ . This finding shows that the planning horizon has been shortened to 1 year. This study also found that another significant group (48; 27.9%) indicated that their strategic plans covered a period extending up to 5 years,  $X^2(6) = 49.558$ ,  $p < 0.0005$ .

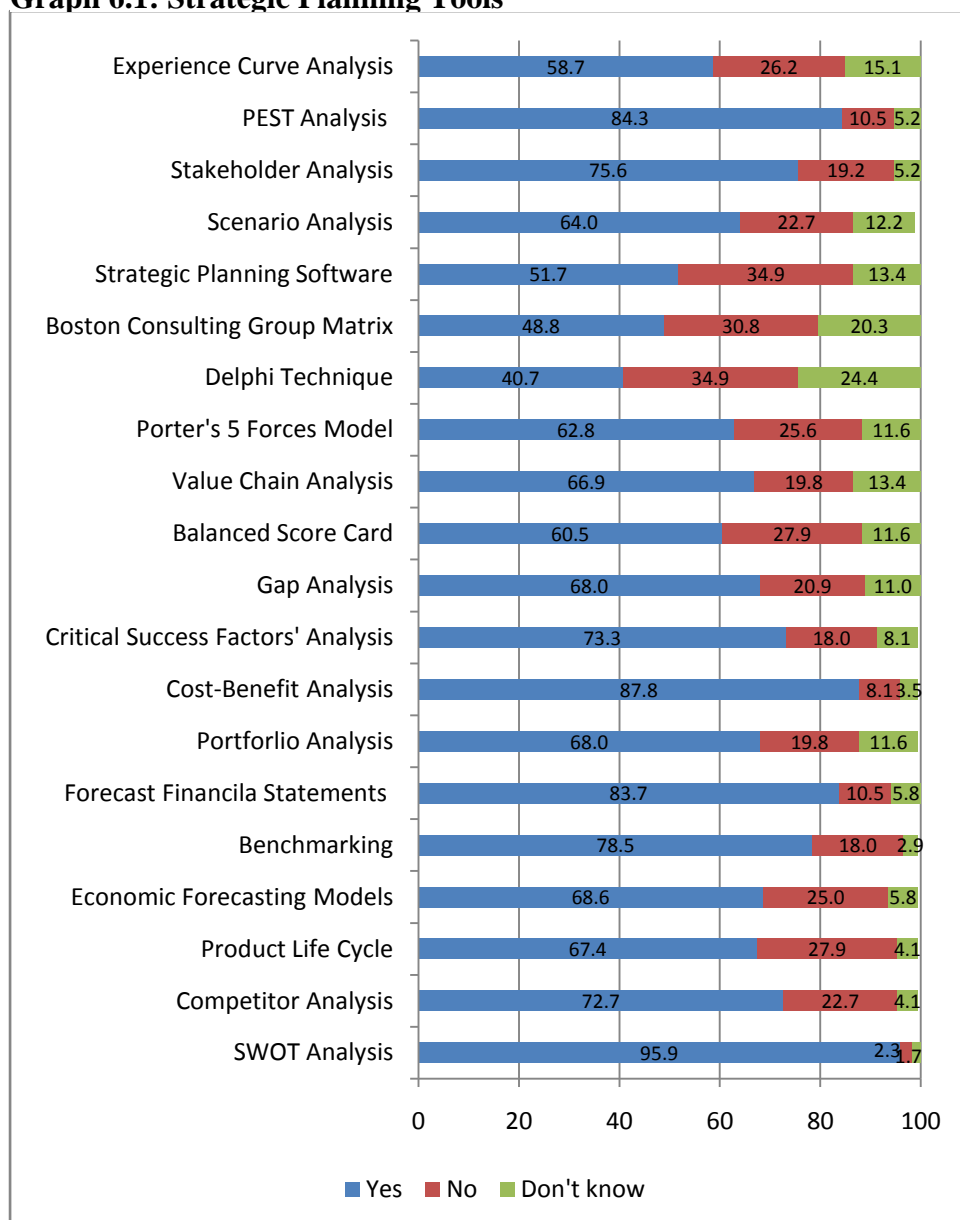
### **6.2.3 Frequency of reference to the strategic plans**

The chi-square goodness of fit test done revealed that a significant number (42; 24.4%) indicated that they referred to their strategic plans at least once a week,  $X^2(5) = 215.000$ ,  $p < 0.0005$ . Another significant number (93; 54.1%) indicated that they referred to their strategic plans at least once a month  $X^2(5) = 215.000$ ,  $p < 0.0005$ . Cumulatively, it can be noted that 84.3% of the sampled managers refer to their strategic plans often, compared to the other 15.7% who infrequently refer to strategic plans in a year.

### **6.2.4 Strategic Planning Tools**

Over the years, a number of Strategic Planning tools have been developed by numerous scholars and institutions across the globe. These tools have varying degrees of usage and applicability in different environmental contexts. Graph 6.1 below shows the utilisation rates of Strategic Planning Tools in the manufacturing sector in Zimbabwe.

**Graph 6.1: Strategic Planning Tools**



Source: Primary Data

N=172

Findings presented in Graph 6.1 above show that a significant number (165; 95.9%) indicated that they are aware of the SWOT Analysis technique as a Strategic Planning tool,  $X^2(2)=303.291$ ,  $p<0.0005$ ; Competitor Analysis (125; 72.7%),  $X^2(2)=130.667$ ,  $p<0.0005$ ; Product Life Cycle (116; 67.4%),  $X^2(2)=106.351$ ,  $p<0.0005$ ; Economic Forecasting Models (118; 68.6%),  $X^2(2)=107.474$ ,  $p<0.0005$ ; Benchmarking (135; 78.5%),  $X^2(2)=166.035$ ,  $p<0.0005$ ; Forecast Financial Statement (144; 83.7%),  $X^2(2)=197.070$ ,  $p<0.0005$ ; Portfolio Analysis (117; 68%),  $X^2(2)=96.456$ ,  $p<0.0005$ ; Cost-Benefit Analysis (151; 87.8%),  $X^2(2)=233.088$ ,  $p<0.0005$ ; Critical Success Factors (126; 73.3%),  $X^2(2)=127.825$ ,  $p<0.0005$ ; Gap Analysis (117; 68%),  $X^2(2)=95.663$ ,  $p<0.0005$ ; Balanced Score Card (104; 60.5%),  $X^2(2)=63.814$ ,  $p<0.0005$ ; Value Chain Analysis (115; 66.9%),  $X^2(2)=88.058$ ,  $p<0.0005$ ; Porter's Five Forces (108; 62.8%),  $X^2(2)=72.186$ ,  $p<0.0005$ ; Delphi Technique (70; 40.7%), and (60; 34.9%),  $X^2(2)=7.023$ ,  $p<0.030$ ; Boston Consulting Group (84;

48.8%),  $X^2(2)=21.430$ ,  $p<0.0005$ ; Strategic Planning Software (89; 51.7%), and (60; 34.9%),  $X^2(2)=38.174$ ,  $p<0.0005$ ; Scenario Analysis (110; 64%),  $X^2(2)=78.153$ ,  $p<0.0005$ ; Stakeholder Analysis (130; 75.6%),  $X^2(2)=143.174$ ,  $p<0.0005$ ; PEST (145; 84.3%),  $X^2(2)=201.779$ ,  $p<0.0005$ , and The Experience Curve Analysis (101; 58.7%),  $X^2(2)=53.035$ ,  $p<0.0005$ .

These results show that the SWOT Analysis had the highest awareness level, followed by the Cost Benefit Analysis, PEST Analysis, Forecast Financial Statements (Budgets), Stakeholder Analysis and then the Critical Success Factors. Other tools like Boston Consulting Group, Experience Curve, the Balanced Score Card, and Porter's Five Forces model proved to be less popular amongst the managers in Zimbabwe's manufacturing sector. The Delphi Technique and Strategic Planning Software had significant numbers which were indifferent, showing a split result, which is an indicator that the tool is not used at all.

#### **6.2.4.1 SWOT Analysis and Firm Performance**

The significant impact of the usage of the SWOT analysis on PERF is shown by ( $M=4.039$ ,  $SD=0.791$ ),  $f(169)=4.078$ ,  $p=0.019$ . Effectively, this means that PERF is better for those who used SWOT compared to those who do not know if it is used.

#### **6.2.4.2 Porter's Five Forces Model and Firm Performance**

The significant impact of the usage of Porter's Five Forces Model on PERF is given by ( $M=4.127$ ,  $SD=0.772$ ),  $f(169)=3.681$ ,  $p=0.027$ . The results show that firms whose managers use the Porter's Model have greater PERF levels.

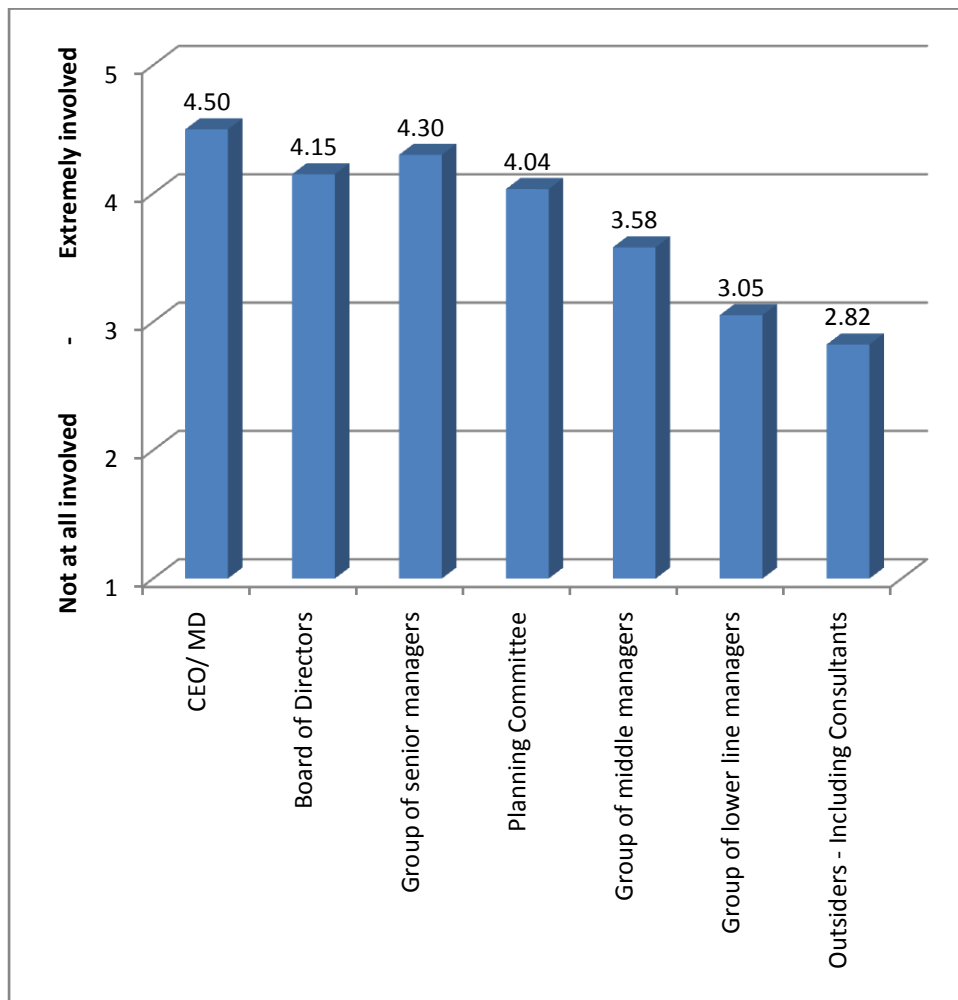
### **6.3 STRATEGY IMPLEMENTATION**

The previous section looked at Strategy Formulation, whereas this section presents and analyses data on Strategy Implementation issues like the level of managerial involvement, the barriers to effective Strategy Implementation, the relationship between the level of managerial involvement and structural complexity, as well as firm size. The last part of the section assesses the impact of the Balanced Score Card on performance.

#### **6.3.1 Managerial Levels of Involvement in Strategic Planning**

During the Strategic Planning process, different managerial levels are charged with different tasks and their level of involvement varies from organisation to organisation. Graph 6.2 below shows the different levels of managerial involvement in the Strategic Planning process:

Graph 6.2: Level of managerial involvement



Source: Primary Data

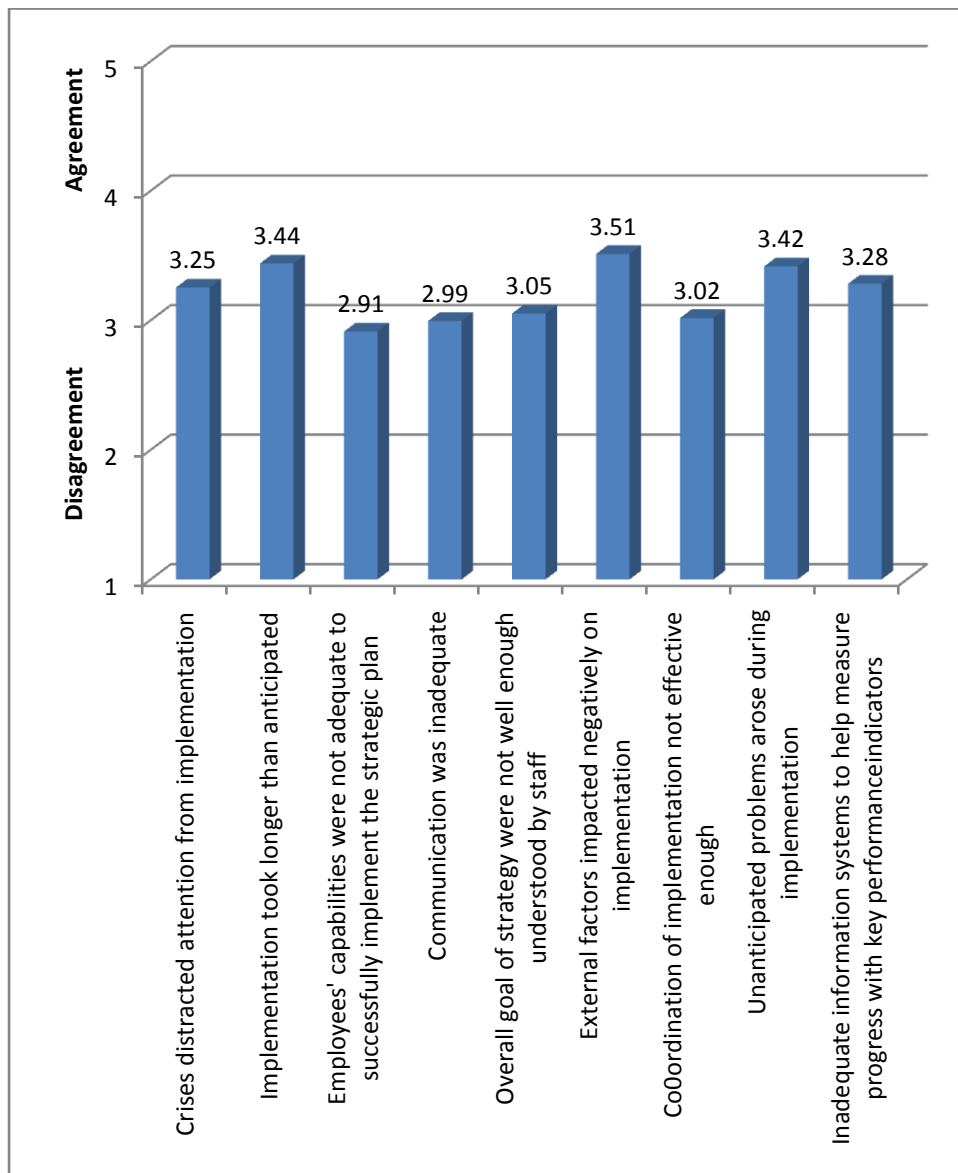
N=172

Graph 6.2 above shows the different managerial levels' involvement in the Strategic Planning process. The one-sample t-test conducted confirmed that significant involvement in the strategic planning process is shown by CEO/ MD ( $M=4.50$ ;  $SD=0.952$ ),  $t(171)=20.663$ ,  $p<0.0005$ ; BOD ( $M=4.15$ ;  $SD=1.170$ ),  $t(171)=12.904$ ,  $p<0.0005$ ; Group of Senior Managers ( $M=4.30$ ;  $SD=0.885$ ),  $t(168)=10.120$ ,  $p<0.0005$ ; Planning Committee ( $M=4.04$ ;  $SD=1.095$ ),  $t(170)=12.363$ ,  $p<0.0005$ ; and Group of Middle Managers ( $M=3.58$ ;  $SD=1.003$ ),  $t(171)=7.606$ ,  $p<0.0005$ . Findings show that senior managers are heavily involved in the planning processes in Zimbabwe's manufacturing sector.

### 6.3.2 Barriers to Effective Strategy Implementation

Graph 6.3 below shows results obtained on the barriers to effective Strategy Implementation in the manufacturing firms:

Graph 6.3: Barriers to effective Strategy Implementation



Source: Primary Data

N=172

Graph 6.3 above shows the results on the barriers to effective Strategy Implementation in the manufacturing firms in Zimbabwe. The scale ranged from a minimum value of 1 ('strongly disagree') to a maximum of 5 ('strongly agree'). The mean score for scale was 3. Significant barriers to effective Strategy Implementation were shown by External factors impacted negatively on implementation ( $M=3.25$ ,  $SD=1.278$ ),  $t(169)=2.280$ ,  $p=0.011$ ; Implementation took longer than anticipated ( $M=3.44$ ,  $SD=1.178$ ),  $t(170)=4.867$ ,  $p<0.0005$ ; Overall goals of strategy were not well understood by staff ( $M=3.51$ ,  $SD=1.226$ ),  $t(171)=5.474$ ,  $p<0.0005$ ; Communication was inadequate ( $3.42$ ,  $SD=1.167$ ),  $t(170)=4.653$ ,  $p<0.0005$ , and Employees' capabilities were not adequate to successfully implement the strategic plan ( $M=3.28$ ,  $SD=1.260$ ),  $t(169)=2.921$ ,  $p=0.004$ ). These findings show that external factors have the greatest impact on Strategy Implementation in manufacturing firms.

### 6.3.3 The impact of STRUC on LOINV

The results (in Appendix B12) show that when compared to firms with high structural complexity (more than 7 lines of business), firms with low complexity (1-3 lines) have a lower measure of managerial involvement; ( $M=3.669$ ,  $SD=0.752$ ),  $t(168)=-2.934$ ,  $p=0.004$ ). This means that firms with high complexity have higher levels of managerial involvement in their Strategic Planning systems.

### 6.3.4 The impact of FIRM SIZE on LOINV

The results (see Appendix B12) show a significant positive impact of FSIZE on LOINV as shown by ( $M=3.771$ ,  $SD=0.666$ ),  $f(166)=2.015$ ,  $p=0.079$ . This shows that as firms increase in size, their level of involvement is also expected to increase. Large sized firms (>250 employees) are more likely to have a greater level of managerial involvement in Strategic Planning than medium sized or small sized firms.

### 6.3.5 The Balanced Score Card and Performance

The significant relationship between the usage of the Balanced Score Card and PERF is shown by ( $M=4.137$ ,  $SD=0.734$ ),  $f(169)=3.046$ ,  $p=0.050$ . Therefore, performance is greater for those who use the Balance Score Card than those who do not.

## 6.4 STRATEGY EVALUATION AND CONTROL

### 6.4.1 Components of Strategy Evaluation and Control

Moving on to the strategy evaluation and control practices of manufacturing firms in Zimbabwe, respondents were asked to indicate on a five-point scale their extent of agreement with the different dimensions relating to Strategy Evaluation and Control. The scale ranged from 1 to 5 ('strongly disagree' to 'strongly agree'). Table 6.5 below shows the results:

Table 6.5: Strategy Evaluation and Control

Variable	Mean	S.D	p50	Min	Max
There are clearly defined and measurable performance standards for each element of the strategic plan.	3.95	1.03	4	1	5
The organisation has an organized system for monitoring how well performance standards are met.	3.89	1.00	4	1	5

Monitoring data is reviewed regularly.	3.87	0.96	4	1	5
Strategic decisions are appropriately revised once review has taken place.	3.86	0.94	4	1	5
Individuals responsible for SP and implementation are rewarded for successful performance.	3.55	1.24	4	1	5
SEC- Sum	19.10	3.95	20	8	25

*Notes: Sample Size is 172.*

Results presented in Table 6.5 above show that significant elements of Strategy Evaluation and Control were shown by The clearly defined and measurable performance standards for each element of the strategic plan ( $M=3.95$ ,  $SD=1.031$ ),  $t(171)=12.134$ ,  $p<0.0005$ ; The organisation has an organized system for monitoring how well performance standards are met ( $M=3.89$ ,  $SD=1.000$ ),  $t(171)=11.670$ ,  $p<0.0005$ ; Monitoring data is reviewed regularly ( $M=3.87$ ,  $SD=0.955$ ),  $t(170)=11.926$ ,  $p<0.0005$ ; Strategic decisions are appropriately revised once review has taken place ( $M=3.86$ ,  $SD=0.945$ ),  $t(171)=11.944$ ,  $p<0.0005$ , and Individuals responsible for Strategic Planning and implementation are rewarded for successful performance ( $M=3.55$ ,  $SD=1.244$ ),  $t(171)=5.762$ . This shows that strategies are effectively evaluated and controlled in the manufacturing firms. Effective evaluation and control of implemented strategies is a necessary condition for higher Strategic Planning outcomes.

#### **6.4.2 Forecast Financial Statements (Budgets) and Performance**

The findings presented in Graph 6.1 above show that there is significant usage of the Forecast Financial Statements in the manufacturing firms (144; 83.7%),  $X^2(2)=197.070$ ,  $p<0.0005$ .

The significant relationship between the usage of the Forecast Financial Statements (Budgets) and PERF is shown by ( $M=4.628$ ,  $SD=0.912$ ),  $f(170)=6.135$ ,  $p=0.01$ . Therefore, performance is greater for those who use the Budgeting system than those who do not.

### **6.5 ENVIRONMENTAL SCANNING**

This section presents and analyses data relating to a number of environmental scanning issues like the importance, variability, and complexity in the environmental sectors. Data on the Perceived Environmental Uncertainty (PEU) and Competitive Intelligence Acquisition (CIA) follows, together with the relationship between Perceived Environmental Uncertainty and Competitive Intelligence Acquisition. The frequency of information usage, the time and effort required to scan the information sources will be addressed as well. The section ends with an evaluation of the relationship between Environmental Scanning practices and Strategic Planning Intensity as well as Performance.



### 6.5.1 Importance of Environmental Sectors

Table 6.6 below shows the results on the importance of the environmental sectors to the scanning practices of managers in the manufacturing sector in Zimbabwe:

Table 6.6: Importance of Environmental Sectors

Variable	Mean	Std. Error	SD	Min	Max
Customer Sector	4.17	0.080	1.05	1	5
Competition Sector	3.79	0.091	1.19	1	5
Technological Sector	3.98	0.078	1.02	1	5
Regulatory Sector	4.04	0.070	0.91	1	5
Economic Sector	4.02	0.067	0.88	1	5
Socio Culture Sector	3.95	0.077	1.00	1	5

*Notes: Sample Size is 172*

Table 6.6 above shows the importance of the different environmental sectors to the scanning practices of managers in the manufacturing sector. Results of the one-sample t-test show that significant sector importance was indicated by Customer Sector ( $M=4.17$ ,  $SD=1.049$ ),  $t(169)=14.546$ ,  $p<0.0005$ ; Competition Sector ( $M=3.79$ ,  $SD=1.186$ ),  $t(169)=8.729$ ,  $p<0.0005$ ; Technology Sector ( $M=3.98$ ,  $SD=1.020$ ),  $t(169)=12.479$ ,  $p<0.0005$ ; Regulatory Sector ( $M=4.02$ ,  $SD=0.877$ ),  $t(169)=15.221$ ,  $p<0.0005$ , and Socio-Cultural Sector ( $M=3.95$ ,  $SD=1.004$ ),  $t(169)=12.293$ ,  $p<0.0005$ . Even though all the sectors show significant importance, the most important sector to Zimbabwe's manufacturing sector was the customer sector, followed by the regulatory/legal sector, the economic sector; the least important sector is the competition sector.

### 6.5.2 Environmental Change in the Sectors

Table 6.7 below shows the extent of changes taking place in each of the six environmental sectors:

Table 6.7: Environmental Change

Variable	Mean	S.D	Min	Max	p50
Customer Sector	3.68	1.04	1	5	4
Competitor Sector	3.69	1.09	1	5	4
Technological Sector	3.84	0.99	1	5	4
Regulatory Sector	3.67	1.04	1	5	4
Economic Sector	3.84	1.09	1	5	4
Socio-Cultural Sector	3.51	1.16	1	5	4
CHNGE	22.03	4.73	0	30	22.5

*Notes: Sample Size is 172*

As shown in Table 6.7 above, significant environmental changes taking place in each of the sectors of the Zimbabwean environment was shown by Customer Sector ( $M=3.68$ ,  $SD=1.038$ ),  $t(170)=8.543$ ,  $p<0.0005$ ; Competition Sector ( $M=3.69$ ,  $SD=1.089$ ),  $t(169)=8.239$ ,  $p<0.0005$ ; Technology Sector ( $M=3.84$ ,  $SD=0.992$ ),  $t(170)=11.020$ ,  $p<0.0005$ ; Regulatory Sector ( $M=3.67$ ;  $SD=1.044$ ),  $t(168)=8.400$ ,  $p<0.0005$ ; Economic Sector ( $M=3.84$ ,  $SD=1.092$ ),  $t(170)=10.084$ ,  $p<0.0005$ , and Socio-Cultural Sector ( $M=3.51$ ,  $SD=1.160$ ),  $t(170)=5.736$ ,  $p<0.0005$ . Overall, it can be noted that all the environmental sectors are experiencing high rates of change, with the technological and economic sectors experiencing the highest rates of change. The Socio-Cultural sector had the lowest rate of change. When grouped into their broad classifications, it can be seen that sectors in the task environment have lower rates of change compared to sectors in the general environment.

### 6.5.3 Environmental Complexity in the sectors

Results of the perceptions of complexity in each of the environmental sectors are shown in Table 6.8 below:

Table 6.8: Environmental Complexity

Variable	Mean	S.D	Min	Max	p50
Customer Sector	3.52	1.17	1	5	4
Competition Sector	3.55	1.10	1	5	4
Technological Sector	3.74	1.06	1	5	4
Regulatory Sector	3.54	1.07	1	5	4
Economic Sector	3.82	1.06	1	5	4
Socio-Cultural Sector	3.63	1.16	1	5	4
COMPX Index	21.31	5.42	0	30	22

*Notes: Sample Size is 172*

The scale for the environmental complexity dimension was designed with six sectors, 3 from the task environment and 3 from the general environment. Findings presented in Table 6.8 above show that significant complexity in the environmental sectors was indicated by Customer Sector ( $M=3.52$ ,  $SD=1.171$ ),  $t(168)=5.783$ ,  $p<0.0005$ ; Competition Sector ( $M=3.55$ ,  $SD=1.104$ ),  $t(165)=6.397$ ,  $p<0.0005$ ; Technology Sector ( $M=3.74$ ,  $SD=1.055$ ),  $t(167)=6.138$ ,  $p<0.0005$ ; Regulatory Sector ( $M=3.54$ ;  $SD=1.066$ ),  $t(167)=6.513$ ,  $p<0.0005$ ; Economic Sector ( $M=3.82$ ,  $SD=1.064$ ),  $t(164)=10.019$ ,  $p<0.0005$ , and Socio-Cultural Sector ( $M=3.63$ ,  $SD=1.162$ ),  $t(167)=6.973$ ,  $p<0.0005$ . Generally, managers perceive the economic sector as the most complicated sector with numerous elements, followed by the technological sector. The customer sector had the lowest complexity when compared to the other sectors, even though it was high. Broadly speaking, it can be

noted that the general environment is more complicated than the task environment. However, it is important to note that all sectors of the environment have significant complexity levels.

#### 6.5.4 Perceived Environmental Uncertainty

Findings from the survey relating to Perceived Environmental Uncertainty in the sectors are presented in Table 6.9 below:

Table 6.9: Perceived Environmental Uncertainty

Environmental Sectors	Mean	S.D	Rank
Customer	30.58	12.45	3
Competition	28.88	12.49	6
Technological	31.01	12.06	2
Regulatory	29.68	10.59	4
Economic	31.58	11.36	1
Socio-Cultural	29.05	12.56	5
Task	86.05	31.62	
General	89.35	31.37	

*Notes: Sample Size is 172*

Table 6.9 above shows the Perceived Environmental Uncertainty (PEU) for the six environmental sectors and for the two broad classifications. Findings in Table 6.16 above show that the General environment has a greater score for Perceived Environmental Uncertainty (mean 89.35), as compared to the Task environment (mean 86.05). When decomposed to their constituent sectors, the Economic sector had the highest Perceived Environmental Uncertainty (mean 31.58), followed by the technological sector with a mean value of 31.01. The customer sector and the regulatory sector followed with means 30.58 and 29.68 respectively. The competition sector had the lowest Perceived Environmental Uncertainty (mean 28.88).

#### 6.5.5 Frequency of using information sources

Having asked the managers in the manufacturing firms about the frequency of usage of information sources, the results presented in Table 6.10 below were obtained:

Table 6.10: Frequency of using information sources

Variable	Mean	S.D	p50	Min	Max
<b><i>External Personal</i></b>					
Customer	3.96	1.15	4	1	6
Competition	3.78	1.33	4	1	6
Business or professional ass	3.66	1.07	4	1	6

Government officials	3.63	1.30	4	1	6
<b><i>External Impersonal</i></b>					
Newspapers and periodicals	4.28	1.41	4	1	6
Government publications	4.07	1.27	4	1	6
Broadcast media (radio, TV)	4.28	1.46	4.5	1	6
Industry, trade associations	3.85	1.29	4	1	6
Conferences, trips	3.56	1.24	4	1	6
<b><i>Internal Personal</i></b>					
Superiors, board members	3.92	1.29	4	1	6
Subordinate managers	4.04	1.36	4	1	6
Subordinate staff	4.13	1.42	4	1	6
<b><i>Internal Impersonal</i></b>					
Internal memoranda, circular	4.10	1.37	4	1	6
Internal reports, studies	4.09	1.34	4	1	6
Company library	3.75	1.46	4	1	6
Electronic information service	4.24	1.52	4	1	6

*Notes: Sample Size is 172*

Table 6.10 above shows findings relating to the usage frequency of information sources in the manufacturing sector. These findings show that all the information sources' scanning frequency is significant. Further analysis points to Newspapers and periodicals (mean 4.28), as well as Broadcast media like radio and TV (mean 4.28) as the most frequently used information sources in Zimbabwe's manufacturing firms. The third most used source is electronic information (mean 4.24). Thus it can be concluded that there is greater use of external impersonal information sources. Subordinate staff (M=4.13), Internal memoranda and circulars (M=4.10), internal reports and studies (M=4.09), and government publications (M=4.07), were also ranked as frequently scanned information sources. Other sources like Business or professional associates (M=3.66), Government officials (M=3.63), and conferences and trips (M=3.56) were rated as the least used information sources.

As this study also sub-divided the sources into four different categories, it becomes very important to see the most widely used source under each category. The most frequently used internal personal information source is the subordinate staff (M=4.13), while the internal impersonal source was the electronic information services (M=4.24). The external personal source was customers (M=3.96), while the external impersonal source was the Newspaper and periodicals (M=4.28) and the Broadcast media (radio and TV) (M=4.28).

### **6.5.6 Correlation between PSU and use of information sources**

Results on the correlation done between perceived strategic uncertainty and usage of both personal and impersonal information sources are shown in Table 6.11 below (see also Appendix B6):

Table 6.11: Correlation between PSU and information sources

		Q24EPS	Q24EIS	Q24IPS	Q24IIS	Q25EPS	Q25EIS	Q25IPS	Q25IIS
PSU	Pearson	.369**	.339**	.271**	.320**	.154*	.142	.083	.038
	Correlation								
	Sig. (2-tailed)	.000	.000	.000	.000	.046	.064	.286	.625
	N	169	169	169	168	170	170	169	168

**Notes:** \*\*. Correlation is significant at the 0.01 level (2-tailed)

\* Correlation is significant at the 0.05 level (2-tailed)

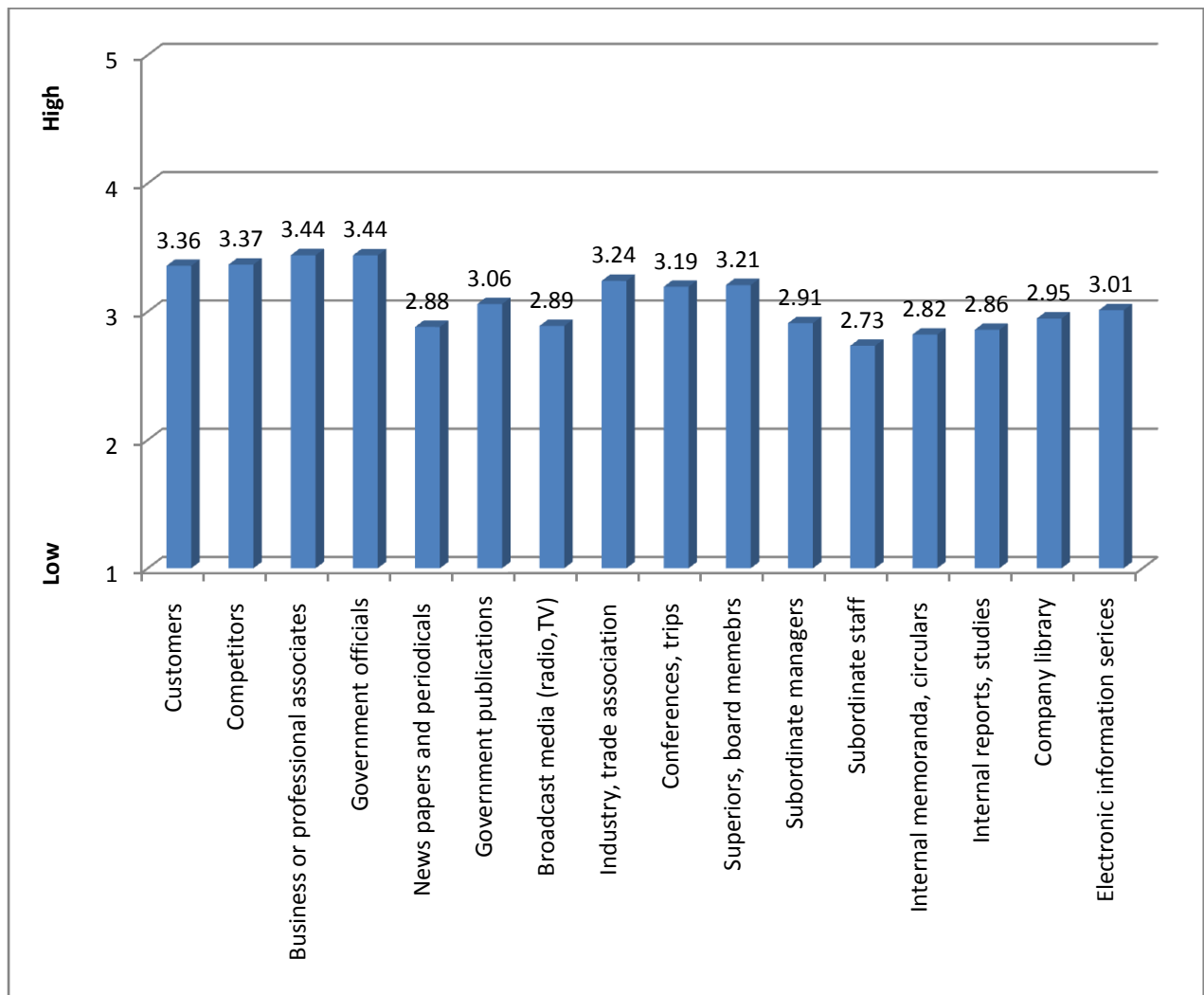
Findings presented in Table 6.11 above confirm that significant relationships between Perceived Strategic Uncertainty and Information sources is shown by External Personal Sources ( $r=0.369$ ;  $p<0.0005$ ); External Impersonal Sources ( $r=0.339$ ;  $p<0.0005$ ); Internal Personal Sources ( $r=0.271$ ;  $p<0.0005$ ); Internal Impersonal Sources ( $r=0.320$ ;  $p<0.0005$ ). Of all the information sources, the strongest association with the Perceived Strategic Uncertainty is shown for the External Personal Sources followed by External Impersonal Sources.

Concerning the relationship between the Perceived Strategic Uncertainty and the accessibility of information sources, results in Table 7.13 above show that the relationship is only significant under the External Personal Sources ( $r=0.154$ ;  $p=0.046$ ). This means that the Perceived Strategic Uncertainty has an influence on the easiness and accessibility of external personal information sources. As the Perceived Strategic Uncertainty increases, the difficulties in accessing and collecting external personal information sources increase.

### 6.5.7 Time and Effort required to scan the information sources

When asked about the amount of time and effort managers require to scan the various information sources, the results presented in Graph 6.4 below were obtained:

Graph 6.4: Time and Effort required in scanning the information sources



Source: Primary Data

N=172

Graph 6.4 above shows findings relating to the amount of time and effort that managers require to scan the information sources. The one-sample t-test conducted show that significant scanning time and effort was shown by Customer sources ( $M=3.36$ ;  $SD=1.362$ ),  $t(170)=3.426$ ,  $p=0.001$ ; Competition sources ( $M=3.37$ ,  $SD=1.252$ ),  $t(168)=3.810$ ,  $p<0.0005$ ; Business/ Professional Associations ( $M=3.44$ ,  $SD=1.136$ ),  $t(165)=4.988$ ,  $p<0.0005$ ; Government officials ( $M=3.44$ ,  $SD=1.237$ ),  $t(170)=4.637$ ,  $p<0.0005$ ; Industry, Trade Associations ( $M=3.24$ ,  $SD=1.257$ ,  $t(166)=2.462$ ,  $p=0.015$ ; Conferences, Trips ( $M=3.19$ ,  $SD=1.173$ ),  $t(169)=2.157$ ,  $p=0.032$ ; Superiors, Board members ( $M=3.21$ ,  $SD=1.211$ ),  $t(163)=2.193$ ,  $p=0.030$ ; and Subordinate staff ( $M=2.73$ ,  $SD=1.365$ ),  $t(168)=-2.536$ ,  $p=0.012$ .

Findings show that all external personal sources require a higher amount of time and effort to scan compared to any other information sources. Particularly, Business or Professional associates and Government officials (each with a mean value of 3.44) have the greatest challenge, followed by

Competitors (M=3.37) and Customers (M=3.36). Under the external impersonal category, Newspapers and periodicals (M=2.88) were the easiest and quickest to scan. When we consider the internal personal sources, it can be seen that subordinate staff (M=2.73) are the quickest and easiest source of information to scan and under the internal impersonal, the Internal memoranda and circulars (M=2.82) were the quickest and easiest to scan.

### 6.5.8 Amount of Competitive Intelligence Acquisition

Results obtained on the amount of Competitive Intelligence Acquisition are presented in Table 6.12 below:

Table 6.12: Amount of Competitive Intelligence Acquisition (CIA)

Type of Competitive Intelligence	Perceived Strategic Importance	Frequency of usage	Amount of Competitive Intelligence Acquisition		
Variable	Mean	Mean	Mean	S.D	Rank
Customers	4.17	4.03	16.80	6.82	3
Competition	3.79	3.93	14.89	7.33	4
Technological	3.98	4.38	17.42	8.14	1
Regulatory	4.04	3.66	14.81	6.44	5
Economic	4.02	3.68	14.80	5.59	6
Socio-Culture	3.95	4.35	17.17	7.68	2

*Notes: Sample Size is 172*

Table 6.12 above shows the amount of Competitive Intelligence Acquisition for the different sectors. The technological sector had the greatest amount of competitive intelligence acquisition (17.42), followed by the socio-cultural sector (17.17). The customers sector (16.80) had the third largest amount of competitive intelligence acquisition, while the economic sector (14.80) had the least amount. This shows that the technological sector poses the greatest challenge to firms in the manufacturing industry operating under turbulent conditions, as they have to keep abreast with the modern developments in manufacturing technology, hence the greatest need to acquire intelligence.

### 6.5.9 The relationship between PEU and CIA

The study also sought to investigate the relationship between Perceived Environmental Uncertainty and Competitive Intelligence Acquisition and the results of the investigation are shown in Table 6.13 below (see also Appendix B13):

Table 6.13: The relationship between PEU and CIA

	PEU_ Customer	PEU_ Competitor	PEU_ Technology	PEU_ Regulatory	PEU_ Economic	PEU_Socio- Cultural
CIA_ customer	0.396**					
CIA_ Competition		0.514**				
CIA_ Technological			0.416**			
CIA_ Regulatory				0.261**		
CIA_ Economic					0.359**	
CIA_ Socio-Cult						0.403**

**\*\*Correlation is significant at the 0.01 level (2-tailed)**

**N=172**

The results presented in Table 6.13 above show that the competition sector had the strongest positive relationship between Perceived Environmental Uncertainty and CIA ( $r=0.514$ ;  $p<0.01$ ) followed by the Technology ( $r=0.416$ ;  $p<0.01$ ) and then the Socio-Cultural ( $r=0.403$ ;  $p<0.01$ ). The Regulatory sector had the weakest relationship ( $r=0.261$ ;  $p<0.01$ ). These findings show that there is a moderate to weak association between Perceived Environmental Uncertainty and Competitive Intelligence Acquisition across the environmental sectors.

#### **6.5.10 The relationship between firm size and Environmental Scanning practices**

Findings from the study (see Appendix B10) show a positive significant relationship between firm size and Environmental Scanning systems, as shown by large firms,  $r=0.417$ ,  $p=0.018$ ; SMEs,  $r=0.308$ ,  $p=0.038$ . This finding shows that large firms scan their environments more frequently than SMEs.

#### **6.5.11 The impact of Environmental Scanning practices on Strategic Planning Intensity**

The significant relationship between Environmental Scanning and Strategic Planning Intensity is shown by ( $M=494.1$ ,  $\beta=0.863$ ),  $t(169)=22.168$ ,  $p<0.0005$ . These findings confirm that Environmental Scanning is a very important predictor of Strategic Planning Intensity.



### 6.5.12 The impact of Environmental Scanning practices on PERF

The significant relationship between Environmental Scanning and PERF is shown by ( $M=75.134$ ,  $\beta=0.336$ ),  $t(169)=4.644$ ,  $p<0.0005$  (see Appendix B10). Results show that Environmental Scanning is a significant predictor of firm performance.

## 6.6 FIRM PERFORMANCE

### 6.6.1 Views on the Strategic Planning Outcomes (SP Effectiveness)

The perceptions of managers on the effectiveness (outcomes) of Strategic Planning processes in their firms are shown in Table 6.14 below:

Table 6.14: Views on the Strategic Planning Outcomes- Strategic Planning Effectiveness

Variable	Mean	S.D	Min	Max	p50
SP helps our managers to effectively consider the future consequences of present decisions.	4.19	1.01	1	5	5
SP helps our company to develop a sustainable competitive position in the industry.	4.16	0.93	1	5	4
Commitment to action is built among line managers because of the practice of SP.	3.88	0.93	1	5	4
There is shared vision and unity of purpose among organizational members due to SP.	3.97	1.02	1	5	4
SP has helped our company to closely align the organisation's resources to external environment.	3.91	1.09	1	5	4
SP breeds too much bureaucracy in my organisation.	3.26	1.36	1	5	3
SP works against initiative in my organisation.	3.02	1.44	1	5	3
SP Outcomes- Index	26.39	4.89	7	35	26

*Notes: Sample Size is 172*

Table 6.14 above contains the views of the respondents on 7 statements relating to Strategic Planning outcomes. The scale ranged from 1 ('strongly disagree') to 5 ('strongly agree'), and the mean score for the scale was 3. Results from the one-sample t-test show significant satisfaction with the Strategic Planning systems of firms. This is shown by Strategic Planning helps our managers to effectively consider the future consequences of present decisions ( $M=4.19$ ,  $SD=1.011$ ),  $t(171)=15.466$ ,  $p<0.0005$ ; Strategic Planning helps our company to develop a sustainable competitive position in the industry ( $M=4.16$ ,  $SD=0.935$ ),  $t(171)=16.313$ ,  $p<0.0005$ ; Commitment to action is built among line managers because of the practice of Strategic Planning ( $M=3.88$ ,  $SD=0.932$ ),  $t(171)=12.358$ ,  $p<0.0005$ ; There is shared vision and unity of purpose among organizational members due to Strategic Planning

(M=3.97, SD=1.017),  $t(171)=12.521$ ,  $p<0.0005$ ; Strategic Planning has helped our company to closely align the organisation's resources to external environment (M=3.91, SD=1.094),  $t(171)=10.877$ ,  $p<0.0005$ , and Strategic Planning breeds too much bureaucracy in my organisation (M=3.26, SD=1.362),  $t(171)=2.519$ ,  $p=0.013$ .

### 6.6.2 Organisational Performance using perceptions on Accounting measures

Alternatively, firm performance was also assessed using judgements on real accounting measures from their firms and the results are shown in Table 6.15 below (see Appendix B14):

Table 6.15: Organizational Performance- Accounting measures

Variable	Mean	S.D	Min	Max	p50
Growth in sales volume	3.69	1.03	1	5	4
Growth in market share	3.59	0.96	1	5	4
Growth in profits	3.56	1.10	1	5	4
After tax returns on total sales	3.50	1.03	1	5	4
Ratio of total sales to total assets	3.42	1.01	1	5	3
Return on Assets	3.49	1.09	1	5	4
Overall performance/success	3.87	1.05	1	5	4

Notes: Sample size is 172

Respondents were asked to indicate the level of their organizational performances over the past three years as measured by different accounting measures on a scale ranging from 1 (Large decline) to 5 (Large improvement). The results of the t-test show that significant improvement in firm performance was shown by Growth in sales volume (M=3.69, SD=1.035),  $t(171)=8.696$ ,  $p<0.0005$ ; Growth in market share (M=3.59, SD=0.958),  $t(169)=8.004$ ,  $p<0.0005$ ; Growth in profits (M=3.56, SD=1.101),  $t(170)=6.596$ ,  $p<0.0005$ ; After tax returns on total sales (M=3.50, SD=1.033),  $t(169)=6.308$ ,  $p<0.0005$ ; Ratio of total sales to total assets (M=3.42, SD=1.011),  $t(170)=5.447$ ,  $p<0.0005$ ; Return on Assets (M=3.49, SD=1.092),  $t(170)=5.882$ ,  $p<0.0005$ , and Overall performance (M=3.87, SD=1.052),  $t(169)=10.787$ ,  $p<0.0005$ .

### 6.6.3 PERF\_INT vs. PERF\_T

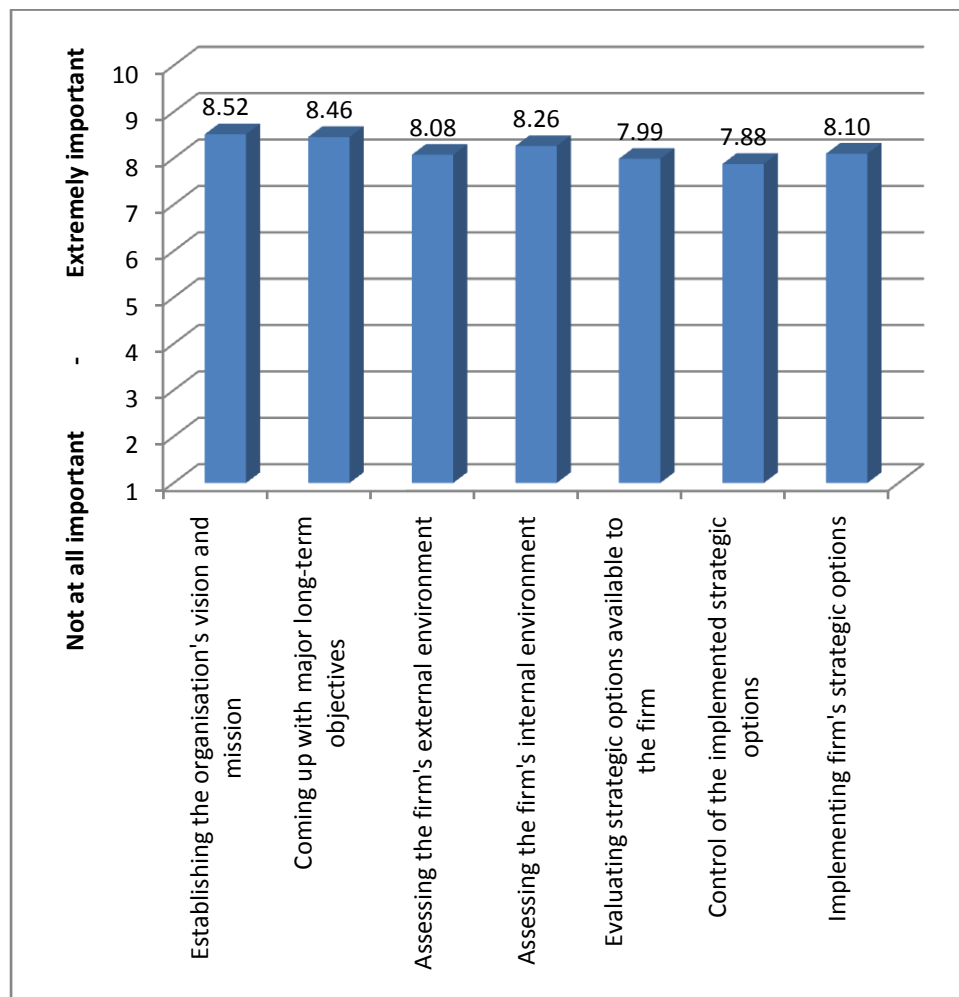
A paired samples t-test was applied to test for significant differences between these two scores. The results show that there is a significant difference between the scores of the two performance measures (M=0.426, SD=0.949),  $t(171)=5.884$ ,  $p<0.0005$ . As shown by the results, PERF\_INT reports significantly higher performance scores as compared to PERF\_T.

## 6.7 FORMAL STRATEGIC PLANNING

### 6.7.1 The Strategic Planning Intensity (SPI)

Managers were asked to rank the level of importance their organisations placed on each of the components of the formal Strategic Planning process and the results from the survey are presented in Graph 6.5 below:

Graph 6.5: Strategic Planning Intensity



Source: Primary Data

$N=172$

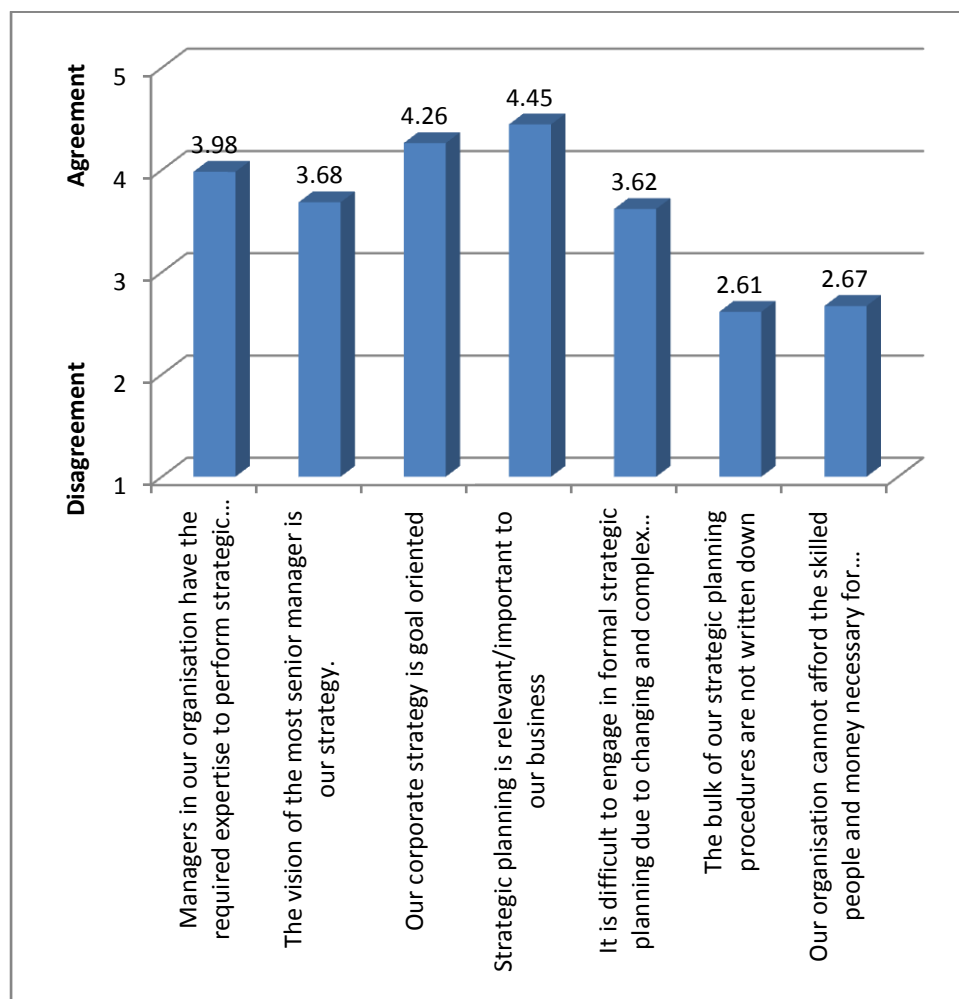
Graph 6.5 above shows the seven components which have been widely accepted as elements making up the formal Strategic Planning system. Results of the one-sample t-test conducted revealed the significant importance of the Strategic Planning elements as indicated by Crafting of vision and mission ( $M=8.52$ ;  $SD=2.178$ ),  $t(171)=18.172$ ,  $p<0.0005$ ; Establishing major long term objectives ( $M=8.46$ ;  $SD=1.954$ ),  $t(171)=19.865$ ,  $p<0.0005$ ; Assessing the firm's external environment ( $M=8.08$ ;  $SD=1.976$ ),  $t(170)=17.045$ ,  $p<0.0005$ ; Assessing the firm's internal environment ( $M=8.26$ ;

SD=2.031),  $t(169)=17.749$ ,  $p<0.0005$ ; Evaluating the strategic options available to the firm ( $M=7.99$ ; SD=2.023),  $t(171)=16.130$ ,  $p<0.0005$ ; Control of the implemented strategic options ( $M=7.88$ ; SD=2.169),  $t(171)=14.378$ ,  $p<0.0005$ , and Implementation of the firm's strategic options ( $M=8.10$ ; SD=2.082),  $t(171)=16.370$ ,  $p<0.0005$ . These results show that all the 7 elements of Strategic Planning Intensity are significantly important in Zimbabwe's manufacturing firms. When we consider the Means, it can be seen that Crafting of the organisation's vision and Mission was the most important activity conducted by managers in the manufacturing firms followed by establishment of major long-term Objectives.

## 6.7.2 Some Views on Strategic Planning

Graph 6.6 below shows findings from the survey on the different views which managers in Zimbabwe have on some Strategic Planning issues:

Graph 6.6: Some views on Strategic Planning



Source: Primary Data

$N=172$

Graph 6.6 above contains findings on some views on Strategic Planning. The one-sample t-test done showed significant agreement with all the statements on Strategic Planning views given as Managers in our organisation have the expertise to perform Strategic Planning ( $M=3.98$ ;  $SD=1.182$ ),  $t(171)=10.901$ ,  $p<0.0005$ ; The vision of the most senior manager is our strategy ( $M=3.68$ ;  $SD=1.160$ ),  $t(170)=7.710$ ,  $p<0.0005$ ; Our corporate strategy is goal oriented ( $M=4.26$ ;  $SD=0.893$ ),  $t(166)=18.282$ ,  $p<0.0005$ ; Strategic Planning is relevant/important to our business ( $M=4.45$ ;  $SD=0.842$ ),  $t(165)=22.120$ ,  $p<0.0005$ ; Formal Strategic Planning is difficult due to changing and complex operating environment ( $M=3.62$ ;  $SD=1.152$ ),  $t(167)=6.965$ ,  $p<0.0005$ ; The bulk of our Strategic Planning procedures are not written down ( $M=2.61$ ;  $SD=1.547$ ),  $t(167)=-3.241$ ,  $p=0.001$ , and Our organisation cannot afford the skilled people and money necessary for strategic planning ( $M=2.67$ ;  $SD=1.491$ ),  $t(169)=-2.881$ ,  $p=0.004$ . The results show disagreement with the last 2 statements, namely, 'The bulk of our Strategic Planning procedures are not written down', and 'Our organisation cannot afford the skilled people and money necessary for strategic planning'. This means their Strategic Planning processes are more formalised.

### **6.7.3 The Relationship between Strategic Planning Intensity and the independent variables**

The regression analysis done (see Appendix B1 and B16) found that Strategic Planning Intensity is significantly related to EXPRT ( $f(1)=3.923$ ,  $p=0.050$ ), BELIF ( $f(1)=16.752$ ,  $p<0.0005$ ), COMPLX ( $f(1)=5.436$ ,  $p=0.021$ ) and LOINV ( $f(1)=13.563$ ,  $p<0.0005$ ). The results mean that an increase in the index of BELIFS by one unit increases Strategic Planning Intensity index by 16.752 units at 1% level of significance. This finding shows that managerial beliefs have the strongest direct effect on the Strategic Planning Intensity. As the managers' beliefs about the Strategic Planning-Performance increase, Strategic Planning Intensity will also increase. Besides the managerial beliefs, the managerial expertise will also increase the Strategic Planning Intensity by 3.923 points at the 5% level of significance. Another finding is that an increase in the level of involvement by managers will increase Strategic Planning Intensity by 13.563 units at the 1% level of significance. The greater the involvement of managerial levels in Strategic Planning process, the greater the intensity with which managers engage in the process. Concerning environmental complexity, a 1-point increase in complexity would lead to an increase in Strategic Planning Intensity by 5.436 points at the 5% level of significance.

The robustness check which controls for background characteristics of both the respondents and the companies confirms these results. It is important to note that when background issues are incorporated, there are a number of changes to the Strategic Planning Intensity relationships. The index for BELIF, COMPLX, EXPRT and LOINV will increase. It is worth mentioning that when

background factors are incorporated in the model, the R-Squared for the regression model incorporating background effects is 0.052 higher than that for the model excluding background factors. This shows that the inclusion of background factors has an effect on the Strategic Planning Intensity and as a consequence, they must be included in the model. The study failed to establish a statistically significant relationship between Strategic Planning Intensity and a number of independent variables like CHNGE, FSIZE, STRUC, INDSE, and Background Factors.

#### **6.7.4 Correlation between Strategic Planning Intensity and PERF**

Since there is also the existence of a reverse causal relationship between Strategic Planning Intensity and Performance, the aim was not to establish the causal effects. The objective was to ascertain the relationship between Strategic Planning Intensity and performance utilising the Pearson's product correlation coefficients. The findings of the correlation analysis (Appendix B2) indicate that there is a statistically significant positive correlation between Strategic Planning Intensity and PERF\_INT ( $r=0.394$ ,  $p<0.0005$ ); and also between Strategic Planning Intensity and PERF\_T ( $r=0.252$ ,  $p=0.001$ ).

#### **6.7.5 The impact of individual elements of Strategic Planning Intensity on PERF\_INT**

The significant relationship between the individual elements of Strategic Planning Intensity and PERF\_INT is shown by MISSN ( $M=4.900$ ,  $\beta=0.210$ ),  $t(171)=13.774$ ,  $p=0.006$ ; OBJCT ( $M=12.205$ ,  $\beta=0.331$ ),  $t(170)=11.058$ ,  $p<0.0005$ ; EXTRN ( $M=12.548$ ,  $\beta=0.336$ ),  $t(170)=11.842$ ,  $p<0.0005$ ; INTRN ( $M=18.597$ ,  $\beta=0.411$ ),  $t(169)=11.210$ ,  $p<0.0005$ ; STRGY ( $M=14.356$ ,  $\beta=0.360$ ),  $t(170)=12.253$ ,  $p<0.0005$ ; CONTR ( $M=18.765$ ,  $\beta=0.411$ ),  $t(170)=13.281$ ,  $p<0.0005$ , and IMPLM ( $M=13.767$ ,  $\beta=0.352$ ),  $t(170)=12.562$ ,  $p<0.0005$  (see Appendix B15).

#### **6.7.6 Formality of Strategic Planning**

The study also sought to investigate the impact of a number of independent variables on the informality of Strategic Planning. Findings (see Appendix B17) show that there is a statistically significant relationship between Beliefs and informality ( $-0.485$   $p<0.01$ ). This means an increase in managerial beliefs about the Strategic Planning-Performance relationship by 1 point will reduce Strategic Planning informality by 0.485 points at the 1% level of significance. The robustness check which controls for background characteristics of both the company and respondents also confirms these results. More interesting from these findings is the relationship between gender and informality. The results show that there is a statistically significant positive relationship between male gender and Strategic Planning Informality ( $0.542$   $p<0.01$ ). This shows that dominance or increase in the number of males in managerial positions increases Strategic Planning Informality by an index of 0.542 at the

1% level. Moreover, the study also found a statistically negative relationship between Level of Education and Strategic Planning Informality at the 5% level of significance. Strategic Planning Informality reduces as the level of education increases, thus as managers acquire more education, their Strategic Planning practices become more formalised.

Concerning the relationship between managerial levels and Strategic Planning Informality, the findings in Table 5 above show that there is a statistically significant negative relationship between the two (GM -1.151  $p<0.10$ ; Divisional Head -1.361  $p<0.01$ ; Product Manager -1.844  $p<0.01$ ; Junior Manager -1.164  $p<0.05$ ). More closely, it can be noted that the Middle Management levels reduce Strategic Planning Informality more than the senior and junior management levels. Middle managers are more formal in their Strategic Planning practices than any other management level. The study failed to find a statistically significant relationship between Strategic Planning Informality and independent variables like environmental change and complexity; managerial expertise; structural complexity; industry sectors; firm size; length of employee service and age of the firm. The R-Squared was 0.118 and when background factors were taken into consideration the R-Squared value increased by 23.1% to 0.349.

## **6.8 CHAPTER SUMMARY**

The chapter presented and analysed data collected from the questionnaire survey. The chapter opened with the background influences relating to the respondents and the firms. Data on strategy formulation, strategy implementation and strategy evaluation and control were also presented and analysed. Environmental scanning practices occupied a substantial part of the chapter. The chapter ended with an evaluation of the impact of Strategic Planning Intensity on performance. The succeeding chapter is designed to discuss the findings presented and analysed in this chapter. It will also offer a conclusion and recommendations.

## **CHAPTER SEVEN**

### **DISCUSSION AND CONCLUSION**

#### **7.1 DISCUSSION OF KEY FINDINGS**

The study was divided into five broad sections, i.e. Environmental Analysis, Strategy Formulation, Strategy Implementation, Strategy Evaluation and Control and Strategic Planning Intensity-Performance Relationship. The first section discusses findings relating to the Strategy Formulation practices of manufacturing firms, followed by the Strategy Implementation practices, and then the Strategy Evaluation and Control practices. The fourth section covers Environmental Scanning practices of manufacturing firms operating in Zimbabwe. Issues dealing with performance measurement are also discussed before the final section which focuses on the actual conditions under which Strategic Planning can enhance performance in the manufacturing firms.

##### **7.1.1 Strategy Formulation**

###### **7.1.1.1 Strategic Plans**

A significant number (95; 55.2%) reported that managers in the manufacturing firms take between 1 and 6 months to formulate a strategic plan,  $X^2(3)=86.895$ ,  $p<0.0005$ . This is a clear indicator that the majority of the manufacturing firms in Zimbabwe take less than six months to craft a strategic plan. This may be a pointer to the level of turbulence in the environment, as more firms are realizing the need to quickly respond and adapt to the turbulent operating environment. Speed is critical due to the rapid changes in the environment. Firms have realized the need to quickly identify opportunities in the environment and then craft strategies to exploit the opportunities. The large proportion of firms taking less than six months to come up with a strategic plan may also be true testimony to the widely held view that manufacturing firms have greater experience in preparing strategic plans compared to services firms (Elbanna, 2007). This study's findings are consistent with the findings by Elbanna (2007), who noted that between 27% and 43.8% of Egyptian firms across all sectors take between 1-4 months to prepare strategic plans. More interesting from the findings by Elbanna was that the number of manufacturing firms taking less than 1 month to prepare strategic plans was roughly 6 times the percentage among service organisations.

The findings from this study show that a significant number of manufacturing firms (39; 22.7%) had their strategic plans covering a period of up to 1 year,  $X^2(6) = 49.558$ ,  $p< 0.0005$ . This is also consistent with Karel, Adam and Radomir's (2013) findings which noted 30% of Czech Republic



firms having planning horizons of up to 1 year. The strategic planning literature over the years shows that strategic plans typically cover periods from 5 years and beyond, but this study found the planning horizons to be on an annual basis. The shortening of the planning horizons is in response to the turbulence in the environment. These results are consistent with Grant (2003), who found 62.5% of the US Oil Majors to have shortened their planning horizons to 5 years or below in response to the pressures in the environment. Dansoh (2004) found 75% of the sampled firms having strategic plans covering up to 3 years due to increased uncertainty in the environment. This study also found that another significant group of manufacturing firms (48; 27.9%) indicated that their strategic plans covered a period extending up to 5 years,  $X^2(6) = 49.558$ ,  $p < 0.0005$ . Most scholars argue that strategic plans should reasonably cover a period of 5 years. Generally speaking, 5 years is neither medium nor long term, but short term. Still, this is a very clear message that firms have shortened their planning horizons keeping pace with the turbulence in the environment. Karel et al. (2013) also found 43% of Czech Republic firms' strategic plans stretching up to 5 years. in the Jordanian context, Aldehayyat and Khattab (2013) found planning horizons to be 5.4 years on average. Grant (2003) noted that some US firms, though few, still prefer long range plans covering periods between 10 and 20 years like Shell, Elf and Exxon. Other scholars like Kukalis (1991) found the planning time spans to be shorter in complex and dynamic environments characterised by high levels of competition and innovation.

A significant number (42; 24.4%) indicated that they referred to their strategic plans at least once a week,  $X^2(5) = 215.000$ ,  $p < 0.0005$ . Another significant number (93; 54.1%) indicated that they referred to their strategic plans at least once a month  $X^2(5) = 215.000$ ,  $p < 0.0005$ . Cumulatively, it can be noted that 84.3% of the sampled managers refer to their strategic plans often, compared to the other 15.7% who infrequently refer to them in a year. These findings confirm the assertion that during periods of increased turbulence, firms rely more on their strategic plans to remain on course and to constantly get inspiration and focus. However, these findings also contradict some previous empirical evidence. Grant (2003), for example, noted growing Strategic Planning informality among the firms to the extent that some firms just prepared plans as and when needed as a formality or norm, without meaningful usage during periods of increased instability.

### **7.1.1.2 Strategy Formulation Tools**

Turning to the Strategic Planning tools used in the manufacturing sector, the study noted that there is a generally low awareness and utilisation of most Strategic Planning tools in the firms. The study found the SWOT Analysis as the widest used technique in the manufacturing firms in Zimbabwe. The wide acceptance and usage of the SWOT Analysis could be as a result of its easiness to use and the need to take the environment into account when doing Strategy Formulation. Moreover, the wide usage of the SWOT Model is also a pointer to how strategies are formulated in Zimbabwe's

manufacturing sector. The model entails that manufacturing firms scan both the internal environment (for their strengths and weaknesses), and the external environment (for opportunities and threats). Strategies are then formulated around the firm's strengths in order to exploit the opportunities and minimise the effect of the threats. This finding is consistent with Aldehayyat (2013), who found traditional Strategic Planning tools like SWOT Analysis to have higher utilisation rates compared to the modern important techniques. Findings from this study also show that firms utilising the SWOT analysis have greater performance levels compared to firms which did not use this technique. The SWOT analysis permitted the firms to closely align their strategies to their environments.

Of interest to the researcher was the low ranking of Porter's Five Forces Model. The widespread popularity of the model in academic circles does not tally with its ranking by industry captains. This finding is consistent with Aldehayyat and Khattab (2013), who noted minimal usage of the important Strategic Planning techniques in the Jordanian context. However, the findings show that firms whose managers use the Porter's Five Forces model have significant improvements in performance compared to those who do not. This may be as a result of the positions that these firms will be holding in their industries which will ultimately give them a competitive edge over their rivals. The Delphi Technique and the Strategic Planning Software were not used at all in the manufacturing firms. This could be as a result of the associated cost, newness and lack of expertise in using them. The bulk of this study's findings on Strategic Planning tools are consistent with those from the Egyptian context by Elbanna (2007).

### **7.1.2 Strategy Implementation**

#### **7.1.2.1 Level of involvement**

The study also sought to examine the impact of environmental complexity and dynamism on the Strategic Planning responsibilities. Findings show significant involvement of senior managers and middle managers in the planning processes in Zimbabwe's manufacturing sector. Findings show that the CEO/MD category had the highest level of involvement which is a clear indicator that CEOs and MDs are extremely involved in Strategic Planning practices in the manufacturing firms. This finding is consistent with those by Elbanna (2007), who found the group of CEO/MDs having the greatest level of involvement in the Strategic Planning processes. As early as 1980, Quinn had earlier noted that the role that CEOs play in Strategic Planning is indispensable. Quinn argued that it starts with the CEOs and then cascades down the organisational hierarchy. The current study noted that the group of managers with the second greatest level of involvement is the Senior Managers. This is a clear sign that senior managers are heavily involved in the planning processes in Zimbabwe's manufacturing sector. Third is the Board of Directors, followed by Planning Committees. The high involvement of

the Board of Directors is also consistent with good Corporate Governance practices. The Board of Directors must have oversight of the direction of the organisation and also approve some major strategic decisions. An earlier study by Elbanna (2007) found a high level of involvement of the Board of Directors. The existence of some Planning Committees chosen from management confirms Grant's (2003) finding that the Planning Divisions had been removed in most organisations and now replaced by some Planning Committees. The objective is to make the Strategic Planning systems flexible and hence as adaptive as possible by involving functional managers. Contrary to this study's findings, Aldehayyat (2013) found Jordanian firms utilising outside consultants more in their Strategic Planning processes compared to senior or middle management groups.

The study's findings also point to the high involvement levels of middle managers in the Strategic Planning processes. Dandira (2011) noted that their involvement coincides with Strategy Implementation success since they are the strategy implementers who must be carried along from Strategy Formulation through to Strategy Evaluation and Control. Grant (2003) found decentralisation of the Strategic Planning systems in firms as there is an increasing personal Strategic Planning responsibility on executives at all organisational levels. It is important to note from these findings that as we move down the organizational hierarchy, the level of involvement in Strategic Planning is also decreasing. This confirms the previous assertion that there is a positive relationship between managerial level and degree of Strategic Planning participation (Elbanna, 2007). However, the Group of Junior Managers and the category of Consultants did not show significant involvement. A similar study by Elbanna (2007) noted that very few Egyptian firms make use of external Strategic Planning consultants. Aldehayyat and Khattab (2013) found the highest usage rate of external consultants in Strategic Planning compared to any other group of Strategic Planning participants. It is difficult for the researcher to judge whether the consultants' usage rate has gone up or has declined as we do not know anything about their past usage level in the Strategic Planning systems of manufacturing firms in Zimbabwe. The statistically insignificant involvement of external Strategic Planning consultants may also be explained by the high levels of education among the managers.

The results from the study show that structural complexity has an impact on the level of managerial involvement in the firm's Strategic Planning system. This means that, for example, as organisations continue to incorporate more lines of business say beyond 7 (high structural complexity), more of their managerial levels get involved in the Strategic Planning processes to a much greater extent. The diversified business organisation will require greater coordination of their planning systems. The results also show a significant positive impact of firm size on the level of involvement. As firm size increases there is also greater need for the involvement of all managerial levels in the Strategic Planning systems. This shows that as firms increase in size, their level of involvement is also expected to increase. Large sized firms (>250 employees) are more likely to have a greater level of managerial

involvement in Strategic Planning than medium sized or small sized firms. Logically, this makes sense because of the greater need to coordinate the bigger organisation's activities.

#### **7.1.2.2 Barriers to Effective Strategy Implementation**

Significant barriers to effective Strategy Implementation were external factors: implementation taking longer than anticipated; overall goals of strategy were not well understood by staff; there was inadequate communication, and employees' capabilities were not adequate to successfully implement the strategic plan. These findings show that external factors have the greatest impact on Strategy Implementation in manufacturing firms. Such results are consistent with Elbanna (2007), who found Egyptian firms to be constrained more by environmental uncertainty than resource constraints. In the same year, O'Regan and Ghobadian found external factors as the only barrier to Strategy Implementation, which was statistically significant. It is not surprising to find such a result in the Zimbabwean context, especially when considering the high level of turbulence in the business operating environment. Consistent to these findings were the results from a study by Al Ghamdi (1998), which replicated the work by Alexander (1985) and found a high figure of 92% of the firms taking longer than anticipated implementation time. The same study noted that about 71% of the sampled firms had Strategy Implementation challenges due to inadequate communication, while 75% of the firms had ineffective coordination of activities.

#### **7.1.2.3 The Balanced Score Card**

Despite the usefulness of the Balanced Score Card in Strategy Implementation, results of this study show a very low uptake rate of the Balance Score Card in the manufacturing firms operating in Zimbabwe. The Balance Score Card by Kaplan and Norton (1992) is a very useful Strategy Implementation technique which helps managers have a holistic approach to Strategy Implementation. Some of the Strategy Implementation challenges could potentially be eliminated or reduced by effectively utilizing these tools. The study found a significant relationship between the usage of the Balanced Score Card and performance. Therefore, performance is greater for those firms which use the Balance Score Card than those that do not. The Balance Score Card ensures that both financial and non-financial objectives of the firm are taken into consideration.

#### **7.1.3 Strategy Evaluation and Control**

Moving on to the strategy evaluation and control practices of manufacturing firms in Zimbabwe, a number of issues were discovered. The majority of the manufacturing firms were found to have clearly defined and measurable performance standards for each element of the strategic plan. It is important for the elements of the goals/objectives in the strategic plan to have some yardsticks so as to

be able to compare against actual output. Having clearly defined performance yardsticks is a prerequisite for an effective control and evaluation structure. As a follow-up to this, the study also noted that most of the manufacturing firms in Zimbabwe have organized systems for monitoring how well performance standards are met. Having such monitoring mechanisms in place will help to ensure that the implemented strategies are carried through and this will greatly enhance organizational performance. The study also noted that monitoring data is reviewed regularly. This is critical to ensure that actions are kept on course so that strategies succeed. The findings here also show that managers appropriately revise their strategic decisions once review has taken place. It is important to keep strategic decisions aligned to the set standards so that if there is any variance, proper action is taken. Finally, the study found that managers generally agree that personnel responsible for Strategic Planning and Strategy Implementation are rewarded for their successful performance. It is important to institute proper remuneration policies for the people involved in Strategy Implementation so that they are always motivated to achieve more.

#### **7.1.4 Firm Performance**

##### **7.1.4.1 Strategic Planning Outcomes**

Most managers strongly agreed that Strategic Planning is a vital tool in order to develop a competitive industry position that is sustainable. Advocates of the positioning school like Porter (1980, 1985) argue that Strategic Planning helps firms to effectively consider the task environment and gain a competitive position relative to its rivals in the industry. This competitive position should help the organisation to attain superior performance over its competitors. The study also noted that Strategic Planning has greatly assisted firms to closely align their resources to the external environment. Models in support of the environmental school include the SWOT Analysis which advocates for the identification of the firm's strengths which must be deployed to exploit opportunities in the environment and avoid or minimize the threats inherent in a firm's external environment (Aldehayyat, 2014; Franco et al., 2011; Zhang et al., 2011). Moreover, Strategic Planning has also been seen as useful in building commitment to action among line managers who are the strategy implementers. Strategic Planning views middle and lower level managers as the strategy implementers, hence the practice of Strategic Planning should help to boost commitment amongst the line managers who are charged with the execution of the strategies. Ultimately, Strategic Planning should enhance overall firm performance. Having Strategic Planning in organisations helps to create shared vision and unity of purpose. Having a shared vision in the organisation helps to carry everyone along and to clarify the direction the organisation is taking. Similar findings were by Elbanna (2007). Managers strongly believe that Strategic Planning is a useful tool that helps them to include future consequences of their present decisions in decision-making. The ability to take the future into account has been widely seen

as the basis for Strategic Planning. However, scholars like Mintzberg have criticised this underlying assumption, arguing that the future is complex and too dynamic, such that trying to forecast it becomes increasingly impossible.

### **7.1.5 Strategic Planning**

#### **7.1.5.1 The elements of the Strategic Planning process**

Concerning the 7 elements of the formal Strategic Planning process, the results show that all 7 elements of Strategic Planning Intensity are significantly important in Zimbabwe's manufacturing firms. When we consider the mean values, it can be seen that Crafting of the organisation's Vision and Mission was the most important activity done by managers in the manufacturing firms followed by establishment of major long-term Objectives. Assessment of the Internal Environment had a mean value of 8.265 which is much greater than that of the External Environment. This may possibly be as a result of the firms' continued desire to find and harness the strength from within and deal with the internal weaknesses. Still, the mean for the external environment (8.076) is very high, which is a clear indicator of the relevance of the environment school in strategy formulation. This indicates that many firms (80.7%) in Zimbabwe's manufacturing sector are actively scanning the external environment for opportunities and threats. The variable on evaluation of Strategic Options had a mean value of 7.988 which was very high, again showing that Zimbabwean firms place more importance on this variable and then develop a number of strategic options for their firms in order to attain the major long-term objectives. This is also consistent with the views of Dandira (2011), who concluded that Zimbabweans are very good at strategy formulation. The mean value of 8.0988 for Strategy Implementation is very high, showing that managers view Strategy Implementation as very important and they are satisfied with how they are implementing strategies in the manufacturing firms in Zimbabwe. What may be unclear is whether the implementation is carried through or the strategies die along the way. Control of the strategies had the least mean value of 7.88 which is still high showing that Strategy Evaluation and Control is important in the firms to ensure that firms derive competitive advantage from their actions.

#### **7.1.5.2 Views on Strategic Planning**

Concerning some managerial views on Strategic Planning, it was noted that managers in the organisations report having the required expertise to perform Strategic Planning. If managers have high expertise in Strategic Planning, their Strategic Planning systems are likely to yield high results (Hopkins and Hopkins, 1997). Regarding the relevance of Strategic Planning in the organisations, managers in Zimbabwe's manufacturing firms believe that Strategic Planning is both relevant and

important to their firms. Hopkins and Hopkins (1997) noted that firms whose managers believe that Strategic Planning leads to higher performance, will engage in the Strategic Planning process with greater intensity. The impact of the changing and complex operating environment was noted to have an impact which may hinder the practice of Strategic Planning. Scholars like Mintzberg (1994) and Quinn (1989) had earlier argued that increased turbulence in the operating environment makes predictions difficult. The current study, however, noted that the cost of hiring skilled people and of engaging in the formal Strategic Planning process have a bearing on engaging in Strategic Planning.

It is also worth noting that the vision of the most senior manager in many firms becomes the firm's strategy. This is a clear indication that manufacturing firms have their strategies stemming from the vision of their firm's CEO, MD, Director, or President. This may also have a bearing on the level of centralization of Strategic Planning systems in the manufacturing industries in regard to direction setting. This finding is consistent with Elbanna (2007), who found that more managers in his study agreed that the senior person's vision was the strategy of the organisation. Moreover, Dansoh (2004) found top management had the responsibility of crafting strategic plans and then communicating them to middle managers for implementation. While this is true, Grant (2003) as well as Grinyer et al. (1986) observed that most organisations have started the decentralisation of their Strategic Planning systems in response to the turbulent local operating environments. The current study also noted that the majority of the corporate strategies are goal-oriented, indicating that they are performance-driven. This confirms the conventional view that strategies are the means (actions) to the end (goals/objectives).

### **7.1.5.3 Strategic Planning Intensity-Performance Relationship and Its Moderating Variables**

Since there is also the existence of a reverse causal relationship between Strategic Planning Intensity and Performance, the objective was to ascertain the relationship between Strategic Planning Intensity and performance utilising the Pearson's product correlation coefficient. The findings of the correlation analysis indicate that there is a statistically significant positive moderate correlation between Strategic Planning Intensity and Performance. Hopkins and Hopkins (1997) found a strong direct causal link between Strategic Planning Intensity and financial performance of banks in the UK. Similar findings were also found by Arasa and K'Obonyo (2012) and Miller and Cardinal (1994). However, scholars like Falshaw and Glaister (2006) failed to find evidence for the existence of a relationship between Strategic Planning and performance. Scholarly articles in support of Strategic Planning (Arasa and K'Obonyo, 2012; Falshaw and Gleister, 2006; Schwenk and Shrader, 1993; Thompson and Strickland, 1987) have all argued that Strategic Planning is important to firms for it forces the firm to seriously evaluate its external environment, helps it to generate information, stimulates new

perspectives, reduces focus on operational issues, promotes long range thinking, enhances commitment and motivation, and provides a structured platform for identifying and evaluating strategic alternatives. This means that engaging in Strategic Planning with greater intensity entails generation of more information, increasing commitment and motivation, stimulating new ideas. These mediating factors would result in greater Strategic Planning Intensity.

This study's findings imply that the real concern is not whether Strategic Planning Intensity affects firm performance, but rather the conditions under which Strategic Planning Intensity enhances firm performance. Scholars like Elbanna, et al. (2010) as well as Shrader et al. (1984) argue that there is need for research on the specific contingencies before reaching concrete conclusions due to the complexity of the Strategic Planning-Performance relationship. This study incorporated a number of contingent variables identified in literature as potentially critical in this relationship: firm size, structural complexity, industry-sector influences, level of involvement, managerial expertise, managerial beliefs, environmental change and environmental complexity. The study noted that the degree to which manufacturing firms operating in Zimbabwe engage in the Strategic Planning process to be both a mediator of the Strategic Planning-Performance relationship and a major condition for firm's performance.

The study found the relationship between Strategic Planning Intensity and managerial beliefs to be statistically significant at the 1% level. Managerial beliefs variable had the strongest direct effect on the Strategic Planning Intensity. This means that if managers in the manufacturing firms believe that Strategic Planning leads to greater performance, they will engage in the Strategic Planning process with greater intensity. A study by Hopkins and Hopkins (1997) found similar results in the UK banks survey. Their study found managerial factors (Beliefs about the Strategic Planning-Performance relationship and Strategic Planning expertise) having the strongest direct impact on Strategic Planning Intensity. The relationship between perceived Strategic Planning importance and financial performance has been investigated (Aldehayyat and Khattab, 2013; Arasa and K'Obonyo, 2012; Hopkins and Hopkins, 1997) and evidence shows that the greater the perceived Strategic Planning importance of the planning process, the greater will be the satisfaction with the firm's performance. The other managerial variable, Strategic Planning expertise, was also statistically significant in the current study. Related studies confirm the expertise variable as having a significant contribution to the Strategic Planning outcomes (Hopkins and Hopkins, 1997; Higgins and Vincze, 1993). The association between Strategic Planning Intensity and the level of involvement was also found to be statistically significant showing that the greater the involvement of managerial levels in Strategic Planning process, the greater the intensity with which managers engage in the process. If managers are greatly involved at all managerial levels in the organisation, it is expected that their Strategic Planning Intensity will be higher. Scholars like Dandira (2011) have been advocating for greater involvement of all managerial levels in Strategic Planning process especially the need to carry the



implementers along to ensure successful Strategy Implementation and ultimately greater Strategic Planning Intensity and performance.

The study found Strategic Planning Intensity to be related to environmental complexity and high structural complexity. Environmental complexity forces managers to engage in Strategic Planning Intensity with greater intensity. Consistent with this finding is the finding by Aldehayyat (2011), who noted Strategic Planning practices of Jordanian tourism firms by influenced by firm size. This finding is contrary to Hopkins and Hopkins (1997), who failed to find a statistically significant relationship between complexity and Strategic Planning Intensity. Findings also show that when firms have high structural complexity their Strategic Planning Intensity will increase. High structural complexity had the second strongest direct positive effect on Strategic Planning Intensity in the manufacturing firms. This finding is at odds with Falshaw and Glaister (2006) as well as Hopkins and Hopkins (1997), who noted Strategic Planning Intensity declining with an increase in structural complexity. The explanation for this study's finding could be the need to coordinate the larger business organisations. As an organisation diversifies into several lines, the need for planning and coordination increases thus increasing the Strategic Planning Intensity index for such organisations. Results of the investigation failed to establish a statistically significant relationship between firm size increases, as proxied by the number of employees, and Strategic Planning Intensity. This is contrary to the existing literature (Miller et al., 1998; Gup and Whitehead, 1989; Whitehead and Gup, 1985), which suggests that more planning is required as firms grow in size and becomes structurally complex. On the other hand, more recent findings from the UK by Hopkins and Hopkins (1997) found a negative relationship between firm size and Strategic Planning Intensity. The negative relationship could be explained by the view that large manufacturing firms tend to feel less pressure to plan with greater intensity because of the competitive advantages in their possession like economies of scale and market power. The finding that firm size affects performance has been supported by previous studies (Aldehayyat and Khattab, 2013; Hopkins and Hopkins, 1997).

The most surprising result from this entire study was the failure to find a statistically significant relationship between environmental change and Strategic Planning Intensity. Similar results were obtained in the UK banks study by Hopkins and Hopkins (1997). A possible explanation for this result could be that the sampled firms were all manufacturing industries experiencing the same dynamism from the environment and as a consequence there were not meaningful differences in managerial perceptions about the dynamism in the environment. For the surviving firms in Zimbabwe, two issues could also explain the weak role of turbulence in the environment. As noted from the African context, political connections are so powerful that firms easily get unjustified favors from politicians like tenders, tax exemptions, easy penetration of profitable secure markets, and financial assistance like unsecured loans. Secondly, corruption is a big factor in the African context, Zimbabwe in particular. Tender processes are flawed, manufacturing firms violate laws and get away with it, government

financial injections are granted, never to be paid back, and payment is received for orders which will never be delivered. Consequently, environmental change factor played a weak role in the determination of the Strategic Planning intensity, perhaps due to the existence of corruption and political connections as assets in the African context.

The robustness check which controls for background characteristics of both the respondents and the companies confirms these results. It is important to note that when background issues are incorporated, there are a number of changes to the Strategic Planning Intensity relationships. The index for BELIF, COMPLX, EXPRT and LOINV will increase. It is worth mentioning that when background factors are incorporated in the model: the R-Squared for the regression model incorporating background effects is 0.052 higher than that for the model excluding background factors. This shows that the inclusion of background factors has an effect on the Strategic Planning Intensity and as a consequence, they must be included in the model. The study failed to establish a statistically significant relationship between Strategic Planning Intensity and a number of independent variables like CHNGE, FSIZE, STRUC, INDSE, and Background Factors.

#### **7.1.5.4 Strategic Planning Informality**

Results of the study show that there is a statistically significant negative relationship between Strategic Planning Intensity and Strategic Planning informality. This means that as Strategic Planning Intensity increases, there is a reduction in Strategic Planning informality. In other words, Strategic Planning formality leads to greater Strategic Planning Intensity in the manufacturing firms operating in Zimbabwe. The findings of this study point to the usefulness of formal Strategic Planning as a way to gather relevant information for creating and maintaining the alignment of the company with both its external and internal environments. O'Regan and Ghobadian (2007) found firms with formal strategic plans having better performance levels across all performance dimensions. The study sought to investigate the impact of a number of independent variables on the informality of Strategic Planning. Findings show that there is a statistically significant negative relationship between managerial beliefs and informality. This means an increase in managerial beliefs about the Strategic Planning-Performance relationship would reduce Strategic Planning informality. These findings confirm results by Falshaw and Glaister (2006), who found a positive relationship between the two. Concerning the relationship between managerial levels and Strategic Planning Informality, the findings show that there is a statistically significant negative relationship between the two. This means that as we ascend the organisational hierarchy, Strategic Planning informality reduces. However, a closer look shows that the middle management levels reduce Strategic Planning informality more than the senior and junior management levels. Middle managers are more formal in their Strategic Planning practices than any other management level perhaps because they need to carry every detail about the strategies so that the formulated strategies can easily be translated into implementation actions. Contrary to these

findings, Grant (2003) noted that by the close of the twentieth century, strategic plans were shortened, there was less emphasis on written documentation, and there was a move away from regular, standardised planning cycle to more flexible and ad hoc processes (Grant, 2003).

The study failed to find a statistically significant relationship between Strategic Planning Informality and environmental change and complexity. This confirms previous arguments by scholars like Mintzberg (1994), who noted that increased turbulence in the environment makes it increasingly difficult to engage in formal strategic planning processes. Grant (2003) noted that most Strategic Planning systems were more informal in the US firms due to increased turbulence in the environment. The findings from the current study show that increasing environmental turbulence leads to reduced reliance on formal Strategic Planning systems but greater reliance on experience and other information systems. Other studies (Boyd, 1991; Eisenhardt, 1989; Shrader, 1984) found a positive relationship between turbulence in the environment and Strategic Planning formality. On the other hand, other studies (Johnson and Scholes, 1997; Daft, 1992; Fredrickson and Mitchell, 1984; Mintzberg, 1983) found a negative relationship between turbulence and formality. The relationship between firm size and Strategic Planning informality was found to be statistically positive among medium sized and the large firms. This means that Strategic Planning systems were more informal amongst medium-sized and large firms. Consistent with these findings are the results from O'Regan and Ghobadian (2007), who noted high planning formality in medium sized firms. The study by Karel et al. (2013) showed that 59% of the Czech Republic SME firms have written strategic plans, while 41% did not have strategic plans. Other studies (Shrader et al., 2004; Rigby, 2001; McKiernan and Morris, 1994) found increased formality in the Strategic Planning systems of SMEs.

More interesting from these findings is the relationship between gender and informality. The results show that there is a statistically significant positive relationship between male gender and Strategic Planning Informality. This dominance or increase in the number of males in managerial positions increases Strategic Planning Informality. Generally, this result seems to make sense especially in the African context. Males tend to be more informal compared to their female counterparts perhaps due to the need to rush into action and rapidly respond to opportunities or threats in the environment. The informality amongst male managers is premised on the cultural background like UBUNTU, which emphasises more trust and respect. Moreover, the study also found a negative statistically significant relationship between Level of Education and Strategic Planning Informality. Strategic Planning Informality reduces as the level of education increases, thus as managers acquire more education, their Strategic Planning practices become more formalised. Logically this makes sense. When managers can read, write, make sense of out written data, their need to systematically do the Strategic Planning systems increases. As the level of education increases, people tend to realise the need to generate records which will guide their future courses of action, thus the need for more formalised planning increases.

### **7.1.6 Environmental Analysis**

Even though all the sectors show significant importance, the most important sector to Zimbabwe's manufacturing sector was the customer sector, followed by the regulatory/legal sector, the economic sector and the least important sector, the competition sector. The findings of this study show some similarities with those from the Jordanian context by Aldehayyat (2015), who found the political/legal sector to be the most important and scanned sector followed by the economic sector, then the customer sector. Still another study by Ebrahimi (2006) in Hong Kong found that managers gave more attention to the competitive sector, the customer and economic sectors. Closer to home, Sawyerr et al. (2000) in the politically unstable Nigeria, found the political, customer, and competition sectors as the three most scanned sectors. It is important to point out that the current findings place the customer sector as the most important, perhaps because under highly turbulent conditions firms will tend to resorting to survival as the over-riding goal, and to do that you have to maximize sales by being customer oriented and building a customer responsive culture. Other previous studies conducted in developing and less politically stable economies, concluded that greater attention must be given to scanning the regulatory sector (Aldehayyat, 2015; Elekov, 2011; Sawyerr et al., 2000).

Concerning dynamism in the environment, it can be noted that all the environmental sectors are experiencing high rates of change, with the technological and economic sectors experiencing the highest rates of change. Technological advancements are fast-paced. New technological advancements are occurring at unprecedented rates. The global, regional and national financial crises continue to make the economic sector increasingly dynamic. Interest rates, exchange rates, currency revaluations and devaluations continue to change at higher levels than before. The Socio-Cultural sector had the lowest rate of change. When grouped into their broad classifications, it can be seen that sectors in the task environment have lower rates of change compared to sectors in the general environment. The general environment in Zimbabwe is more dynamic than the task environment perhaps due to the ever-changing government policies, economic landscape and strained relations with the West.

Generally, managers perceive the economic sector as the most complicated sector with numerous elements, followed by the technological sector. Elements in the economic sector include the interest rates, exchange rates, inflation, cost of production, amongst others. These numerous challenges complicate the economic sector. The customer sector had the lowest complexity when compared to the other sectors, even though it was relatively high. Broadly speaking, it can be noted that the general environment is more complicated than the task environment. However, it is important to note that all sectors of the environment are perceived to be highly complex. These findings support existing empirical evidence. Elenkov (2011) found the task environment to be less complex compared to the

general environment. However, scholars like Daft et al. (1988) failed to establish differences between the two sectors in the USA.

The findings show that the general environment has greater perceived environmental uncertainty compared to the task environment. When decomposed to their constituent sectors, the economic sector has the highest Perceived Environmental Uncertainty followed by the technological sector, the customer sector and then the regulatory sector. The competition sector was found to have the least Perceived Environmental Uncertainty. These findings are consistent with numerous past empirical studies (Yap et al., 2011; Elenkov, 2011; Temtime, 2006; Yunggar, 2005; Ebrahimi, 2000; Yasai-Ardekani and Nystrom, 1996; Auster and Choo, 1994; Sawyer, 1993). However, there are other studies which failed to find a significant difference in Perceived Environmental Uncertainty between the task and the general environment (May and Stewart, 1998; Elenkov, 1997; Sawyer, 1993). Worse still, Daft et al. (1988) and Hambrick (1983) found the task environment having the greatest Perceived Environmental Uncertainty.

Pertaining to the usage frequency of information sources in the manufacturing sector the findings show that Newspapers and periodicals, as well as Broadcast media like radio and TV were the most frequently used information sources in Zimbabwe's manufacturing firms. This finding shows that there is greater use of external impersonal information sources. Newspapers appear the traditional information source for Zimbabweans. This may be due to the culture inherited from the colonial masters or the easy accessibility of newspapers and the broadcast media. The huge volumes of daily and weekly newspapers testify to the newspaper reading culture amongst the Zimbabweans. Similar studies by Aldehayyat (2015); Elenkov (2011); May et al. (2000) found greater use of personal internal sources by the managers in the sampled firms. The third most used source is electronic information, followed by subordinate staff, Internal memoranda and circulars, internal reports and studies, and government publications ranked number seven. Other sources like Business or professional associates, Government officials, and conferences and trips were rated as the least used information sources. The growing interest and use of electronic information is not surprising due to the fast-paced technological developments (Wheelen and Hunger, 2013). Because this study also subdivided the sources into four different categories, it became necessary to see the most widely used source under each category. The most frequently used internal personal information source is the subordinate staff, while the internal impersonal source was the electronic information services. The external personal source was customers, while the external impersonal source was the Newspaper and Periodicals and the Broadcast media (radio and TV). This finding is also consistent with some previous findings by Aldehayyat (2015).

Concerning the amount of time and effort that managers require to scan the information sources, findings show that all external personal sources require the greatest amount of time and effort to scan compared to any other information sources. Particularly, Business or Professional associates, and Government officials posed the greatest challenge (most difficult and time consuming), followed by Competitors and Customers. Under the external impersonal category, Newspapers and periodicals were the easiest and quickest to scan. This could be due to their low cost and ready availability. When we consider the internal personal sources, it can be seen that subordinate staff is the quickest and easiest source of information and under the internal impersonal, the Internal memoranda and circulars were the quickest and easiest to scan. Again, these are readily available and at little or no cost to the managers.

The findings show that there is a positive statistically significant relationship between Perceived Environmental Uncertainty and Competitive Intelligence Acquisition across all environmental sectors at the 1% level of significance. Specifically, the competition sector had the strongest association between Perceived Environmental Uncertainty and Competitive Intelligence Acquisition, followed by the technological sector, and the socio-cultural sector. The regulatory sector had the least association between Perceived Environmental Uncertainty and Competitive Intelligence Acquisition. It can be seen that the strength of association was found to range from 0.239 to 0.567 (weak to moderate). The mean correlation coefficient between the Perceived Environmental Uncertainty and Competitive Intelligence Acquisition was 0.552, which is moderate. Consistent with these results was the study by Yap et al. (2011) who found Perceived Environmental Uncertainty of each environmental sector to be significantly and positively associated with the amount of competitive intelligence acquisition of the respective sector. The strength of association was found to range from 0.43 to 0.77 (moderate to strong). The mean correlation coefficient between Perceived Environmental Uncertainty and Competitive Intelligence Acquisition was 0.63. The mean correlation coefficient from this study (0.552) was stronger than Boyd (1989), who found 0.53. However, Daft et al. (1988) found a mean correlation coefficient of 0.58, which is slightly higher. This study's results are a clear demonstration that the link between the perception of business environment and the acquisition of information has become stronger in modern day organisations, mainly due to the increased uncertainty in the contemporary business operating environment and the modern-day emergence of well advanced information acquisition technology. This has led to managers having greater need for up to date information so as to keep abreast with the latest developments, with a deeper appreciation of the complex relationships underlying the alterations in the sector. It is now clear that it is the combined effect of environmental complexity, variability and perceived importance that has a bearing on the amount of competitive intelligence acquisition of that particular sector.

Findings from this study also showed a statistically significant relationship between Environmental Scanning and firm performance. Firms that conduct their external environmental scanning have

significantly better performance levels compared to their counterparts which did not. This is particularly true since firms have to align their operations to the environment in order to remain relevant and effective. Information gathered about the environment must be an important ingredient in the strategy formulation, implementation and control processes of the organisation. The results also noted Environmental Scanning to be a very significant predictor of the Strategic Planning Intensity. Firms that engage in Environmental Scanning systems tend to approach their Strategic Planning activities with greater intensity compared to those that do not.

## **7.2 CONCLUSION**

This study set out to investigate the Strategic Planning practices of manufacturing firms operating in Zimbabwe, a hyper-velocity business environment. Specifically, the study made reference to the Wheelen and Hunger (2013) model to pay a closer look at the four building blocks of the formal Strategic Planning process; Environmental Analysis, Strategy Formulation, Strategy Implementation and Strategy Evaluation and Control. In the end, the overall Strategic Planning process was then considered together with its perceived impact on organisational performance. The findings from this study may best be concluded in relation to the main objectives which are set out in Chapter One.

**Objective 1:** To understand how environmental analysis is conducted in the manufacturing sector in Zimbabwe.

Manufacturing firms in Zimbabwe actively scan all the six external environmental sectors. The scanning initiatives are on a continuous basis. The customer sector is the most important sector. All environmental sectors are experiencing high levels of variation. Specifically, the technological and the economic sectors have the highest rates of change. The economic sector is the most complicated sector in Zimbabwe. Compared to the task environment, the general environment has the highest Perceived Environmental Uncertainty, with the economic sector being the sector with the highest Perceived Environmental Uncertainty. Newspapers and periodicals and Broadcast media (TV and radio) are the most frequently scanned sources of information. Hence there is greater use of the external impersonal information sources in the manufacturing firms. External personal sources are the most difficult information sources to scan. Newspapers and periodicals were the easiest and quickest sources of information to scan. Subordinate staff was considered the quickest and easiest source of information to scan.

There is a statistically positive relationship between Perceived Environmental Uncertainty and Competitive Intelligence Acquisition. The competitive sector had the strongest association between Perceived Environmental Uncertainty and Competitive Intelligence Acquisition. There is a significant positive association between Environmental Scanning and Strategic Planning Intensity; and between

Environmental Scanning and performance. Firms which have active Environmental Scanning initiatives have superior performance than those that do not actively engage in the environmental scanning practices.

**Objective 2:** To determine the strategy formulation processes employed in the manufacturing sector in Zimbabwe.

From the summary of findings above, it can be concluded that the operating environment in Zimbabwe is very volatile and has greatly influenced the way how strategies are formulated in the manufacturing sector. Most manufacturing firms operating in Zimbabwe take less than 6 months to craft strategic plans in response to the hyper-volatile operating environment. Still, the planning horizons in these strategic plans have been shortened to one year. Due to the increased turbulence in the operating environment, managers refer to their strategic plans weekly and some monthly so as to remain on course and get inspiration.

Concerning the strategic planning tools, it can be concluded that there is a general low awareness and utilisation of most of the Strategic Planning techniques. Techniques like the Delphi Technique as well as the Strategic Planning Software are not used at all by firms in the manufacturing sector. Whilst the Porter's Five Forces Model and the Balanced Score Card are popular techniques in the academic circles, their usage in industry is very minimal. The SWOT analysis is the widest used Strategic Planning technique in Zimbabwe. Forecast Financial Statements (Budgets) are still widely used in the manufacturing firms operating in Zimbabwe. Those firms which use the SWOT Analysis, the Balanced Score Card, Forecast Financial Statements (Budgets) and those that use Porter's Five Forces Model have significantly superior performance levels compared to those who did not.

All 7 elements of the formal Strategic Planning process are significantly important to manufacturing firms operating in Zimbabwe. From the crafting of the Vision and Mission statements to Strategy Evaluation and Control, managers place significant importance on all the components. Almost all the manufacturing firms in Zimbabwe had clearly laid down Vision and Mission statements. Managers in the firms have the required expertise to carry out the Strategic Planning process. Strategic Planning is a relevant management approach in the Zimbabwean context. The changing and complex operating environment has an impact on the Strategic Planning systems of manufacturing firms. Organisations rely on the visions of their most senior manager as their strategy.

**Objective 3:** To investigate the implementation of strategies in the manufacturing sector in Zimbabwe.

Both senior and middle management levels are significantly involved in the Strategic Planning systems of their firms with the CEO/MD group of managers having the highest level of involvement



in Strategic Planning. The high involvement of middle management shows increasing decentralisation of the Strategic Planning processes in Zimbabwe in response to the dynamism and complexity in the operating environment. The significant involvement of Middle managers in the Strategic Planning processes makes strategy implementation very easy and successful. Worth noting is the fact that junior managers and external consultants are not significantly involved in the Strategic Planning systems of the manufacturing firms operating in Zimbabwe.

Moreover, firms with high structural complexity have higher levels of managerial involvement. As firms increase in size, there is also a high level of managerial involvement in the Strategic Planning systems of the Zimbabwean firms. Strategy Implementation efforts in the manufacturing firms are affected by external factors, inadequate communication, unclear strategic goals, inadequate employee capabilities in Strategy Implementation, and implementation taking longer than anticipated. Overall, it can also be concluded that external factors have the greatest impact on Strategy Implementation initiatives of firms operating in Zimbabwe.

**Objective 4:** To understand the evaluation and control methods used in the manufacturing sector in Zimbabwe.

Manufacturing firms have clearly defined and measurable performance standards for each element of the strategic plan that will allow comparisons with the actual output. The study concludes that manufacturing firms have organised systems for monitoring how well performance standards are met. Monitoring data is reviewed regularly and managers revise their strategic decisions once review has taken place. Personnel responsible for Strategic Planning are rewarded for their successful performance.

**Objective 5:** To investigate the value of Strategic Planning to manufacturing firms operating in Zimbabwe.

Managers in Zimbabwe are satisfied with the outcomes of the Strategic Planning systems of their firms. Managers in the manufacturing firms strongly agree that Strategic Planning is a vital tool required to effectively develop a sustainable industry position which should help the firm attain superior performance over its competitors in the industry. Strategic Planning is a tool that has greatly helped firms to closely align their resources to the external environment. It can also be concluded that Strategic Planning helps firms to build commitment to action among line managers who are the strategy implementers. Firm performance is higher when intangible measures of performance are used compared to the tangible/ measurable accounting performance measures.

There is a statistically significant moderate positive relationship between Strategic Planning Intensity and performance. Managerial factors (beliefs and expertise) have a positive influence on the Strategic

Planning Intensity. There is a positive relationship between the level of involvement and Strategic Planning Intensity. Environmental complexity is positively related to Strategic Planning Intensity. High structural complexity is positively related to Strategic Planning Intensity. The relationship between firm size and Strategic Planning Intensity; between industry-sector and Strategic Planning Intensity, and between environmental change and Strategic Planning Intensity is insignificant. Managerial beliefs, level of involvement, level of education, and Strategic Planning Intensity are negatively related to Strategic Planning informality. Males are more informal in their Strategic Planning conduct compared to their female counter parts.

### **7.3 CONTRIBUTION TO KNOWLEDGE**

Contribution to body of knowledge is derived from some of the aspects highlighted in the problem statement as well as from the scanning of the literature. Scholars and practitioners alike require some form of framework/model that should effectively guide and inform their future endeavours and actions. As a way of contributing to the body of knowledge, this study has developed a Strategic Planning model compatible with hyper-volatile environments especially in the developing world. Because the contemporary business operating environment has become dynamic and complex, it therefore presents unique decision making challenges which render policy interventions inadequate to the manufacturing sector firms. Moreover, emerging economies like Zimbabwe present significant departures from the assumptions underlying the models developed in the Western world, they therefore need models compatible with the environment. The developed model advocates for what the researcher termed ‘The Advanced Planned-Emergent School of Strategic Planning’ which acknowledges the presence of both deliberate and emergent strategies in the organisation but demanding visionary leadership, greater flexibility, greater co-ordination, swiftness and adaptation in all the activities involved in the process. This is a Strategic Planning Model developed in the hyper-turbulent environment by a scholar researching in a hyper-volatile environment for firms operating in the same environmental context. The framework identifies the pillars of the Strategic Planning process in a hyper-turbulent developing environment. The pillars for each of the stages of strategic management process must be emphasised and adhered to if firms are to survive, navigate the troubled environments and outperform their rivals. Through this model it is hoped that both scholars and practitioners should be inspired, guided and informed accordingly so that their initiatives may be relevant and effective. The proposed Strategic Planning model contributes significantly to the body of knowledge by the inclusion of pillars to each of the main Strategic Planning stages.

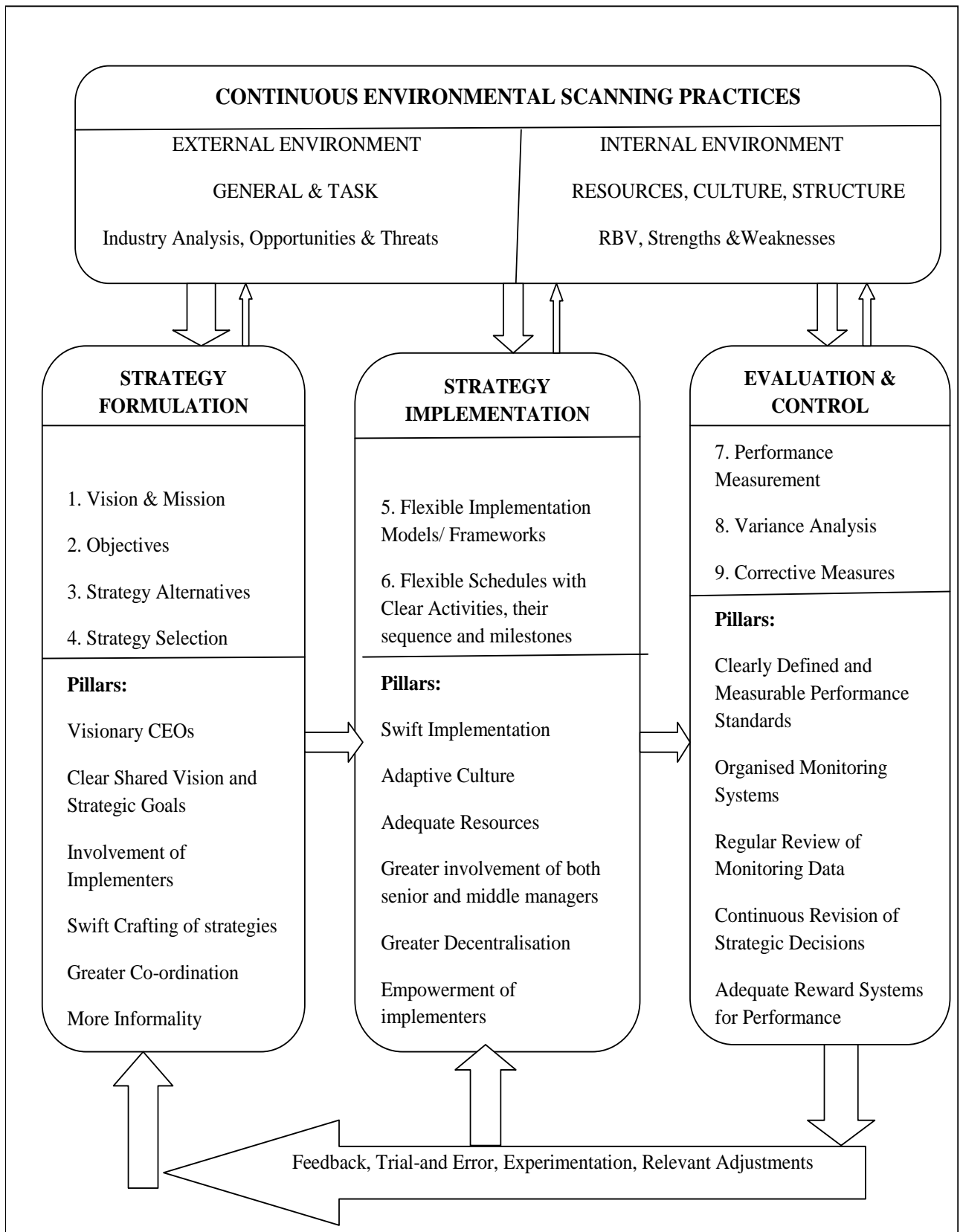
The existing literature reviewed on Strategic Planning was dominated by studies from the developed economies like the United States of America, Canada, United Kingdom, Japan, etc, with very little or no attention paid to the emerging markets. The empirical research context, Zimbabwe, with its unique, extreme inflationary outlook, could be described as a typical hyper-velocity environment. In this

regard the adopted research context is not only unique, it is quintessentially ‘moving laboratory’ that provides opportunities to examining strategic planning practices and their resultant impact on firm performance. This study represents the first attempt to holistically document information on the contemporary Strategic Planning practices of firms in a hyper-volatile emerging economy, thus filling a gap that was embedded in the body of knowledge. The Environmental Analysis, Strategy Formulation, Strategy Implementation, and Strategy Evaluation and Control initiatives of managers in such a turbulent developing environmental context have been exposed. For example, no literature has been documented on the usage and value of strategic planning tools in Zimbabwe nor the information sources and scanning behaviours of managers in firms operating in Zimbabwe.

### **7.3.1 The Advanced Planned-Emergent Strategic Planning Model for Turbulent Environments**

Findings from this study point to the fact that neither the Design School nor the Emergent School is more superior to the other and hence neither is the ultimate approach to strategy. Both approaches are not just relevant and existent in turbulent environments but very important. Critical in such turbulent environments is the quest for continuous scanning of the environment by managers throughout their Strategic Planning cycles. Environmental analysis is not a once off event in the Strategic Planning systems as assumed by preceding models. The starting point of the Strategic Planning process may be premised on the deliberate framework stemming from the Design School and is then continuously adjusted in response to the dictates of the operating environment. Neither the strategies nor the Strategic Planning systems are rigid. Visionary leadership, greater co-ordination, flexibility, speed and adaptation are at the core of the proposed model. The model is presented in Figure 7.1 below;

**Fig 7.1: The Planned-Emergent Strategic Planning Model for Turbulent Environments**



Source: Researcher's Own Model (2018)

## **7.4 IMPLICATIONS OF THE STUDY**

### **7.4.1 For Firms Operating In Turbulent Environments**

The implications of this study to the existing manufacturing firms operating in the hyper-volatile Zimbabwean environment are the as follows;

#### **7.4.1.1 Strategy Formulation**

For organisations operating in turbulent environments to succeed, they require visionary leadership which should drive the organisation from Strategy Formulation through to the realisation of the goals. Turbulent environments require leaders who are capable of dreaming and coming up with new visions which can transform the organisations and help them to navigate the troubled environment. Moreover, the Vision and the Strategic Goals must be shared across the organisation. The Vision coming out of the Boardroom has to be the vision of the entire organisation; it must be communicated to every corner of the firm so that every that runs in the organisation may run with the vision. The crafting of strategies must be very swift because speed is everything in turbulent environments. Strategic Plans must be crafted over very short spaces of time and be capable of driving the firm in the short to medium term. Implementers must be involved right from the onset at Strategy Formulation and be carried along so that discord is eliminated. However, it must be emphasised that firms should embrace greater informality in their Strategic Formulation processes because the operating environment calls for greater flexibility, responsiveness and adaptation.

#### **7.4.1.2 Strategy Implementation**

To succeed in hyper-velocity environments, firms must be capable of swiftly implementing their strategies. Strategies must be implemented quickly before they become obsolete/ irrelevant/ before competitors move in first. Windows of opportunities may be open for a very short space of time and strategies must be crafted with great speed to exploit such opportunities before the windows close. Both senior and middle management levels must be involved and show great support through the allocation of adequate resources. Senior management must be seen ‘walking the talk’, they must demonstrate unwavering and undivided support for the change agenda. Middle management must be given the room to implement the decisions. Bureaucracy does not work in these environments, therefore decision making power must be decentralised and also the implementers must be empowered.

#### **7.4.1.3 Strategy Evaluation and Control**

For firms to remain on track, they must have clearly defined and measurable performance standards and an organised monitoring system. Performance yardsticks must be objective, clear, and time bound. The monitoring data must be reviewed regularly as well as continuous revision of strategic decisions. Finally, it is important for the firms to reward adequately the performers throughout the strategic planning cycles. As part of motivating implementers and monitors, they must be adequately and timely rewarded so as to motivate them to perform better.

#### **7.4.1.4 Environmental Analysis**

Both the external and the internal environments must be scanned regularly in order to identify the trends, patterns and changes in the operating environment. All sectors of the environment showed significant importance, dynamism and complexity. Therefore, environmental scanning in turbulent environments must be the most active and continuous organisational activity. Scanning must inform strategy formulation, implementation and evaluation and control on a continuous basis. It must not be once off event as assumed in most Strategic Management models.

#### **7.4.1.5 Value of Strategic Planning**

The implication of the study's findings in relation to the value of Strategic Planning in the manufacturing point to the fact that both large and SME manufacturing firms continue to benefit by engaging in formal Strategic Planning. Strategic Planning enhances their ability to adapt to the environment, enhances their competitive advantages and market competitiveness. Firms are therefore encouraged to pursue the strategic management route as it has a significant influence on the overall firm performance. Firms should utilise such tools as the SWOT analysis, Porter's Five Forces Framework, the Balance Score Card, and Forecast Financial Statements.

#### **7.4.2 Implications for Academia**

The research's findings have a bearing on how Strategic Planning should be studied in the contemporary turbulent emerging economies. This study has developed a Framework/Model compatible with the emerging market laboratory. The study of Strategic Planning is no longer the same due to this model which addresses real issues to do with turbulent environments. The model provides a new perspective to the study of Strategic Management by emphasising the presence of certain pillars in the study of Strategic management which are not present in the existing models developed in the West by the West for the Western developed markets.

## **7.5 RECOMMENDATIONS**

The study's findings have a number of implications for future research and practising managers in developing turbulent environments.

### **7.5.1 To the firms operating in the turbulent developing economies**

Rather than maintaining fixed Strategic Planning initiatives, the study encourages firms to adapt their Strategic Planning practices to their turbulent operating environments by viewing Strategic Planning as on a continuum between deliberate strategies and emergent strategies. There is need for managers to encourage more decentralisation and informality of their Strategic Planning systems in firms in order to tap into the broader range of expertise.

To navigate the troubled waters in turbulent environments and attain superior firm performance, firms need to be swift and thorough when it comes to implementation of the crafted strategies. Firms in the developing economies are encouraged to involve all the managerial levels in their Strategic Planning systems so that implementation becomes easy. Firms should also seriously consider the usage of such tools as the Balance Score Card (BSC). The results show that use of such tools gives a firm superior sustained performance.

Firms are encouraged to put in place clear Strategic Planning procedures especially during Strategy Implementation. The roles, resources, schedules, dates, must be available and clear to members. There must be organisation-wide communication of the strategies to all key managers and staff in order to encourage shared vision.

Superior performers appear to be those firms who involve all managers at different levels in the Strategic Planning processes. The study therefore recommends firms to carry along all managers from crafting through to implementation and control. Decentralisation of authority and empowerment of middle management is crucial.

Background influences such as level of education seem to have a significant influence on the Strategic Planning processes, hence the study recommends that recruitment of employees be based on merit, taking into account such background factors.

### **7.5.2 Recommendations for future research**

The current study generally focused on the 'what' and 'how' questions of Strategic Planning practices due to the closed question format of the research instrument employed. It will be more beneficial if future research could address the 'why' aspects through in-depth investigations using face-to-face

interviews on focus groups. Future studies can therefore utilise the in-depth approach so that the richness from the explanations, views and thoughts of managers may be tapped.

Rather than just concentrating on the manufacturing industry, a holistic picture can be derived from sampling firms from other industries such as the financial services sector. Additionally, other studies may consider in a single study both the public sector and private sector firms, or foreign owned versus the locally owned firms in terms of their Strategic Planning practices.

Concerning Environmental Scanning, the study's findings have implications for theory. The evidence from this study shows that culture, strategic posture and structure have a bearing on how managers conduct their Environmental Scanning initiatives. Future studies should incorporate aspects such as culture difference in their models. Zimbabwe, for example, has a very unique culture resembling the UBUNTU cultural traits to a large extent.

This study utilised subjective performance measures (which is not negative in the absence of actual objective measures); these are prone to biased respondents who may want to give a better picture of their organisations. Where possible, objective measures are more desirable for they portray more realistic results.

## **7.6 LIMITATIONS OF THE STUDY**

Like most objective studies, this study encountered a number of limitations which possibly impacted upon the methodology and/or findings and conclusions of this study. These limitations include the following:

Reluctance of company executives to complete the questionnaires, arguing that they cannot release sensitive information. This proved to be a real challenge in some of the manufacturing firms. The level of trust declined for many executives as they feared that they were spied on by some government officials on assessing tax matters or competitors gathering market intelligence information. This impacted upon the response rate.

The researcher also observed that the volume of questionnaires passing through the executives' offices may be too high due to the large numbers of people studying in Zimbabwe utilising these questionnaire surveys. As a result, the researcher perceived that the intended audience may be tired of these surveys; they may thus have failed to place the intended degree of seriousness on the study. The number of university students has probably increased, in contrast to a rapidly shrinking number of operating firms. Moreover, in some cases, it was discovered that the executives delegated the completion of questionnaires to their junior staff; this has a serious bearing on the findings of this study as it sought to hear the views of the corporate strategists. To overcome this weakness, the



researcher (and his assistants) personally hand-delivered and then collected the questionnaires. Where the questionnaire was perceived to be coming from another office different from the intended one, the questionnaire was regarded as a spoiled response.

Due to the fast-paced changes in the Zimbabwean environment, the research findings may be difficult to generalise, say a decade from now. The Strategic Planning practices may change, hence there is need to continuously monitor these practices and update the existing body of knowledge. Some of the firms may be failing to document their Strategic Planning activities and this may influence how some executives may respond. The perceptions of the company executives may not necessarily be a true reflection of the state of affairs of the business. However, it is still assumed that the views of the executives are the prime determinant of the conduct of the manufacturing firms.

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## APENDIX A: TURNITIN REPORT

### Turnitin Originality Report

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[DETELIN S. ELENKOV. "STRATEGIC UNCERTAINTY AND ENVIRONMENTAL SCANNING: THE CASE FOR INSTITUTIONAL INFLUENCES ON SCANNING BEHAVIOR", Strategic Management Journal, 04/1997](#)

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[Nicholas O'Regan. "Formal strategic planning: annual raindance or wheel of success?", Strategic Change, 01/2007](#)

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## APPENDIX B: ETHICAL CLEARANCE LETTER



13 January 2017

Mr Darlington Tinashe Chirima (214585396)  
School of Management, IT & Governance  
Westville Campus

Dear Mr Chirima,

**Protocol reference number:** HSS/0048/017D

**Project title:** An assessment of the strategic planning practices of manufacturing firms operating in Zimbabwe

**Full Approval – Expedited Application**

In response to your application received on 09 January 2017, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and **FULL APPROVAL** was granted for the protocol.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number.

**PLEASE NOTE:** Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

Dr Shenika Singh (Chair)

/ms

Cc Supervisor: Dr Given Mutinta and Professor Brian McArthur  
Cc Academic Leader Research: Professor MA Phiri  
Cc School Administrator: Ms Angela Pearce

Humanities & Social Sciences Research Ethics Committee

Dr Shenika Singh (Chair)

Westville Campus, Govan Mbeki Building

Postal Address: Private Bag X54001, Durban 4000

Telephone: +27 (0) 31 260 3557/26034557 Fax: +27 (0) 31 260 1608 Email: [simscs@ukzn.ac.za](mailto:simscs@ukzn.ac.za) / [myt@ukzn.ac.za](mailto:myt@ukzn.ac.za) / [hr@ukzn.ac.za](mailto:hr@ukzn.ac.za)

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## APPENDIX C: GATE KEEPER LETTER: MINISTRY OF INDUSTRY AND COMMERCE

All correspondence should be addressed to  
"THE SECRETARY"

Telephone: 730081/7; 791823/7 702731

Fascimile: 704116/723765/729311

E-mail: miit@indandcom.co.zw

Telegrams: "TRADEMIN", Harare

Private Bag CY 7708, Causeway, Zimbabwe



ZIMBABWE

Reference: C/52/1/233

**MINISTRY OF INDUSTRY  
AND COMMERCE**  
Mukwati Building  
4<sup>th</sup> Street/Livingstone Avenue  
Harare  
Zimbabwe

**2 August 2016**

**TO WHOM IT MAY CONCERN**

**RE: REQUEST FOR DATA COMPILATION EXERCISE ASSISTANCE:  
MR. CHIRIMA DARLINGTON**

Reference is made to the above,

Mr. Darlington Chirima is a part-time post-graduate Strategic Management student at the University of Kwazulu Natal in Durban, South Africa. He wishes to carry out a data compilation exercise on some Zimbabwean companies that will assist with his studies.

This letter serves to support and confirm Mr. Chirima's project. The Ministry of Industry and Commerce would be most grateful for your assistance and facilitation for the intended exercise.

A handwritten signature in dark ink, appearing to be 'S. Makande'.

Mr. S. Makande  
**SECRETARY FOR INDUSTRY AND COMMERCE**

CC: Secretary for Industry and Commerce;  
Director: Department of Enterprise Development

## APPENDIX D: QUESTIONNAIRE



### COLLEGE OF LAW AND MANAGEMENT STUDIES

### QUESTIONNAIRE

Dear Sir/ Madam

**PhD Research Project**

**Researcher:** CHIRIMA DARLINGTON TINASHE (+263 772 341 109)

**Supervisor:** PROF. McARTHUR

**Research Office:** Ms. P Ximba (+27-31 260 3587)

### RE: STUDY ON STRATEGIC PLANNING PRACTICES IN ZIMBABWE

I am a PhD student at the University of KwaZulu-Natal in South Africa, conducting research on the strategic planning practices of manufacturing firms operating in Zimbabwe. Little is known on the strategic planning practices of firms in the sub-Saharan Africa, especially Zimbabwe. This study aims to fill this gap in the body of existing knowledge.

I kindly request your involvement in this study by completing this questionnaire. You are the ones driving our organisations and as such you have the practical experience relating to the strategic planning issues. I therefore invite you to participate in this study by spending about 20 minutes completing this questionnaire. If you are willing to be involved, please complete the questionnaire and I will collect it after 5 days. The questionnaire uses closed questions only.

Since you will not be required to write your name, you will remain anonymous and non-traceable. At the end of the research, I also intend to publish my findings in refereed journals.

If you have issues requiring further clarification, do not hesitate to contact the undersigned.

I would like to thank you in advance for your valuable cooperation.

Yours Faithfully

.....  
**Chirima Darlington Tinashe**  
**0772 341 109/ 0736 063 093**  
**darlingtontc@gmail.com**

## SECTION A: BACKGROUND INFORMATION

Place a tick (✓) in a box against your answer to a question.

1) Gender

Male	
Female	

2) Age group

15 – 29 years	
30 – 39 years	
40 – 50 years	
51 – 65 years	
Above 65 years	

3) Highest qualification

Primary level	
O' Level	
A' Level	
Diploma	
Degree	
Professional Course	
Post graduate	

4) How long have you been with the current organisation?

Below 2 years	
2 years – ≤ 5 years	
5 years- ≤ 10 years	
10 -20 years	
Above 20 years	

5) Position in the organisation.

CEO/ CFO/ COO/ Managing Director	
General Manager	
Division/ Section/ Departmental Head	
Product/ Project/ Distribution managers	
Junior Manager	
Other: Please specify_____	

6) Number of employees in your organisation;

1 – 5	
6 – 30	
31 – 50	
51 – 75	
76 – 250	
Above 250	

7) Age of your organisation;

10 years and less	
11 -20	
21 - 30	
31 - 40	
41 -50	
Above 50 years	

8) How many lines of business do you have?

1 – 3	
4 – 7	
Above 7	

9) Which industry-sector does your organisation belong to?

Beverages	
Agriculture	
Paper and Packaging	
Building and Associated	
Pharmaceuticals and Chemicals	
Industrial holdings	
Food Processing	

## SECTION B: STRATEGY FORMULATION

10) How long do you take to come up with strategic plan?

Under 1 month	
1 – < 6 months	
6 – 12 months	
Over 1 year	

11) What is the length of time covered by your strategic plan?

Up to 1 year	
Up to 18 months	
Up to 2 years	
Up to 3 years	
Up to 4 years	
Up to 5 years	
Above 5 years	

12) How often do you refer to your strategic plan?

At least daily	
At least once a weekly	
At least once a monthly	
At least once a year	
Less often than once a year	
Never	

- 13) Please rate the level of involvement in the strategic planning process of the following participants in your organisation:

<b>Participants</b>	<b>Not at all involved 1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>Extremely involved 5</b>
13.1 CEO/ MD					
13.2 Board of Directors					
13.3 Groups of senior managers					
13.4 Planning committee					
13.5 Group of middle managers					
13.6 Group of lower line managers					
13.7 Outsiders- including Consultants					

- 14) To what extent are the following practices important in the running of your organisation?

<b>Practices</b>	<b>Not at all important 1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>Extremely important 10</b>
14.1 Establishing the organisation's vision and mission										
14.2 Coming up with major long-term objectives										
14.3 Assessing the firm's external environment										
14.4 Assessing the firm's internal environment										
14.5 Evaluating strategic options available to the firm										
14.6 Control of the implemented strategic options										
14.7 Implementing firm's strategic options										

- 15) Indicate your agreement with the following statements with regard to your organisation:

	<b>Strongly Disagree 1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>Strongly Agree 5</b>
15.1 Managers in our organisation have the required expertise to perform strategic planning.					
15.2 The vision of the most senior manager is our strategy					
15.3 Our corporate strategy is goal oriented					
15.4 Strategic planning is relevant/ important to our business					
15.5 It is difficult to engage in formal strategic planning due to changing and complex operating environment.					
15.6 The bulk of our strategic planning procedures are not written down.					
15.7 Our organisation cannot afford the skilled people and money necessary for strategic planning.					

- 16) The following is a list of some of the strategic management tools. Indicate whether your organisation uses these.

Tools	Yes	No	Don't know
16.1 SWOT Analysis (Strengths, Weaknesses, Opportunities & Threats)			
16.2 Competitor Analysis			
16.3 Product Life Cycle			
16.4 Economic Forecasting Models			
16.5 Benchmarking			
16.6 Forecast Financial Statements (including budgets)			
16.7 Portfolio Analysis			
16.8 Cost-Benefit Analysis			
16.9 Critical Success Factors' Analysis			
16.10 Gap Analysis			
16.11 Balanced Score Card			
16.12 Value Chain Analysis			
16.13 Porter's 5 Forces Model (Industry Analysis)			
16.14 Delphi Technique			
16.15 Boston Consulting Group Matrix			
16.16 Strategic Planning Software			
16.17 Scenario Analysis			
16.18 Stakeholder Analysis			
16.19 PEST Analysis (Political, Economic, Social and Technological)			
16.20 Experience Curve Analysis			

### SECTION C: STRATEGY IMPLEMENTATION

- 17) Indicate your agreement that the following items are barriers to effective implementation of strategic plans in your organisation:

Implementation Barriers	Strongly Disagree 1	2	3	4	Strongly Agree 5
17.1 Crises distracted attention from implementation					
17.2 Implementation took longer than anticipated					
17.3 Employees' capabilities were not adequate to successfully implement the strategic plan					
17.4 Communication was inadequate					
17.5 Overall goals of strategy were not well enough understood by staff					
17.6 External factors impacted negatively on implementation					
17.7 Co-ordination of implementation not effective enough					
17.8 Unanticipated problems arose during implementation					
17.9 Inadequate information systems to help measure progress with key performance indicators.					



## SECTION D: STRATEGY EVALUATION AND CONTROL

18) Indicate your agreement with the following statements regarding the evaluation and control of strategy in your organisation:

Statements	Strongly Disagree 1	2	3	4	Strongly Agree 5
18.1 There are clearly defined and measurable performance standards for each element of the strategic plan.					
18.2 The organisation has an organised system for monitoring how well performance standards are met.					
18.3 Monitoring data is reviewed regularly.					
18.4 Strategic decisions are appropriately revised once review has taken place.					
18.5 Individuals responsible for strategic planning and implementation are rewarded for successful performance.					

## SECTION E: STRATEGY OUTCOMES

19) Indicate your agreement with the following statements on strategic planning outcomes in your organisation:

Statements	Strongly Disagree 1	2	3	4	Strongly Agree 5
19.1 Strategic planning helps our managers to effectively consider the future consequences of present decisions					
19.2 Strategic planning helps our company to develop a sustainable competitive position in the industry.					
19.3 Commitment to action is built among line managers because of the practice of strategic planning.					
19.4 There is shared vision and unity of purpose among organisational members due to strategic planning.					
19.5 Strategic planning has helped our company to closely align the organisation's resources to external environment.					
19.6 Strategic planning breeds too much bureaucracy in my organisation.					
19.7 Strategic planning works against initiative in my organisation.					

20) Rate your organisation's performance over the past 3 years.

	Large Decline 1	2	3	4	Large Improvement 5
20.1 Growth in sales volume					
20.2 Growth in market share					
20.3 Growth in profits					
20.4 After tax returns on total sales					
20.5 Ratio of total sales to total assets					
20.6 Return on Assets (ROA)					
20.7 Overall performance/ success					

## SECTION F: ENVIRONMENTAL SCANNING

21) How important to your organisation are trends and events in each of the following environmental sectors?

Environmental Sector	Not at all important 1	2	3	4	Extremely Important 5
21.1 Customer Sector: Companies or individuals that purchase your products, including distributors and resellers.					
21.2 Competition Sector: Companies that make substitute products, products that compete with your own, and their competitive tactics.					
21.3 Technological Sector: Development of new production techniques, innovations, and R & D trends relevant to your firm.					
21.4 Regulatory Sector: Government legislation and regulations, by-laws and political developments.					
21.5 Economic Sector: Economic factors such as stock markets, inflation, interest rates, unemployment, and economic growth.					
21.6 Socio culture Sector: demographic trends, social attitudes and values in the general population.					

22) Indicate the rate of change taking place in each environmental sector.

<b>Environmental Sector</b>	<b>Low 1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>High 5</b>
22.1 Customer Sector					
22.2 Competition Sector					
22.3 Technological Sector					
22.4 Regulatory Sector					
22.5 Economic Sector					
22.6 Socio culture Sector					

23) Indicate the level of complexity of each environmental sector. *(A complex sector has a large number of diverse factors that need to be taken into account in decision making).*

<b>Environmental Sector</b>	<b>Low 1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>High 5</b>
23.1 Customer Sector					
23.2 Competition Sector					
23.3 Technological Sector					
23.4 Regulatory Sector					
23.5 Economic Sector					
23.6 Socio culture Sector					

24) How frequently do you use each of the following information sources to scan environment?

<b>Information source</b>	<b>Never</b>	<b>Less often than once a year</b>	<b>At least once a year</b>	<b>At least once a month</b>	<b>At least once a week</b>	<b>At least once a day</b>
24.1 Customers						
24.2 Competitors						
24.3 Business or professional associates						
24.4 Government officials						
24.5 News papers and periodicals						
24.6 Government publications						
24.7 Broadcast media (radio, TV)						
24.8 Industry, trade associations						
24.9 Conferences, trips						
24.10 Superiors, board members						
24.11 Subordinate managers						
24.12 Subordinate staff						
24.13 Internal memoranda, circulars						
24.14 Internal reports, studies						
24.15 Company library						
24.16 Electronic information services						

25) Indicate how much of your time and effort is needed to approach, contact or locate each information source.

Information source	Very little time and effort 1	2	3	4	Great amount of time and effort 5
25.1 Customers					
25.2 Competitors					
25.3 Business or professional associates					
25.4 Government officials					
25.5 Newspapers and periodicals					
25.6 Government publications					
25.7 Broadcast media (radio, TV)					
25.8 Industry, trade associations					
25.9 Conferences, trips					
25.10 Superiors, board members					
25.11 Subordinate managers					
25.12 Subordinate staff					
25.13 Internal memoranda, circulars					
25.14 Internal reports, studies					
25.15 Company library					
25.16 Electronic information services					

***THE END. THANK YOU!***

## APPENDIX E: SPSS OUTPUT

### APPENDIX B1: THE RELATIONSHIP BETWEEN SPI AND SOME INDEPENDENT VARIABLES

$$\text{SPI} = \beta_0 + \beta_1(\text{COMPX}) + \beta_2(\text{CHNGE}) + \beta_3(\text{EXPRT}) + \beta_4(\text{BELIF}) + \beta_5(\text{FSIZE}) + \beta_6(\text{STRUC}) + \beta_7(\text{INDSE}) + \beta_8(\text{LOINV}) + \beta_9(\text{GENDR}) + \beta_{10}(\text{EDUCT}) + \beta_{11}(\text{AGE}) + \varepsilon$$

#### Tests of Between-Subjects Effects

Dependent Variable: SPI

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	218.947 <sup>a</sup>	18	12.164	5.693	.000
Intercept	.014	1	.014	.007	.936
No_Employees	9.823	5	1.965	.919	.470
Line_business	6.102	2	3.051	1.428	.243
Industry	5.764	6	.961	.450	.844
COMPX	12.004	1	12.004	5.618	.019
CHNGE	.310	1	.310	.145	.704
EXPRT	5.802	1	5.802	2.715	.102
BELIF	43.941	1	43.941	20.565	.000
LOINV	27.711	1	27.711	12.969	.000
Error	309.822	145	2.137		
Total	11541.062	164			
Corrected Total	528.769	163			

a. R Squared = .414 (Adjusted R Squared = .341)

$$\text{SPI} = \beta_0 + \beta_1(\text{COMPX}) + \beta_2(\text{CHNGE}) + \beta_3(\text{EXPRT}) + \beta_4(\text{BELIF}) + \beta_5(\text{FSIZE}) + \beta_6(\text{STRUC}) + \beta_7(\text{INDSE}) + \beta_8(\text{LOINV}) + \beta_9(\text{GENDR}) + \beta_{10}(\text{EDUCT}) + \beta_{11}(\text{AGE}) + \varepsilon$$

#### Tests of Between-Subjects Effects

Dependent Variable: SPI

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	238.831 <sup>a</sup>	28	8.530	3.972	.000
Intercept	.552	1	.552	.257	.613

COMPX	7.357	1	7.357	3.426	.066
CHNGE	.559	1	.559	.260	.611
EXPRT	8.426	1	8.426	3.923	.050
BELIF	35.978	1	35.978	16.752	.000
LOINV	29.128	1	29.128	13.563	.000
No_Employees	12.122	5	2.424	1.129	.348
Line_business	6.401	2	3.201	1.490	.229
Industry	9.921	6	1.654	.770	.595
Gender	1.750	1	1.750	.815	.368
Qualification	7.038	5	1.408	.655	.658
Age_Gr	12.727	4	3.182	1.481	.211
Error	289.938	135	2.148		
Total	11541.062	164			
Corrected Total	528.769	163			

a. R Squared = .452 (Adjusted R Squared = .338)

### Parameter Estimates

Dependent Variable:SPI

Parameter	B	Std. Error	t	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Intercept	1.889	2.207	.856	.393	-2.475	6.253
COMPX	.356	.192	1.851	.066	-.024	.737
CHNGE	.111	.217	.510	.611	-.318	.540
EXPRT	.230	.116	1.981	.050	.000	.460
BELIF	.674	.165	4.093	.000	.348	1.000
LOINV	.694	.188	3.683	.000	.321	1.066
[No_Employees=1]	1.027	.803	1.280	.203	-.560	2.614
[No_Employees=2]	.613	.407	1.503	.135	-.193	1.418
[No_Employees=3]	-.312	.437	-.716	.475	-1.176	.551
[No_Employees=4]	-.354	.436	-.812	.418	-1.217	.509
[No_Employees=5]	.062	.367	.169	.866	-.664	.788
[No_Employees=6]	0 <sup>a</sup>	.	.	.	.	.
[Line_business=1]	-.505	.363	-1.390	.167	-1.223	.214
[Line_business=2]	-.709	.416	-1.706	.090	-1.531	.113
[Line_business=3]	0 <sup>a</sup>	.	.	.	.	.

[Industry=1]	.456	.443	1.030	.305	-.419	1.331
[Industry=2]	-.005	.415	-.011	.991	-.825	.816
[Industry=3]	-.002	.488	-.004	.997	-.967	.963
[Industry=4]	.089	.518	.171	.864	-.935	1.112
[Industry=5]	.429	.502	.855	.394	-.563	1.421
[Industry=6]	-.367	.438	-.837	.404	-1.234	.500
[Industry=7]	0 <sup>a</sup>	.	.	.	.	.
[Gender=1]	.244	.271	.903	.368	-.291	.779
[Gender=2]	0 <sup>a</sup>	.	.	.	.	.
[Qualification=2]	-.898	.934	-.961	.338	-2.746	.950
[Qualification=3]	.286	.797	.359	.720	-1.291	1.863
[Qualification=4]	-.151	.432	-.351	.726	-1.006	.703
[Qualification=5]	.248	.391	.635	.527	-.525	1.022
[Qualification=6]	-.090	.476	-.188	.851	-1.031	.852
[Qualification=7]	0 <sup>a</sup>	.	.	.	.	.
[Age_Gr=1]	-1.351	1.889	-.715	.476	-5.087	2.386
[Age_Gr=2]	-1.945	1.859	-1.046	.297	-5.621	1.732
[Age_Gr=3]	-1.887	1.884	-1.002	.318	-5.613	1.839
[Age_Gr=4]	-.939	1.933	-.486	.628	-4.763	2.885
[Age_Gr=5]	0 <sup>a</sup>	.	.	.	.	.

a. This parameter is set to zero because it is redundant.

## APPENDIX B2: CORRELATION BETWEEN SPI AND PERF

### The Correlation between SPI and PERF

Correlations		SPI	PERF_INT	PERF_T
SPI	Pearson Correlation	1	.394**	.252**
	Sig. (2-tailed)		.000	.001
	N	172	172	172
PERF_INT	Pearson Correlation	.394**	1	.335**
	Sig. (2-tailed)	.000		.000
	N	172	172	172
PERF_T	Pearson Correlation	.252**	.335**	1

Sig. (2-tailed)	.001	.000	
N	172	172	172

\*\* . Correlation is significant at the 0.01 level (2-tailed).

## APPENDIX B3: BACKGROUND FACTORS

### Q1: Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	121	70.3	70.3	70.3
Female	51	29.7	29.7	100.0
Total	172	100.0	100.0	

### Q2: Age Group

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 15-29 Years	22	12.8	12.8	12.8
30-39 Years	90	52.3	52.3	65.1
40-50 Years	50	29.1	29.1	94.2
51-65 Years	9	5.2	5.2	99.4
Above 65	1	.6	.6	100.0
Total	172	100.0	100.0	

### Q3: Highest Qualification

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid O' Level	5	2.9	2.9	2.9
A' Level	5	2.9	2.9	5.8
Diploma	43	25.0	25.0	30.8
Degree	75	43.6	43.6	74.4
Professional Course	23	13.4	13.4	87.8



Post Graduate	21	12.2	12.2	100.0
Total	172	100.0	100.0	

**Q4: How long have you been with the current organisation?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Below 2 year	12	7.0	7.0	7.0
2 years -< 5 years	45	26.2	26.2	33.1
5 years < 10 years	50	29.1	29.1	62.2
10-20 years	50	29.1	29.1	91.3
Above 20 years	15	8.7	8.7	100.0
Total	172	100.0	100.0	

**Q5: Position in the organisation.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid CEO/ CFO/ COO/ Managing Director	19	11.0	11.0	11.0
General Manager	12	7.0	7.0	18.0
Division/ Section/ Departmental Head	51	29.7	29.7	47.7
Product/ Project/ Distribution Managers	18	10.5	10.5	58.1
Junior Manager	54	31.4	31.4	89.5
Other :Specify	18	10.5	10.5	100.0
Total	172	100.0	100.0	

**Q6: Number of employees in your organisation;**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1-5	7	4.1	4.1	4.1

6-30	23	13.4	13.4	17.4
31-50	17	9.9	9.9	27.3
51-75	18	10.5	10.5	37.8
76-250	25	14.5	14.5	52.3
Above 250	82	47.7	47.7	100.0
Total	172	100.0	100.0	

**Q7: Age of your organisation;**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	10 years and less	17	9.9	9.9	9.9
	11-20	37	21.5	21.5	31.4
	21-30	16	9.3	9.3	40.7
	31-40	30	17.4	17.4	58.1
	41-50	9	5.2	5.2	63.4
	Above 50 years	63	36.6	36.6	100.0
	Total	172	100.0	100.0	

**Q8: How many lines of business do you have ?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-3	105	61.0	61.4	61.4
	4-7	38	22.1	22.2	83.6
	Above 7	28	16.3	16.4	100.0
	Total	171	99.4	100.0	
Missing	System	1	.6		
Total		172	100.0		

**Q9: Which industry-sector does your organisation belong to?**

	Frequency	Percent	Valid Percent	Cumulative Percent
--	-----------	---------	---------------	--------------------

Valid	Beverages	26	15.1	15.2	15.2
	Agriculture	34	19.8	19.9	35.1
	Paper and Packaging	20	11.6	11.7	46.8
	Building and Associated	19	11.0	11.1	57.9
	Pharmaceuticals and Chemicals	16	9.3	9.4	67.3
	Industry Holding	29	16.9	17.0	84.2
	Food Processing	27	15.7	15.8	100.0
	Total	171	99.4	100.0	
Missing	System	1	.6		
Total		172	100.0		

#### APPENDIX B4: STRATEGIC PLANS

##### Q10: How long do you take to come up with strategic plan?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Under 1 month	24	14.0	14.0	14.0
	1-< 6 months	95	55.2	55.6	69.6
	6-12 months	32	18.6	18.7	88.3
	Over 1 year	20	11.6	11.7	100.0
	Total	171	99.4	100.0	
Missing	System	1	.6		
Total		172	100.0		

##### Q11: What is the length of time covered by your strategic plan?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Up to 1 year	39	22.7	22.7	22.7
	Up to 18 months	20	11.6	11.6	34.3

Up to 2 years	25	14.5	14.5	48.8
Up to 3 years	16	9.3	9.3	58.1
Up to 4 years	7	4.1	4.1	62.2
Up to 5 years	48	27.9	27.9	90.1
Above 5 years	17	9.9	9.9	100.0
Total	172	100.0	100.0	

**Q12: How often do you refer to your strategic plan?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid At least daily	10	5.8	5.8	5.8
At least once weekly	42	24.4	24.4	30.2
At least once monthly	93	54.1	54.1	84.3
At least once a year	24	14.0	14.0	98.3
Less often than once a year	2	1.2	1.2	99.4
Never	1	.6	.6	100.0
Total	172	100.0	100.0	

**Q10: How long do you take to come up with strategic plan?**

	Observed N	Expected N	Residual
Under 1 month	24	42.8	-18.8
1-< 6 months	95	42.8	52.3
6-12 months	32	42.8	-10.8
Over 1year	20	42.8	-22.8
Total	171		

**Q11: What is the length of time covered by your strategic plan?**

	Observed N	Expected N	Residual
Up to 1 year	39	24.6	14.4
Up to 18 months	20	24.6	-4.6

Up to 2 years	25	24.6	.4
Up to 3 years	16	24.6	-8.6
Up to 4 years	7	24.6	-17.6
Up to 5 years	48	24.6	23.4
Above 5 years	17	24.6	-7.6
Total	172		

**Q12: How often do you refer to your strategic plan?**

	Observed N	Expected N	Residual
At least daily	10	28.7	-18.7
At least once weekly	42	28.7	13.3
At least once monthly	93	28.7	64.3
At least once a year	24	28.7	-4.7
Less often than once a year	2	28.7	-26.7
Never	1	28.7	-27.7
Total	172		

**Test Statistics**

	Q10: How long do you take to come up with strategic plan?	Q11: What is the length of time covered by your strategic plan?	Q12: How often do you refer to your strategic plan?
Chi-Square	86.895 <sup>a</sup>	49.558 <sup>b</sup>	215.000 <sup>c</sup>
df	3	6	5
Asymp. Sig.	.000	.000	.000

## APPENDIX B5: PEU vs. INFORMATION SOURCES

- The effect of PEU on scanning personal and impersonal sources of information.  
PEU vs. Q24

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
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1	.397 <sup>a</sup>	.158	.153	.88754	1.570
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a. Predictors: (Constant), PEU\_by\_sector

b. Dependent Variable: Composite q24 all

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.745	1	24.745	31.412	.000 <sup>a</sup>
	Residual	132.339	168	.788		
	Total	157.084	169			

a. Predictors: (Constant), PEU\_by\_sector

b. Dependent Variable: Composite q24 all

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.878	.203		14.156	.000		
	PEU_by_sector	.076	.014	.397	5.605	.000	1.000	1.000

a. Dependent Variable: Composite q24 all

## APPENDIX B6: PSU vs. SCANNING

### 2. The relationship between PSU and frequency of scanning information sources.

#### PSU vs. Frequency of scanning

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.358 <sup>a</sup>	.128	.123	.90378	1.520

a. Predictors: (Constant), PSU\_by\_sector

b. Dependent Variable: Composite q24 all

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.087	1	20.087	24.592	.000 <sup>a</sup>

Residual	136.410	167	.817		
Total	156.497	168			

a. Predictors: (Constant), PSU\_by\_sector

b. Dependent Variable: Composite q24 all

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	2.799	.243		11.495	.000		
PSU_by_sector	.038	.008	.358	4.959	.000	1.000	1.000

a. Dependent Variable: Composite q24 all

**Correlations**

		Composite q24 all	PSU_by_sector
Composite q24 all	Pearson Correlation	1	.358**
	Sig. (2-tailed)		.000
	N	170	169
PSU_by_sector	Pearson Correlation	.358**	1
	Sig. (2-tailed)	.000	
	N	169	170

\*\*. Correlation is significant at the 0.01 level (2-tailed).

### 3. The impact of PSU on perceived accessibility of personal and impersonal sources of information.

#### PSU vs. Q25(ACC)

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.131 <sup>a</sup>	.017	.011	.94698	2.086

a. Predictors: (Constant), PSU\_by\_sector

b. Dependent Variable: ACC

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.632	1	2.632	2.935	.089 <sup>a</sup>
	Residual	150.657	168	.897		
	Total	153.289	169			

a. Predictors: (Constant), PSU\_by\_sector

b. Dependent Variable: ACC

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.663	.254		10.469	.000		
	PSU_by_sector	.014	.008	.131	1.713	.089	1.000	1.000

a. Dependent Variable: ACC

Not a significant effect/relationship

## **APPENDIX B7: FSIZE vs. INFORMATION SOURCES**

4. The relationship between firm size and use of information sources for ES.  
Q6 vs. Q24

**Correlations**

			Q6: Number of employees in your organisation;	Composite q24 all
Spearman's rho	Q6: Number of employees in your organisation;	Correlation Coefficient	1.000	.149
		Sig. (2-tailed)	.	.052
		N	172	170
	Composite q24 all	Correlation Coefficient	.149	1.000
		Sig. (2-tailed)	.052	.
		N	170	170



No sig relationship. I use Spearman's correlation because these variables are at least ordinal

## APPENDIX B8: INDUSTRY-SECTOR vs. INFORMATION SOURCES

5. The relationship between industry-sector and use of information sources for ES.  
Q9 vs. Q24

### Descriptive Statistics

Dependent Variable: Composite q24 all

Q9: Which industry-sector does your organisation belong to?	Mean	Std. Deviation	N
Beverages	3.8387	.72050	26
Agriculture	3.7516	.88798	34
Paper and Packaging	3.2851	1.10771	19
Building and Associated	4.6294	.79028	19
Pharmaceuticals and Chemicals	3.6931	.98834	16
Industry Holding	4.4777	.83614	28
Food Processing	3.9806	.87613	27
Total	3.9626	.95586	169

### ANOVA

Composite q24 all

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	27.681	6	4.614	5.940	.000
Within Groups	125.814	162	.777		
Total	153.495	168			

## APPENDIX B9: PEU vs. SP FORMALITY

6. The relationship between PEU and formality of SP.  
PEU vs. Q15.6

**Correlations**

		PEU_by_sector	Q15.6: The bulk of our strategic planning procedures are not written down
PEU_by_sector	Pearson Correlation	1	-.026
	Sig. (2-tailed)		.739
	N	171	167
Q15.6: The bulk of our strategic planning procedures are not written down	Pearson Correlation	-.026	1
	Sig. (2-tailed)	.739	
	N	167	168

No significant relationship exists

## APPENDIX B10: ES vs. INDEPENDENT VARIABLES

7. The impact of the following on environmental scanning (Question 14.3);
- Firm size (FSIZE)

**Tests of Between-Subjects Effects**

Dependent Variable: Q14.3: Assessing the firm's external environment

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	7.685 <sup>a</sup>	5	1.537	.386	.858
Intercept	6426.124	1	6426.124	1615.523	.000
No_Employees	7.685	5	1.537	.386	.858
Error	656.327	165	3.978		
Total	11817.000	171			
Corrected Total	664.012	170			

### Tests of Between-Subjects Effects

Dependent Variable: Q14.3: Assessing the firm's external environment

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	7.685 <sup>a</sup>	5	1.537	.386	.858
Intercept	6426.124	1	6426.124	1615.523	.000
No_Employees	7.685	5	1.537	.386	.858
Error	656.327	165	3.978		
Total	11817.000	171			
Corrected Total	664.012	170			

a. R Squared = .012 (Adjusted R Squared = -.018)

No sig effect

- Structural complexity (STRUC)

### Descriptive Statistics

Dependent Variable: Q14.3: Assessing the firm's external environment

Q8: How many lines of business do you have ?	Mean	Std. Deviation	N
1-3	7.93	1.942	104
4-7	7.74	2.321	38
Above 7	9.00	1.247	28
Total	8.06	1.977	170

### Tests of Between-Subjects Effects

Dependent Variable: Q14.3: Assessing the firm's external environment

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	30.391 <sup>a</sup>	2	15.195	4.029	.020
Intercept	8494.410	1	8494.410	2252.060	.000
Line_business	30.391	2	15.195	4.029	.020
Error	629.897	167	3.772		
Total	11717.000	170			
Corrected Total	660.288	169			

a. R Squared = .046 (Adjusted R Squared = .035)

### Parameter Estimates

Dependent Variable: Q14.3: Assessing the firm's external environment

Parameter	B	Std. Error	t	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Intercept	9.000	.367	24.521	.000	8.275	9.725
[Line_business=1]	-1.067	.413	-2.581	.011	-1.884	-.251
[Line_business=2]	-1.263	.484	-2.611	.010	-2.218	-.308
[Line_business=3]	0 <sup>a</sup>	.	.	.	.	.

a. This parameter is set to zero because it is redundant.

- Industry sector (INDSE)

### Tests of Between-Subjects Effects

Dependent Variable: Q14.3: Assessing the firm's external environment

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	19.208 <sup>a</sup>	6	3.201	.831	.548
Intercept	10510.672	1	10510.672	2727.690	.000
Industry	19.208	6	3.201	.831	.548
Error	628.092	163	3.853		
Total	11801.000	170			
Corrected Total	647.300	169			

a. R Squared = .030 (Adjusted R Squared = -.006)

No sig effect

- SPI

### Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.863 <sup>a</sup>	.744	.743	1.003	2.134

a. Predictors: (Constant), SPI

b. Dependent Variable: Q14.3: Assessing the firm's external environment

### ANOVA<sup>b</sup>

Model	Sum of Squares	df	Mean Square	F	Sig.
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1	Regression	494.097	1	494.097	491.437	.000 <sup>a</sup>
	Residual	169.915	169	1.005		
	Total	664.012	170			

a. Predictors: (Constant), SPI

b. Dependent Variable: Q14.3: Assessing the firm's external environment

Coefficients <sup>a</sup>								
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.311	.359		.867	.387		
	SPI	.950	.043	.863	22.168	.000	1.000	1.000

a. Dependent Variable: Q14.3: Assessing the firm's external environment

Clearly this is a very important predictor....

## APPENDIX B11: FORMALITY OF SP

- Formality of SP (Q 15.6)

- 

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.069 <sup>a</sup>	.005	-.001	1.990	1.983

a. Predictors: (Constant), Q15.6: The bulk of our strategic planning procedures are not written down

b. Dependent Variable: Q14.3: Assessing the firm's external environment

ANOVA <sup>b</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.161	1	3.161	.798	.373 <sup>a</sup>
	Residual	653.665	165	3.962		
	Total	656.826	166			

a. Predictors: (Constant), Q15.6: The bulk of our strategic planning procedures are not written down

b. Dependent Variable: Q14.3: Assessing the firm's external environment

Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics
		B	Std. Error	Beta			Tolerance
1	(Constant)	8.316	.302		27.526	.000	
	Q15.6: The bulk of our strategic planning procedures are not written down	-.089	.100	-.069	-.893	.373	1.000

a. Dependent Variable: Q14.3: Assessing the firm's external environment

- 

Not a sig predictor

- Performance (PERF)

- 

Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.336 <sup>a</sup>	.113	.108	1.867	2.094

a. Predictors: (Constant), PERF\_INT

b. Dependent Variable: Q14.3: Assessing the firm's external environment

- 

- 

ANOVA<sup>b</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	75.134	1	75.134	21.563	.000 <sup>a</sup>
	Residual	588.877	169	3.484		
	Total	664.012	170			

a. Predictors: (Constant), PERF\_INT

b. Dependent Variable: Q14.3: Assessing the firm's external environment

- 

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Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	4.763	.728		6.547	.000		
PERF_INT	.823	.177	.336	4.644	.000	1.000	1.000

a. Dependent Variable: Q14.3: Assessing the firm's external environment

Sig predictor

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.208 <sup>a</sup>	.043	.038	1.939	1.955

a. Predictors: (Constant), PERF\_T

b. Dependent Variable: Q14.3: Assessing the firm's external environment

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28.845	1	28.845	7.675	.006 <sup>a</sup>
	Residual	635.166	169	3.758		
	Total	664.012	170			

a. Predictors: (Constant), PERF\_T

b. Dependent Variable: Q14.3: Assessing the firm's external environment

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	6.317	.652		9.686	.000		
PERF_T	.489	.177	.208	2.770	.006	1.000	1.000

a. Dependent Variable: Q14.3: Assessing the firm's external environment

Sig predictor

## APPENDIX B12: LOINV vs. INDEPENDENT VARIABLES

### 1. The impact of structural complexity on level of involvement.

#### STRUC (Q8) vs. LOINV (Q13)

#### Descriptive Statistics

Dependent Variable:LOINV

Q8: How many lines of business do you have ?	Mean	Std. Deviation	N
1-3	3.6694	.75150	105
4-7	3.8120	.60162	38
Above 7	4.0969	.49951	28
Total	3.7711	.69868	171

#### Tests of Between-Subjects Effects

Dependent Variable:LOINV

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	4.123 <sup>a</sup>	2	2.061	4.391	.014
Intercept	1873.530	1	1873.530	3991.144	.000
Line_business	4.123	2	2.061	4.391	.014
Error	78.863	168	.469		
Total	2514.803	171			
Corrected Total	82.986	170			

a. R Squared = .050 (Adjusted R Squared = .038)

#### Parameter Estimates

Dependent Variable:LOINV

Parameter	B	Std. Error	t	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Intercept	4.097	.129	31.641	.000	3.841	4.353
[Line_business=1]	-.428	.146	-2.934	.004	-.715	-.140
[Line_business=2]	-.285	.171	-1.670	.097	-.622	.052



[Line_business=3]	0 <sup>a</sup>	.	.	.	.
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a. This parameter is set to zero because it is redundant.

2. The impact of firm size on level of involvement.  
FSIZE (Q6) vs. LOINV (Q13)

#### Descriptive Statistics

Dependent Variable:LOINV

Q6: Number of employees in your organisation;	Mean	Std. Deviation	N
1-5	3.5578	1.02969	7
6-30	3.9193	.68759	23
31-50	3.3361	.77582	17
51-75	3.9603	.49923	18
76-250	3.7714	.66624	25
Above 250	3.8026	.67771	82
Total	3.7741	.69774	172

#### Tests of Between-Subjects Effects

Dependent Variable:LOINV

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	4.764 <sup>a</sup>	5	.953	2.015	.079
Intercept	1415.125	1	1415.125	2993.058	.000
No_Employees	4.764	5	.953	2.015	.079
Error	78.485	166	.473		
Total	2533.170	172			
Corrected Total	83.249	171			

a. R Squared = .057 (Adjusted R Squared = .029)

3. Are there any significant differences in performance when self assessed financial indicators or when perceptions on the level of satisfaction measures are used?  
When PERF is measured using Q19 or Q20

A paired samples t-test is applied to test for sig differences between these two score.

### Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	PERF_INT	4.0221	172	.80596	.06145
	PERF_T	3.5962	172	.83939	.06400

### Paired Samples Test

	Paired Differences					t	df	Sig. (2-tailed)
		Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 PERF_INT - PERF_T	.42589	.94927	.07238	.28301	.56876	5.884	171	.000

There is a sig difference between them...  $t(171) = 5.884, p < .0005$ . As you can see, PERF\_INT is sig greater than PERF\_T

### APPENDIX B13: PEU vs. CIA

#### Correlations

		PEU_customer	CIA_cust
PEU_customer	Pearson Correlation	1	.396**
	Sig. (2-tailed)		.000
	N	169	165
CIA_cust	Pearson Correlation	.396**	1
	Sig. (2-tailed)	.000	
	N	165	166

\*\* . Correlation is significant at the 0.01 level (2-tailed).

#### Correlations

		PEU_comp	CIA_comp
PEU_comp	Pearson Correlation	1	.514**
	Sig. (2-tailed)		.000
	N	166	162
CIA_comp	Pearson Correlation	.514**	1

Sig. (2-tailed)	.000	
N	162	166

\*\* . Correlation is significant at the 0.01 level (2-tailed).

#### Correlations

		PEU_tech	CIA_tech
PEU_tech	Pearson Correlation	1	.416**
	Sig. (2-tailed)		.000
	N	168	164
CIA_tech	Pearson Correlation	.416**	1
	Sig. (2-tailed)	.000	
	N	164	167

\*\* . Correlation is significant at the 0.01 level (2-tailed).

#### Correlations

		PEU_reg	CIA_reg
PEU_reg	Pearson Correlation	1	.261**
	Sig. (2-tailed)		.001
	N	166	163
CIA_reg	Pearson Correlation	.261**	1
	Sig. (2-tailed)	.001	
	N	163	167

\*\* . Correlation is significant at the 0.01 level (2-tailed).

#### Correlations

		PEU_econ	CIA_econ
PEU_econ	Pearson Correlation	1	.359**
	Sig. (2-tailed)		.000
	N	170	165
CIA_econ	Pearson Correlation	.359**	1
	Sig. (2-tailed)	.000	
	N	165	166

\*\* . Correlation is significant at the 0.01 level (2-tailed).

#### Correlations

		PEU_soc	CIA_soc
PEU_soc	Pearson Correlation	1	.403**
	Sig. (2-tailed)		.000
	N	168	166
CIA_soc	Pearson Correlation	.403**	1
	Sig. (2-tailed)	.000	
	N	166	169

\*\* . Correlation is significant at the 0.01 level (2-tailed).

## APPENDIX B14: SPI vs. PERF\_INT

Equation 3 – Performance – real accounting measures

VARIABLES	(1) Perf_real	(2) Perf_real
COMPX	0.240** (0.0993)	0.218* (0.123)
CHNGE	0.00759 (0.107)	0.0179 (0.119)
Managerial Beliefs	0.998* (0.553)	0.793 (0.594)
Managerial Expertise	0.609 (0.375)	0.949** (0.418)
6-30 employees	-1.526 (1.458)	-3.255 (2.495)
31-50 employees	-4.043** (1.902)	-5.440** (2.709)
51-75 employees	-4.092** (1.748)	-6.502** (2.826)
76-250 employees	-4.438** (1.749)	-5.322* (2.890)
Above 250 employee	-6.676*** (1.548)	-7.834*** (2.577)
LOINV	-0.0325 (0.0761)	-0.00475 (0.0840)
4-7 lines	2.369** (1.148)	1.792 (1.133)
Above 7 lines	1.920 (1.265)	2.284* (1.259)
Agriculture	-0.352 (1.422)	0.0645 (1.723)
Paper and Packag	2.634* (1.443)	2.542* (1.511)

Building and Ass	0.993 (1.467)	0.726 (1.515)
Pharmaceuticals	0.0575 (1.319)	0.536 (1.393)
Industrial Hold	-1.229 (1.459)	-1.480 (1.562)
Food Processing	3.187** (1.308)	2.960** (1.437)
Male		-0.713 (1.038)
30-39 years		0.200 (1.388)
40-50 years		1.187 (1.810)
51-65 years		3.623 (2.426)
Above 65 years		8.936** (4.382)
Ordinary Level		2.008 (3.700)
Advanced Level		1.471 (2.153)
Diploma		3.056 (2.187)
Degree		0.395 (2.066)
Post graduate		5.662** (2.767)
2- ≤ 5 years		2.043 (1.662)
5- ≤ 10 years		2.482 (1.710)
10- 20 years		0.643 (1.865)
Above 20 years		-0.773 (2.486)
General Manager		-2.750 (2.119)
Division/ Section		-1.078 (1.261)
Product/Project		-1.365 (1.542)
Junior Manager		0.0884 (1.214)
Other		-3.729* (1.928)
11- 20 years		0.347 (1.959)
21- 30		0.521 (2.186)

31-40		0.971 (2.070)
41- 50		-3.794 (2.868)
Above 50 years		-0.938 (1.984)
Constant	17.10*** (3.515)	14.80*** (4.851)
Observations	165	165
R-squared	0.251	0.394

Robust standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Table 8.1: Regression Analysis – Equation 1

VARIABLES		SPI (I)	SPI (II)
Environmental Complexity		0.294 (0.208)	0.181 (0.239)
Environmental Change		0.0882 (0.197)	0.0319 (0.231)
Managerial Beliefs		5.667*** (1.452)	5.173*** (1.354)
Managerial Expertise		1.195 (0.945)	1.800 (1.087)
Firm size	6-30 employees	-1.808 (4.330)	-10.66 (7.012)
	31-50 employees	-8.033 (5.335)	-16.50** (7.817)
	51-75 employees	-7.159 (4.726)	-17.43** (7.448)
	76-250 employees	-5.989 (5.004)	-12.54* (7.554)
	Above 250 employees	-5.903 (4.374)	-16.21** (6.892)
Level of Involvement		0.534** (0.239)	0.637** (0.244)
Structural Complexity	4-7 lines of business	-0.525 (2.489)	-0.118 (2.485)
	Above 7 lines	4.319*** (1.655)	5.212*** (1.958)
	Agriculture	-0.936 (2.843)	-3.221 (3.269)
	Paper and Packaging	0.151	-1.930

		(3.323)	(3.392)
Sector	Building and Associated	0.0652	-0.108
		(2.668)	(3.376)
	Pharmaceuticals and Chemicals	1.303	1.935
		(3.797)	(3.763)
	Industrial Holdings	-3.097	-3.611
		(3.262)	(3.444)
	Food Processing	-1.313	-3.368
		(2.864)	(2.995)
Male			1.514
			(2.040)
30-39 years			-3.192
			(2.655)
40-50 years			-4.449
			(3.320)
51-65 years			1.959
			(5.349)
Above 65 years			3.086
			(10.13)
Ordinary Level			4.728
			(7.392)
Advanced Level			4.142
			(6.007)
Diploma			8.102
			(6.111)
Degree			3.800
			(6.209)
Post graduate			6.129
			(7.769)
2- ≤ 5 years			-6.625*
			(3.806)
5 years - ≤ 10years			-5.219
			(4.163)
10 -20years			-5.771
			(4.324)
Above 20 years			-2.353
			(4.629)
General Manager			4.464
			(4.659)
Division/ Section/ Dept. Head			0.710
			(3.107)
Product/ Project/Distribution Mgrs			4.969
			(3.418)
Junior Manager			3.239
			(3.414)
Other			3.315
			(3.484)
11-20 years			0.627
			(3.938)
21-30 years			8.747**

		(4.229)
31-40 years		2.185
		(4.254)
41-50		-6.133
		(7.664)
Above 50 years		4.790
		(4.088)
Constant	10.80	17.16
	(8.428)	(11.81)
<hr/>		
Observations	165	165
R-squared	0.386	0.491
<hr/>		

Robust standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

## APPENDIX B15: SPI vs. PERF\_OLS

### 6.2 The impact of the independent variables on Firm Performance

Table 8.3: Regression Equation 3 – individual components – OLS

VARIABLES	(1) Perf_beliefs	(2) Perf_beliefs
COMPX	0.133 (0.0978)	0.0660 (0.104)
CHNGE	0.0366 (0.119)	0.0795 (0.116)
BELIFS	1.779*** (0.629)	1.212** (0.507)
EXPERT	0.502* (0.300)	0.779** (0.377)
6-30 employees	-2.227 (2.041)	-5.147** (2.570)
31-50 employees	-0.167 (2.072)	-1.231 (2.675)
51-75 employees	-1.997 (1.789)	-5.330** (2.382)
76-250 employees	-3.009* (1.729)	-4.851** (2.370)
Above 250 employee	-2.461 (1.715)	-4.548* (2.395)
LOINV	-0.00490 (0.0753)	0.0562 (0.0792)



4-7 lines	-0.0824 (0.935)	-0.483 (0.821)
Above 7 lines	1.732 (1.052)	2.350* (1.272)
Agriculture	-1.949 (1.314)	-1.293 (1.444)
Paper and packaging	-0.202 (1.554)	-1.791 (1.892)
Building and associat	-1.162 (1.392)	0.143 (1.509)
Pharmaceuticals	-1.651 (1.660)	-1.441 (1.796)
Industrial Holdings	-3.438*** (1.240)	-3.244** (1.392)
Food Processing	-1.877 (1.402)	-2.206* (1.262)
Male		-0.561 (0.793)
30-39 years		0.329 (1.320)
40-50 years		2.430 (1.550)
51-65 years		4.571* (2.651)
Above 65 years		3.099 (3.573)
Ordinary Level		0.739 (2.365)
Advanced Level		-0.798 (1.771)
Diploma		0.408 (1.838)
Degree		-1.827 (2.106)
Post graduate		1.951 (2.154)
2 years- ≤ 5 years		-4.954*** (1.780)
5 years - ≤ 10 years		-4.105** (1.712)
10 – 20 years		-5.176*** (1.660)
Above 20 years		-5.569** (2.143)
General Manager		-3.960** (1.675)
Division/Section/Dep		-2.238* (1.322)
Product/ Project/ Dist		-2.033 (1.539)

Junior Manager		-2.301**
		(1.153)
Other		-2.417*
		(1.435)
11- 20 years		0.838
		(1.216)
21-30 years		0.560
		(1.884)
31- 40 years		-0.918
		(1.345)
41- 50 years		-2.788
		(1.951)
Above 50 years		0.394
		(1.329)
Constant	16.49***	24.68***
	(3.266)	(4.241)
Observations	165	165
R-squared	0.271	0.449

---

Robust standard errors in parentheses  
\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

## APPENDIX B16: SPI vs. INDEPENDENT VARIABLES

Table 8.5: The impact of the Independent variables on the SP informality

VARIABLES	(1) Agreement_6	(2) Agreement_6
Complexity	0.0239 (0.0321)	0.0412 (0.0338)
Change	0.0136 (0.0364)	0.0119 (0.0355)
Beliefs	-0.485*** (0.138)	-0.629*** (0.155)
Expertise	0.0244 (0.120)	0.0153 (0.129)
6-30 employees	-0.431 (0.897)	0.826 (0.679)
31-50 employees	0.252 (0.915)	2.090*** (0.783)
51-75 employees	-0.0404 (0.933)	1.255 (0.771)
76-250 employees	-0.0628 (0.902)	1.036 (0.755)
Above 250 employee	-0.158 (0.861)	1.412* (0.742)

Level of Involvement	0.0169 (0.0268)	0.00978 (0.0272)
4-7 lines of business	-0.262 (0.279)	-0.281 (0.263)
Above 7 lines	0.0925 (0.364)	0.138 (0.390)
Agriculture	-0.560 (0.412)	-0.221 (0.447)
Paper and Packaging	-0.282 (0.457)	-0.440 (0.503)
Building and Associa	-0.979* (0.504)	-0.911* (0.545)
Pharmaceuticals and	-0.572 (0.575)	-0.327 (0.510)
Industrial Holdings	-0.905** (0.416)	-0.973** (0.456)
Food Processing	-0.370 (0.453)	-0.506 (0.484)
Gender- Male		0.542* (0.288)
30-39 years		-0.330 (0.404)
40-50 years		0.610 (0.535)
51-65 years		-0.0744 (0.896)
Above 65 years		-3.597*** (1.325)
O' Level		-1.175* (0.694)
A' Level		-2.536*** (0.537)
Diploma		-2.300*** (0.521)
Degree		-2.423*** (0.564)
Postgraduate		-2.529*** (0.676)
Below 2 years		0.107 (0.650)
2 -≤5 years		-0.110 (0.664)
5-≤10 years		-0.507 (0.668)
10-20 years		-1.088 (0.908)
Above 20 years		-1.400 (1.045)
General Manager		-1.151* (0.611)

Divisional Head		-1.361*** (0.487)
Product Manager		-1.844*** (0.556)
Junior Manager		-1.164** (0.480)
Other Positions		-1.355** (0.625)
11-20 years		0.606 (0.499)
21-30 years		0.233 (0.679)
31-40 years		0.582 (0.536)
41-50 years		1.419* (0.806)
Above 50 years		0.0564 (0.490)
Constant	4.078*** (1.212)	6.180*** (1.412)
Observations	164	164
R-squared	0.118	0.349

Robust standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

## APPENDIX B17: SPI vs. FORMALITY

Table 8.6: The impact of SP informality on SPI

VARIABLES	(1) SPI
SP Informality	-1.110* (0.596)
Constant	60.12*** (1.689)
Observations	168
R-squared	0.019

Robust standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1